

## NEW JERSEY STATE LOTTERY COMMISSION

### PUBLIC MEETING, MARCH 20, 2014

Executive Director Carole Hedinger reported that due to Chairman Tucci being available by phone this month, as secretary of the board she would be conducting this meeting.

Executive Director Hedinger 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 (by phone)  
Al Alvarez, Commissioner  
Munr Kazmir, Commissioner (by phone)  
Robert Slater, Commissioner (by phone)  
Roger Cohen, Treasurer Designee  
  
Carole Hedinger, Executive Director  
John Custodio, Deputy Executive Director  
Roger Gibson, Deputy Attorney General  
Christopher Howard, Governor's Authority Unit

#### VISITORS

Sarah Brennan, Northstar  
Lou Cleary, Northstar  
Joan Mueller, Brushfire  
Foster Krupa, GTECH  
Connie Laverty, Northstar  
Gordon Medenica, Northstar  
Bill Murray, Northstar

#### STAFF

Regina Arcuri  
Denise Coleman  
Duane Daniels  
Judy Drucker  
Janice Eckstein  
Karen Kokoll  
Frances Lioudis  
Jean Lin  
Dolores Matos  
Richard Pagnani  
Debbie Raub  
Mary Ann Rivell  
Margaret Square

After the Pledge of Allegiance, Executive Director Hedinger 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.

Executive Director Hedinger requested a motion to approve the minutes of the February 20, 2014 Commission Meeting. Commissioner Kazmir made the motion, which was seconded by Commissioner Slater. Executive Director Hedinger asked if there were any comments and there being none the motion carried.

#### DIRECTOR'S REPORT

Executive Director Hedinger stated that ticket sales for the month of February totaled \$232.30 million.

Executive Director Hedinger noted that sales have increased for the month, and also for the year to date.

Executive Director Hedinger reported that the receipts and deposits for the month of February were over \$178 million.

Executive Director Hedinger stated that there were 163 Electronic Fund Transfer failures during the month of February that totaled over \$479 thousand. The Accounts Receivable Unit settled 85% of the prior month's failures. The Field Account Adjusters visited 247 retailers which resulted in 35 immediate collections. The Accounts Receivable balance as of the February 28, 2014 is \$3.2 million.

Executive Director Hedinger noted that the balances in the unclaimed prize reserve accounts are over \$18.2 million.

Executive Director Hedinger reported that the current balances in the annuity investment accounts total \$230.2 million.

Executive Director Hedinger noted that the three top non-core instant game sales during February were "\$150,000,000 Cash Spectacular", "2,000,000 Mega Cash" and "Silver/Gold/Platinum 7s." Core games made up about 41% of total instant sales with "Crossword", "Super Crossword" and "Quarter Million Crossword" contributing over \$23 million in sales. "Big Money Spectacular", "100,000,000 Spectacular", "Diamond Spectacular" and "Bingo" had over \$25 million in sales.

Executive Director Hedinger reported that the new "Win For Life" family of games contributed over \$8 million in sales for the month.

Executive Director Hedinger stated that we introduced three new instant games during February: "7-11-21", "Silver/Gold/Platinum 7s" and "\$2,000,000 Mega Cash".

Executive Director Hedinger reported that advertising supported the newest instant game "\$2,000,000 Mega Cash" which began on February 10<sup>th</sup> and ran through March 9<sup>th</sup>.

Executive Director Hedinger noted that the Super Sevens promotion that ended in February stimulated the Instant Match in a positive way, with an increase of 11% in sales compared to the prior month.

Executive Director Hedinger stated that during February the planning and development for the Pick 3 Green Ball promotion continued.

Executive Director Hedinger reported that we are planning on a new game, "Cash 4 Life" with an anticipated June launch.

Executive Director Hedinger noted that we have approximately 111,000 Lottery Facebook "likes" at the end of February.

Executive Director Hedinger stated that the biggest fan reaction to a Facebook post in February was for a "Winner Awareness" photo of a winner who won a total of over \$500,000 from two Jersey Cash 5 tickets.

Executive Director Hedinger reported that the most watched YouTube video for February was "Behind the Ball: Life of an Instant Ticket".

Executive Director Hedinger stated that all the drawings for February were completed according to procedures and with no abnormalities.

Executive Director Hedinger noted that the grand prize drawing for the "Million Dollar Replay" was held on February 14th.

Executive Director Hedinger stated that all pool closings were closed with no abnormalities.

Executive Director Hedinger reported that a press conference was held on March 4 along with the Council on Compulsive Gambling to promote problem gambling awareness.

Executive Director Hedinger noted that we are monitoring proposed Federal legislation that is attempting to ban all internet gambling.

Executive Director Hedinger stated that there were numerous Speaker's Bureau Events in February.

Executive Director Hedinger reported that there were 135 security investigations and 79 random field inspections during the month of February.

Executive Director Hedinger stated that the Licensing Unit received and processed 87 applications and 145 licenses were issued. At the end of February, there were over 6,900 licenses issued.

Executive Director Hedinger reported that we collected \$797.61 for the month of February through our efforts with the Division of Taxation.

Executive Director Hedinger reported that the Trifactor scanner is now operational which is the conveyor belt equipment that Northstar installed in our warehouse to process game end returns. She stated that next month we could set up a demonstration for the Commissioners so they can see how it works.

Executive Director Hedinger noted that the VIP Club increased its membership with 2,209 new registrations during the month of February and now has an enrollment of more than 272,000 active members.

Executive Director Hedinger reported that since the inception of the Million Dollar Replay game on April 2, 2011, more than 100,000 people have registered for the VIP Club. Of those registrants, over 96,000 have made one or more entries into the program.

Executive Director Hedinger stated that we have recorded over 19 million entries into the Million Dollar Replay program since it started which is extremely popular among our players.

Executive Director Hedinger noted that according to the latest Webtrend statistics for the month of February, there were more than 4 million visitors to the NJ Lottery's website.

Executive Director Hedinger stated that the Validation Staff received and sorted more than 3,400 claim forms that were mailed in and 238 walk-in claims during the month of February. She noted that more than 3,500 claim forms were entered into the system and more than 3,900 were edited. The claims totaled over \$9.2 million.

Executive Director Hedinger reported that there were 15 Social Security number matches with various Departments for arrearages. Since inception in 1992, the New Jersey Lottery has collected more than \$6.7 million for various programs.

Executive Director Hedinger noted that the Retailer/Customer Call Center handled over 3,000 incoming calls during the month of February and made over 400 outgoing calls to congratulate Retailers on selling top prizes or assist with other questions.

Executive Director Hedinger reported that the Warehouse staff continued to process instant ticket returns from the November 2013 game end.

Executive Director Hedinger noted that all Warehouse staff have received classroom training for Forklift Certification and most received hands on training for operating the fork lift and pallet jack.

Executive Director Hedinger stated that all Warehouse staff were trained on the Trifactor Conveyor.

Executive Director Hedinger reported that the Warehouse coordinated various trips to Motor Pool with our vehicles. They accepted and made deliveries and processed requests from staff for various supplies.

Executive Director Hedinger noted that the facilities unit worked with Nexus to ensure that maintenance of the building was accomplished satisfactorily.

Executive Director Hedinger reported that Northstar has a total of 115 employees, of which 84 are in Sales.

Executive Director Hedinger stated that the total number of active retailers is over 6,600 which is up from 6,378 when Northstar began on October 1, 2013.

Executive Director Hedinger reported that Wawa installations continue with 145 in operation and the goal of having all 240 stores installed by March 31<sup>st</sup>.

Executive Director Hedinger noted that Northstar is creating a new RFP for an advertising agency, which should be issued in late March. She reported that the existing contract with Brushfire was assigned to Northstar in January and they extended that contract to June 30<sup>th</sup>.

Executive Director Hedinger stated that there have been several organizational changes announced at Northstar. She reported that Lou Donadio has been named Vice President of Sales and Wylie Dillard is the new Sales Director. She noted that Len Lorenz will continue as a consultant on the sales force automation project.

Executive Director Hedinger noted that Gordon Medenica, the transitional CEO and Managing Director of Northstar, will step down on March 31<sup>st</sup>. She stated that Russ Knapp, the current Chief Operating Officer, will become the new CEO.

Executive Director Hedinger reported that Northstar conducted two Retail Advisory Councils during the month of March.

Executive Director Hedinger noted that Northstar conducted a broad survey of the retailer base which has given management an effective snapshot of POS inventory to improve the retail experience for players.

Executive Director Hedinger reported that Northstar conducted a second quarterly sales rally on February 26<sup>th</sup> which was very well attended, informative, productive and enthusiastically received.

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

Executive Director Hedinger asked if there were any comments.

Commissioner Alvarez asked about the Anonymity Bill and a discussion was held.

Commissioner Alvarez stated that he was impressed with the Lottery's presence at the NJ Devil's arena and requested if it could be expanded to the Red Bulls soccer. A discussion was held.

Commissioner Slater congratulated Russ Knapp as CEO of Northstar and offered his appreciation to Gordon Medenica.

Commissioner Tucci asked where the New Jersey Lottery ranked nationally as far as sales. A discussion was held.

Executive Director Hedinger requested a motion to approve the Director's Report. Commissioner Alvarez made the motion which was seconded by Commissioner Kazmir.

### 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.

Executive Director Hedinger requested a motion to approve the instant ticket game rules for "\$500 Frenzy." Commissioner Kazmir made the motion which was seconded by Commissioner Alvarez. Executive Director Hedinger asked if there were any comments and there being none the motion carried.

Executive Director Hedinger requested a motion to approve the instant ticket game rules for "Loose Change." Commissioner Slater made the motion which was seconded by Commissioner Kazmir. Executive Director Hedinger asked if there were any comments and there being none the motion carried.

Executive Director Hedinger requested a motion to approve the instant ticket game rules for "Spicy 9s." Commissioner Kazmir made the motion which was seconded by Commissioner Alvarez. Executive Director Hedinger asked if there were any comments and there being none the motion carried.

Executive Director Hedinger discussed the development of a new draw based game named "Cash 4 Life", in which a player could win \$1,000 a day for life. She stated we may need a special Commission meeting to approve the game rules for "Cash 4 Life".

**PUBLIC COMMENT**

There was no public comment.

**EXECUTIVE SESSION**

There was no Executive Session.

**ADJOURNMENT**


Executive Director Hedinger asked for a motion to adjourn the meeting. Commissioner Kazmir made the motion which was seconded by Commissioner Alvarez. The motion carried.

Executive Director Hedinger 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 March 20, 2014.

IN WITNESS WHEREOF, I hereby set my hand on

the 17 day of April, 2014

  
Carole Hedinger  
Executive Director