

## NEW JERSEY STATE LOTTERY COMMISSION

### PUBLIC MEETING, AUGUST 28, 2014

Chairman Tucci called the Commission meeting into session at 10:00 AM in the Lottery Office located at One Lawrence Park Complex, Lawrenceville, New Jersey.

#### COMMISSION MEMBERS PRESENT

Thomas Tucci, Chairman  
Frank Ragazzo, Vice Chairman  
Al Alvarez, Commissioner (by phone)  
Robert Slater, Commissioner (by phone)  
Patrick Toscano, Commissioner  
Roger Cohen, Treasurer Designee

Carole Hedinger, Executive Director  
John Custodio, Deputy Executive Director  
Marc Krefetz, Deputy Attorney General  
Christopher Howard, Governor's Authority Unit

#### VISITORS

Russ Knapp, Northstar  
Bill Murray, Northstar  
Sarah Brennan, Northstar  
Foster Krupa, Northstar  
John Leonardi, Brushfire  
Bryce Rudolph, Ferrara  
Michelle Agaccio, Ferrara

#### STAFF

Regina Arcuri  
Duane Daniels  
Judy Drucker  
Janice Eckstein  
Karen Kokoll  
Jean Lin  
Frances Lioudis  
Dolores Matos  
Richard Pagnani  
Steven Palmieri  
Deborah Raub  
Mary Ann Rivell  
Margaret Square  
John White

After the Pledge of Allegiance, Chairman Tucci announced that the Lottery was in compliance with the provisions of the Open Public Meetings Act, and that adequate notice of the meeting had been provided in the manner prescribed by law.

Chairman Tucci welcomed Commissioner Toscano and thanked former Commissioner Kazmir for his years of service.

Chairman Tucci requested a motion to approve the minutes of the July 17, 2014 Commission Meeting. Commissioner Slater made the motion, which was seconded by Commissioner Alvarez. Chairman Tucci asked if there were any comments and there being none the motion carried.

Chairman Tucci requested a motion to approve the minutes of the August 7, 2014 Special Commission Meeting. Commissioner Slater made the motion, which was seconded by Treasurer Designee Roger Cohen. Chairman Tucci asked if there were any comments and there being none the motion carried.

#### DIRECTOR'S REPORT

Executive Director Hedinger stated that the sales for July are higher than the prior July totaling over \$232 million.

Executive Director Hedinger reported that instant ticket sales have shown a major amount of growth.

Executive Director Hedinger noted that the monthly figures are unaudited figures. These transfers do not necessarily reflect true revenue.

Executive Director Hedinger noted that the receipts and deposits for the month of July were over \$191 million.

Executive Director Hedinger reported that there were 114 electronic fund transfer (EFT) failures that totaled over \$310 thousand.

Executive Director Hedinger noted that the Accounts Receivable Unit settled or closed 85% of EFT fails from June.

Executive Director Hedinger stated that the cumulative outstanding accounts receivable balance as of July was \$3.3 million.

Executive Director Hedinger reported that the balances in the unclaimed prize reserve accounts at the end of July are \$29.9 million.

Executive Director Hedinger stated the current balances in the annuity investment accounts total \$212.6 million.

Executive Director Hedinger noted that the S&P ratings have not changed since last month; however, Sun Life Assurance of Canada is now Delaware Life Insurance Company.

Executive Director Hedinger reported that the top three selling non-core instant games contributed 15% of total sales with \$19.9 million.

Executive Director Hedinger noted that core games made up approximately 39% of total instant sales with over \$50 million in sales.

Executive Director Hedinger reported that the "Win For Life" family of games contributed over 5.5% to that total with \$7.2 million in sales.

Executive Director Hedinger stated that five new games were introduced in July.

Executive Director Hedinger noted that instant advertising activity consisted of the "Scratch Happy" campaign that ran on cable television and in movie theaters during the month. This is the first year we have had advertising in movie theaters.

Executive Director Hedinger stated that "5X Money" Instant game was promoted at the Balloon Festival, Red Bull, Trenton Thunder and Somerset Patriots games.

Executive Director Hedinger reported that "Triple Diamonds", "Loteria", "Lucky Loot" and "\$500 Frenzy" were promoted online and with in-store POS.

Executive Director Hedinger stated the CASH4LIFE game has done extraordinarily well. Sales have reached 25 cents weekly per capita; which is more than double what we had anticipated for that game. We have had two second tier winners of \$1,000 a week for life. We've paid out more in prizes in comparison to what we are taking in but the prize expense is now leveling off and we'll see it at the 50% game that it is supposed to be. Having winners early in a new game launch is important because it lets people know the game is winnable.

Executive Director Hedinger noted that a draw game promotion for August will be a pilot program at twenty top selling Daily Game retailers to test a new promotion before rolling out network wide.

Executive Director Hedinger reported that there are many more promotions being proposed with the new contract that we were unable to do before.

Executive Director Hedinger stated that we have exceeded 115,000 likes on Facebook and that continues to grow each month.

Executive Director Hedinger reported that all drawings for the month of July were completed with no abnormalities.

Executive Director Hedinger stated that all pool closing were closed without problems.

Executive Director Hedinger stated that Media Relations had a very large press conference on July 24<sup>th</sup> in Ocean County for the \$20.1 million Pick-6 prize.

Executive Director Hedinger reported that we had a great number of press releases during the month.

Executive Director Hedinger stated that the Responsible Play staff worked with CCGNJ staff on planning and participating in the Responsible Gambling for the Future Working Group on July 30<sup>th</sup> in Atlantic City.

Executive Director Hedinger stated that the Responsible Play staff worked with the Council's Executive Director and the Northstar Director of Corporate Social Responsibility to finalize arrangements for a joint media event held in August for our annual "Not 18 Yet? No bet" Awareness Campaign.

Executive Director Hedinger reported that we regularly monitor any proposed Federal or State legislative activities for anything pertaining to us.

Executive Director Hedinger reported that there were a number of events that we took part in this month.

Executive Director Hedinger noted that there were many Speaker's Bureau Events held in July.

Executive Director Hedinger stated that there were 134 security investigations initiated in July.

Executive Director Hedinger noted there were 194 random field inspections conducted last month.

Executive Director Hedinger reported that the Licensing Unit received and processed 102 applications. There were 121 licenses issued.

Executive Director Hedinger stated that there are 7,201 licenses issued as of July 31, 2014.

Executive Director Hedinger noted that we collected a total of \$3,247.97 for the month of July through our efforts with the Division of Taxation.

Executive Director Hedinger noted that the Operations Unit has continued meeting with NEC to replace our telephone system in September.

Executive Director Hedinger reported that the network re-design project is moving forward.

Executive Director Hedinger stated that five employees were assigned to test pilot cloud email.

Executive Director Hedinger stated that we responded to 184 email requests and inquiries from VIP Club members. Our new website is being designed by Northstar and we should see more activity in the months ahead.

Executive Director Hedinger noted that the VIP Club increased its membership up to 275,382 active members.

Executive Director Hedinger stated that since inception of the Million Dollar Replay game on April 4, 2011, 110,505 people have registered for the VIP club. Over 107,000 have made one or more entries into the program.

Executive Director Hedinger reported that our website had over 4.8 million visits in July.

Executive Director Hedinger reported that the Validation Staff received and sorted over 3,700 claim forms and 269 walk-in claims during the month of July. They entered over 4,300 claims into the system and edited almost 5,000 claims. They paid 4,465 claims totaling over \$13 million. In addition, four retailer bonus check totaling \$32,000 were paid to Lottery Retailers.

Executive Director Hedinger noted that there were 22 social security matches between our files and various agencies for arrearages.

Executive Director Hedinger stated that 18 claims were processed and garnished because of current and previous matches that total more than \$17,000.00. Since inception in 1992, we have collected nearly \$7 million for child support and various set off programs.

Executive Director Hedinger noted that the Retailer/Call Center Services Unit handled almost 3,700 calls during the month of July. They made 472 outgoing calls to retailers. They handled 752 winner claim status calls during the month, with 166 of these calls answered at the front desk.

Executive Director Hedinger reported that the Warehouse unit did all their normal activities.

Executive Director Hedinger stated that our facilities unit had several preventive maintenance inspections and various repairs were made during the month.

Executive Director Hedinger stated that Northstar now has a total of 125 employees, with 92 in Sales, 18 in Marketing and 15 in other categories.

Executive Director Hedinger reported that the number of active retailers is 6,910; which is 532 more than we had on October 1, 2013 when Northstar began their operations.

Executive Director Hedinger noted that the Shared Use Agreement for the Trifactor Conveyor in the warehouse was submitted to us for review. It was agreed to and signed after legal review by our Deputy Attorney General. The machine is owned by Northstar and is used here. The Lottery trailer we own is used by Northstar through a Shared Use Agreement, as well.

Executive Director Hedinger stated that we had a meeting with the Treasurer's office and representatives from the Attorney General's Office to present papers on Monitor games and internet lottery sales for consideration.

Executive Director Hedinger stated that this concludes the Director's Report.

Chairman Tucci asked if there were any comments.

Treasurer's Designee Cohen asked about net sales increasing and state contribution decreasing and a discussion was held.

Chairman Tucci asked if the CASH4LIFE game has had a negative impact on other games and a discussion was held.

Commissioner Slater asked about revenue transfers and a discussion was held.

Chairman Tucci requested a motion to approve the Director's Report. Vice Chairman Ragazzo made the motion which was seconded by Commissioner Alvarez.

### **NEW BUSINESS**

Executive Director Hedinger certified that consideration for each game included, but was not limited to, intended target market, product family, seasonal factors, launch plans, overall market strategy, sales goals, prior experience, current market trends and market place demands.

Chairman Tucci requested a motion to approve the "Monopoly Millionaires' Club" game rules. Commissioner Toscano made the motion which was seconded by Vice Chairman Ragazzo. Chairman Tucci asked if there were any comments and there being none the motion carried.

Chairman Tucci requested a motion to approve the instant ticket game rules for "\$20,000 Payday." Vice Chairman Ragazzo made the motion which was seconded by Commissioner Toscano. Chairman Tucci asked if there were any comments and there being none the motion carried.

Chairman Tucci requested a motion to approve the instant ticket game rules for "Holiday Lucky Times 10." Commissioner Toscano made the motion which was seconded by Commissioner Alvarez. Chairman Tucci asked if there were any comments and there being none the motion carried.

Chairman Tucci requested a motion to approve the instant ticket game rules for "Candy Cane Crossword." Commissioner Toscano made the motion which was seconded by Vice Chairman Ragazzo. Chairman Tucci asked if there were any comments and there being none the motion carried.

Chairman Tucci requested a motion to approve the instant ticket game rules for "Holiday Magic." Vice Chairman Ragazzo made the motion which was seconded by Commissioner Toscano. Chairman Tucci asked if there were any comments and there being none the motion carried.

Chairman Tucci requested a motion to approve the instant ticket game rules for "Holiday Cash." Vice Chairman Ragazzo made the motion which was seconded by Commissioner Toscano. Chairman Tucci asked if there were any comments and there being none the motion carried.

Chairman Tucci requested a motion to approve the instant ticket game rules for "Holiday Gold." Commissioner Toscano made the motion which was seconded by Vice Chairman Ragazzo. Chairman Tucci asked if there were any comments and there being none the motion carried.

Chairman Tucci read a resolution from the New Jersey Lottery Commission to former Commissioner Kazmir thanking him for his years of service to the New Jersey Lottery and the State of New Jersey.

#### PUBLIC COMMENT

There was no public comment.

#### EXECUTIVE SESSION

There was no Executive Session.

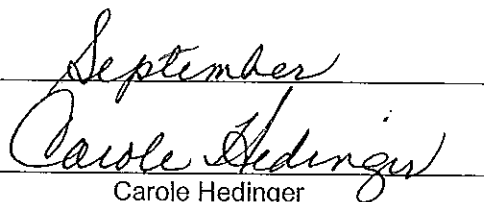
#### ADJOURNMENT

Chairman Tucci adjourned the meeting.

I HEREBY CERTIFY that the foregoing is a true and correct copy of the minutes of the New Jersey Lottery Commission meeting held on August 28, 2014.

IN WITNESS WHEREOF, I hereby set my hand on

the 18th day of September, 2014.

  
Carole Hedinger  
Executive Director