

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING JANUARY 15, 2021 (RESCHEDULED FROM DECEMBER 17, 2020)

Chairman D'Anton called the Commission meeting into session at 10:00 a.m. in the Lottery Office located at One Lawrence Park Complex, Lawrenceville, New Jersey.

COMMISSION MEMBERS

Robert J. D'Anton, Chairman (by phone)
Marilyn Blazovsky, Vice Chair (by phone)
Ian K. Leonard, Commissioner (by phone)
Dini Ajmani, Treasurer's Designee (by phone)
Gary Terwilliger, Division of Investment Designee (by phone)

James A. Carey, Jr., Executive Director
Robert E. Kelly, Deputy Attorney General (by phone)
Roza Dabaghayn, Deputy Attorney General (by phone)
Rudy Rodas, Governor's Auth. Unit (by phone)

VISITORS (BY TELEPHONE)

Adam Perlow, Northstar
Erica Helms, Northstar
Foster Krupa, Northstar
Joe Cavallo, Northstar
Sam Fromkin, Northstar
Kristen Connelly, Northstar

STAFF (BY TELEPHONE)

Fran Edwards
Missy Gillespie
Jerry Guarino
Dean Ialacci
Shelina Islam
Robert Kersey
Marc Marseglia
Joe Oleszkiewicz
Steve Palmieri
Debbie Raub
Mary Ann Rivell
Ryan Schaffer
Don Smart
Margaret Square
John White

After the Pledge of Allegiance, Chairman D'Anton 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 D'Anton welcomed new Commissioner Ian K. Leonard to the Commission.

Chairman D'Anton requested a motion to approve the minutes of the November 19, 2020 Commission meeting. Vice Chair Blazovsky made the motion, which was seconded by Investment Designee Terwilliger. Chairman D'Anton asked if there were any comments and there being none, the motion carried.

Chairman D'Anton requested a motion to approve the Executive Session minutes of the November 19, 2020 Commission meeting. Investment Designee Terwilliger made the motion, which was seconded by Vice Chair Blazovsky. Chairman D'Anton asked if there were any comments and there being none, the motion carried.

DIRECTOR'S REPORT

Executive Director Carey stated that today's Commission meeting was rescheduled from December 17, 2020 due to inclement weather. Under the Lottery statute, we are obligated to provide a report each month to the Commissioners and the Legislature on the performance of the Lottery for the preceding month. Executive Director Carey stated that rather than combine the meeting scheduled for January 21, 2021 into a report for two separate months, the Lottery thought it was appropriate to have a clear record of November's activities.

Executive Director Carey reviewed the Lottery's November results and activities. Highlights were:

All games total sales were: \$272.5 million
Lotto games total sales were: \$31.5 million
Daily machine games total sales were: \$86.5 million
Scratch-Off Tickets total sales were: \$154.4 million

Executive Director Carey stated that Pick-6 had sales of \$4.8 million compared to \$4 million the prior year, which was an increase of 19.9%.

Executive Director Carey stated that CASH4LIFE had sales of \$4.6 million compared to \$4.5 million the prior year, which was an increase of 0.9%.

Executive Director Carey stated that Mega Millions had sales of \$11.2 million compared to \$14.7 million the prior year, which was a decrease of 23.7%. Mega Millions jackpots in November 2020 averaged \$170 million and in November 2019, they were \$177 million.

Executive Director Carey stated that Powerball had sales of \$10.8 million compared to \$9.5 million the prior year, which was an increase of 13%.

Executive Director Carey stated that Mega Millions and Powerball both had high jackpots. Both jackpots are the highest they have been since 2019 and 2018 when we had the record \$1.6 billion Mega Millions jackpot. FY19 was a great year for the New Jersey Lottery and last year's sales suffered in comparison.

Executive Director Carey stated that Pick-3 had sales of \$34.9 million compared to \$32.6 million the prior year, which was an increase of 7%.

Executive Director Carey stated that Pick-4 had sales of \$22.9 million compared to \$21.5 million the prior year, which was an increase of 6.7%.

Executive Director Carey stated that Jersey Cash 5 had sales of \$15.1 million compared to \$10.2 million the prior year, which was an increase of 47.9%.

Executive Director Carey stated that Cash Pop had sales of \$2.7 million compared to \$2.4 million the prior year.

Executive Director Carey stated that Quick Draw had sales of \$8.4 million compared to \$9.2 million the prior year, which was a decrease of 9.4%.

Executive Director Carey stated that New Jersey only games had sales of \$245.9 million compared to \$232 million the prior year, which was an increase of 5.9%.

Executive Director Carey stated that fiscal year to date total sales at the end of November were \$1.4 billion compared to \$1.3 billion the prior year, which was an increase of 6.8%.

Executive Director Carey stated that fiscal year to date Pick-3 had total sales of \$185.9 million compared to \$168.3 million the prior year, which was an increase of 10.4%.

Executive Director Carey stated that fiscal year to date Pick-4 had total sales of \$120.6 million compared to \$107.9 million the prior year, which was an increase of 11.8%.

Executive Director Carey stated that fiscal year to date Jersey Cash 5 had total sales of \$76 million compared to \$56.7 million the prior year, which was an increase of 34%.

Executive Director Carey stated that fiscal year to date Mega Millions had total sales of \$49.8 million compared to \$59.2 million the prior year, which was a decrease of 15.8%.

Executive Director Carey stated that fiscal year to date Powerball had total sales of \$48.6 million compared to \$49.6 million the prior year, which was a decrease of 1.9%.

Executive Director Carey stated that there are many factors that were happening in the fall that continued to have a negative impact on Powerball and Mega Millions sales. The jackpots in November averaged \$170 million for both games. Another major factor with Powerball and Mega Millions is that the starting jackpots for both games were reduced in the spring from \$40 million to \$20 million, so it takes a lot longer to get up to those high numbers. It takes two to four weeks to get back to the previous \$40 million starting jackpot point. We have been appropriately cautious in how we have promoted the jackpots. Lottery has sent out terminal messaging to the retailers reminding them that there might be excitement about these high jackpots and that they need to continue to be safe and promote social distancing. Since Governor Murphy took office in 2018, New Jersey has had an extraordinarily good run of Powerball and Mega Millions winners. We have had six in the State of New Jersey since 2018, which is exciting.

Executive Director Carey stated that fiscal year to date all games had total sales of \$1.42 billion compared to \$1.33 billion the prior year, which was an increase of 6.8%.

Executive Director Carey stated that the monthly Pension Fund L contribution was \$79.7 million compared to \$75 million the prior year, which was an increase of 6.2%.

Executive Director Carey stated that fiscal year to date the total contribution to the State was \$408.7 million compared to \$380.6 million the prior year, which was an increase of 7.4%.

Executive Director Carey stated that net proceeds for the fiscal year to date exceeded \$408 million or 28.7% of sales. Fiscal year profits from lotto games were \$55.3 million or 38.11% of sales. Fiscal year profits from daily games were \$171.9 million or 38.5% of sales. Fiscal year profits from Scratch-Offs were \$178.3 million or 21.4% of sales.

Executive Director Carey stated that total to date FY21 net proceeds also include 30% of the current estimated forfeited prizes or \$3.2 million.

Executive Director Carey stated that the top three selling non-core games for November were "\$3,000,000 Ultimate Riches," which generated \$10.2 million in sales, "\$1,000,000 Spectacular," which generated \$9.4 million in sales and "\$3,000,000 Mega Bucks," which generated \$9.1 million in sales.

Executive Director Carey stated that the top three selling Core and Family Games for November were the "Crossword" core games, which made up 18% of total sales, the "Riches" family of games, which made up 17% of total sales and the "Spectacular" family of games, which made up 11% of total sales.

Executive Director Carey stated that the four new games launched on November 2 were \$1 "Happy Holidays," \$2 "Happy Holidays," \$5 "Happy Holidays" and \$10 "\$1,000,000 Spectacular."

Executive Director Carey stated that in November we had advertising to support the Holiday family of Scratch-Off games.

Executive Director Carey reviewed high tier winning tickets sales throughout the state in November.

Executive Director Carey stated that sales of FAST PLAY are starting to follow the trend of increasing with jackpots. The odds of winning the jackpot are 300,000 to 1, which is the best odds for a six-figure jackpot.

Executive Director Carey stated that all drawings for November were completed with no abnormalities.

Executive Director Carey stated that all online game pools were closed according to procedures with no abnormalities. All Powerball and Mega Millions Drawings were verified and processed with no abnormalities. The Internal Control System (ICS) was processed for each drawing without any imbalances. All appropriate winning number information was broadcast correctly to all media contacts. All in-house staff received appropriate information via email.

Executive Director Carey stated that the Validations Department received and sorted 3,832 mailed claims during the month of November. There were 49 walk-in claims submitted to our front desk with appointments during the month. During the month of November there were 3,117 claims totaling \$10,640,247.33 that were paid to winners including annuity payments.

Executive Director Carey stated that it is beginning to take longer to pay claims again. Prior to the pandemic, it was taking three to four weeks to pay claims and it is currently taking five to six weeks. Players that submitted claims in December might see an additional delay because we stopped paying claims in mid-December to allow us to engage in IRS reporting requirements. Payment of claims has been difficult during the pandemic because we need to keep our employees safe without interrupting our operations. The payment of claims requires staff to be in the office. Many of our staff are working from home for safety purposes and that can delay payment of claims.

Executive Director Carey stated that the Retailer/Call Center handled 2,025 incoming calls during the month. The staff in the Call Center are also working from home. Lottery is working on creating some solutions to ensure calls are answered quicker and that they are not dropped.

Executive Director Carey stated that the Warehouse received 2,965 from UPS, FedEx and other special deliveries.

Executive Director Carey invited Adam Perlow, Vice President and Chief Operating Officer of Northstar, to provide an update on Northstar activities. Mr. Perlow stated that in November Northstar had some FAST PLAY advertising, which helped revive the FAST PLAY game. The positive sales numbers will continue to improve. Northstar also had Lottery retailer promotions all over the state but specifically at some of the new Walmart locations that opened up in October and November.

Chairman D'Anton asked Mr. Perlow to explain the uptick in sales of Pick-3 and Pick-4. Mr. Perlow responded that the increase can be attributed to the change of draw times from 7:57 p.m. to 10:57 p.m., which allows players more time to buy tickets. There has also been a nationwide increase in the games that players know best. In New Jersey, those are Scratch-Offs, Pick-3 and Pick-4. Northstar has also done some promotions. In September, Northstar had a Pick-3 and Pick-4 promotion around the Collect N Win program, which rewarded players with additional cash prizes. That will run in February, as well. When players buy a Pick-3 or Pick-4 ticket, they scan it with their phone on the Collect N Win app and they could win \$5, \$10 or \$50 in cash vouchers instantly. They also entered them into a monthly drawing for Collect N Win and our players have responded very well to those.

Chairman D'Anton asked if Mr. Perlow could provide data showing the impact of changing the draw times. Mr. Perlow responded that they have that information and he will send something to Executive Director Carey that he can share with the Commissioners that shows sales increasing in those evening hours quite substantially.

Chairman D'Anton asked why Pick-6 has not seen similar improvements. Mr. Perlow responded that we moved the draw time, but Pick-6 is really a jackpot driven game. In November, there was a good Pick-6 jackpot at \$4.8 million, but that amount was not high enough to drive sales.

Chairman D'Anton asked about self-service vending machines at the rest areas on the Turnpike and Garden State Parkway. Mr. Perlow responded that Northstar is working with the retailer on their accounting practices for tickets and they have had favorable indications that the retailer should be back up and running soon.

Vice Chair Blazovsky stated that she remembers from that Commission meeting that the Lottery or the Treasurer's Office was going to reach out to our counterparts that oversee the rest areas to see if there was any discussion we could have at the State level to facilitate the opening of those machines. Executive Director Carey responded that when Lottery was trying to work this out with Northstar it was decided not to trouble other agencies with it yet. The problem appears to be a technical and accounting issue. Accounting for Scratch-Off tickets is a complicated process and there are several different ways of doing it. The Lottery, Northstar, and most Lotteries, will work with larger retailers to create an appropriate solution that works within their accounting system.

Executive Director Carey welcomed Commissioner Leonard to the Lottery Commission.

Executive Director Carey stated that Lottery was also excited to welcome five new employees. Lottery posted these positions last winter and were conducting interviews in March until staff began working from home due to COVID-19. David Chan and Ellen O'Malley are working in Administration and Compliance.

William Barron and Lori Mauroff are working in Financial Reporting and Auditing. Timeka Jones is working in Communications and Testing. These were five core positions that Lottery needed to fill.

Executive Director Carey stated that on the afternoon of December 22, Lottery headquarters was forced to close due to a positive case of COVID-19. Drawings were immediately moved to the Business Continuity Site (BCS). The BCS is a facility that is set up to conduct Lottery operations if there was ever a major incident at Lottery headquarters. The BCS has back-up equipment to conduct drawings. The drawings were conducted on the evening of December 22 without incident. All on-line game pools were closed from the BCS with no abnormalities. The drawings were not broadcast on Lottery's Facebook or Livestream page because we do not have the formal studios that we have at Lottery headquarters. Lottery headquarters was cleaned that night. The building reopened the morning of December 23 and afternoon and evening drawings were conducted here on December 23

Executive Director Carey stated that it was an organization wide operation. He thanked Shelina Islam, Jaswant Kamboh, Jack Leo, Joe Oleszkiewicz, Bob Ptaszenski, Don Smart, Victoria Yip and Nikki Apeadu who made sure the drawings and the pool closing went off as smoothly as possible. The staff reported out to the BCS on short notice. Deputy Executive Director Guarino stayed at Lottery and directed the cleaning of the building with an outside vendor that night. John White, Deputy Director of Finance, and Shelina Islam held a rehearsal in November to make sure that everything was ready to go at the BCS if we had to move the drawings there. In the last few months, Rick Pagnani, IMS Manager, has been updating all of the equipment at the BCS. Executive Director Carey also thanked Margaret Square, Jack Kaminski and Marc Marseglia, for their work to protect the draw machines appropriately. Everyone mentioned did a lot of work to make sure that our drawings went off as seamlessly as possible during our unfortunate COVID-19 incident. Executive Director Carey also thanked the auditors at Mercadien who assisted with getting Lottery out to the BCS, and Digesh Patel at Mercadien in particular, who made sure that the rehearsal and the actual drawings went well. The Lottery also had help from IGT and Northstar to make sure that things went well. The entire team did great work that night and proved what a great organization we have.

Deputy Director White stated, on behalf of Shelina Islam and the Drawing Unit, they want to thank the entire organization. Lottery really pulled together as a team. The staff that were called in the evening were not scheduled to work that week and stepped up to the plate. Because of the efforts of Deputy Executive Director Guarino, Lottery was able to return quickly and promptly to conducting draws as scheduled at Lottery headquarters. This was Lottery's first real deployment out to the BCS for an actual emergency and it went seamlessly. Mr. White gave credit to former Deputy Executive Director John Custodio, who put the BCS together from scratch. Lottery has done modifications in the last few years and the facility has served us well.

Executive Director Carey also thanked Georgette Bunch from Treasury's Division of Property Management and Construction, Health and Safety, who was able to get a cleaning crew to the office quickly. There are rules of how State buildings have to be cleaned and we followed those rules to the letter. The Lottery is not going to jeopardize anyone's safety and we were able to get the building cleaned very quickly and reopened in the morning.

Executive Director Carey concluded the Director's report.

Chairman D'Anton asked if there are any questions or comments.

Chairman D'Anton requested a motion to approve the Director's Report. Investment Designee Terwilliger made the motion, which was seconded by Vice Chair Blazovsky.

NEW BUSINESS

Executive Director Carey 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. Additionally, as part of our overall responsible gaming initiatives, these games have been reviewed to identify any problematic elements that could present a risk to vulnerable problem gamblers.

Chairman D'Anton requested a motion to approve the Scratch-Off ticket game rules for "Cash Climb" and "Lady Luck Multiplier." Chairman D'Anton asked if there were any questions or comments on the Scratch-

Vice Chair Blazovsky stated that the back of the "Cash Climb" and "Lady Luck Multiplier" tickets indicate that this draft is subject to changes and she asked if Lottery could identify the types of changes that would be made on this ticket. She would like to have a better understanding of what the final product looks like. Executive Director Carey stated that we started adding images of the ticket to the agenda package in the early stages of the game. These tickets are not ordered or printed prior to receiving Commission approval. These are detailed mock ups of what the tickets will look like and Lottery cannot make a substantive change. This is a draft and we expect the tickets to come out looking this way. Executive Director Carey asked if Mr. Perlow has anything to add.

Mr. Perlow stated that he agrees that there is not going to be any substantive changes to the design of these tickets. Nothing that would affect the rules can be changed. If anything, the changes would be minor art changes. For example, when they are proofing it, they may decide that a color should be changed or a border should be added to make it more readable.

Vice Chair Blazovsky asked if there was a substantive change that affected the rules, would the Commission be notified and would the Commission have to vote on the changes. Mr. Perlow responded that the Commission would have to approve the changes.

Chairman D'Anton asked if there were any additional questions or comments. Chairman D'Anton requested a motion to approve the Scratch-Off ticket game rules. Investment Designee Terwilliger made the motion, which was seconded by Vice Chair Blazovsky. Chairman D'Anton asked if there were any questions or comments and there being none the motion carried.

Chairman D'Anton requested a motion to approve the on-line game rules for FAST PLAY. The game rules for approval were rules for "Extreme Green." Executive Director Carey noted that "Extreme Green" has a \$10 price point. The \$10 games allow players to win 100% of the progressive jackpot. The \$5 tickets are 50% of the progressive jackpot. The lower tier tickets also offer a percentage of the jackpots. A jackpot won in December was worth approximately \$170,000. Looking at the sales of FAST PLAY, we see that interest is really peaking as that jackpot rose. Northstar and IGT have been rolling out new signs for Lottery, which include our jackpot awareness signs and a place for FAST PLAY games, which also appears to be helping sales. Chairman D'Anton asked if there were any questions or comments on this game.

Vice Chair Blazovsky stated in the fall Kentucky had an issue with a FAST PLAY game where false symbols were printed and that was caused by a system upgrade. Vice Chair Blazovsky asked Mr. Perlow, since the vendor was IGT, what lessons did New Jersey learned from that and how have those lessons have been incorporated in protocol within the software upgrade systems so that existing games are not affected by an upgrade.

Mr. Perlow responded that Northstar was aware of the issue in Kentucky and immediately reached out to IGT's Kentucky team to find out what caused that error. Northstar wanted to make sure that it was not a problem with the FAST PLAY product itself or a problem with any of the games that we were offering in New Jersey. Northstar wanted to understand if it was a problem local to IGT's system in Kentucky or if it a problem that could be more widespread that could affect New Jersey. Northstar confirmed right away that the problem was unique to the Kentucky Lottery's system and the problem was caused by the deployment of an upgrade, rather than an error in the FAST PLAY product. Northstar and IGT pretest each game in New Jersey and are taking those lessons learned and updating our operating procedures for our upgrade processes and testing for the exact issue that occurred in Kentucky. We also produce sample tickets prior to each game that is turned on. Northstar reviews those, IGT reviews those and Lottery reviews those, as well.

Vice Chair Blazovsky asked if the Kentucky system was Aurora or another system. Mr. Perlow stated that it was not Aurora, it was the ES system that is currently running in New Jersey.

Chairman D'Anton asked if there were any additional questions or comments. Chairman D'Anton requested a motion to approve the FAST PLAY game rules. Commissioner Leonard made the motion, which was seconded by Investment Designee Terwilliger. Chairman D'Anton asked if there were any questions or comments and there being none the motion carried.

PUBLIC COMMENT

There was no Public Comment.

EXECUTIVE SESSION

There was no Executive Session.

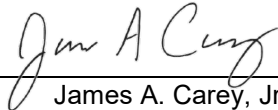
ADJOURNMENT

Chairman D'Anton asked for a motion to adjourn the Public meeting. Commissioner Leonard made the motion, which was seconded by Investment Designee Terwilliger. The motion carried.

I HEREBY CERTIFY that the foregoing is a true and correct copy of the minutes of the New Jersey Lottery Commission meeting held on January 15, 2021.

IN WITNESS WHEREOF, I hereby set my hand on

the 11 day of February, 2021.



James A. Carey, Jr.
Executive Director