

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING JANUARY 21, 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)
Stephanie Brown, Governor's Auth. Unit (by phone)

VISITORS (BY TELEPHONE)

Foster Krupa, Northstar
Joe Cavallo, Northstar
Sam Fromkin, Northstar
Kristen Connelly, Northstar

STAFF (BY TELEPHONE)

Fran Edwards
Missy Gillespie
Jerry Guarino
Robert Kersey
Kalli Kostis
Jason Lee
Jack Leo
Marc Marseglia
Charlene Mello
Joe Oleszkiewicz
Rick Pagnani
Steve Palmieri
Debbie Raub
Mary Ann Rivell
Ryan Schaffer
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.

DIRECTOR'S REPORT

Executive Director Carey stated that there was a Powerball jackpot winner the night before in Maryland. The Mega Millions jackpot is currently \$970 million.

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

All games total sales were: \$308.6 million
Lotto games total sales were: \$44 million
Daily machine games total sales were: \$88 million
Scratch-Off tickets total sales were: \$176.5 million

Executive Director Carey stated that December 2020 sales were the fifth highest month of sales in recent history at \$308 million. In October 2018 when Mega Million had a \$1.6 billion jackpot, sales were \$395 million. That was the highest month of sales that Lottery ever had. In January 2016 when Powerball had a \$1.6 billion jackpot, sales were \$366 million. In March 2019, when Mega Millions had a \$750 million jackpot, sales were \$333 million. In August 2017, sales were \$323 million.

Executive Director Carey stated that Pick-6 had sales of \$5 million compared to \$4.9 million the prior year, which was an increase of 2.2%.

Executive Director Carey stated that CASH4LIFE had sales of \$4.8 million compared to \$4.7 million the prior year, which was an increase of 1.7%.

Executive Director Carey stated that Mega Millions had sales of \$17.2 million compared to \$17.1 million the prior year, which was an increase of 0.5%.

Executive Director Carey stated that Powerball had sales of \$16.8 million compared to \$11.3 million the prior year, which was an increase of 49%.

Executive Director Carey stated that Pick-3 had sales of \$35.5 million compared to \$33.6 million the prior year, which was an increase of 5.8%.

Executive Director Carey stated that Pick-4 had sales of \$23.5 million compared to \$22.1 million the prior year, which was an increase of 6.3%.

Executive Director Carey stated that Jersey Cash 5 had sales of \$14.5 million compared to \$10.6 million the prior year, which was an increase of 36.9%.

Executive Director Carey stated that Cash Pop had sales of \$2.8 million compared to \$2.1 million the prior year.

Executive Director Carey stated that Quick Draw had sales of \$8.8 million compared to \$9.5 million the prior year, which was a decrease of 7.2%.

Executive Director Carey stated that Fast Play had sales of \$2.6 million compared to \$1.4 million the prior year, which was an increase of 88%.

Executive Director Carey stated that the monthly Pension Fund L contribution was \$93.2 million compared to \$85.7 million the prior year, which was an increase of 8.8%.

Executive Director Carey stated that fiscal year to date Pick-6 had total sales of \$27.5 million compared to \$29.8 million the prior year, which was a decrease of 7.9%.

Executive Director Carey stated that fiscal year to date CASH4LIFE had total sales of \$29 million compared to \$29.4 million the prior year, which was a decrease of 1.3%.

Executive Director Carey stated that fiscal year to date Mega Millions had total sales of \$67 million compared to \$76.4 million the prior year, which was a decrease of 12%.

Executive Director Carey stated that fiscal year to date Powerball had total sales of \$65.5 million compared to \$60.9 million the prior year, which was an increase of 7.6%.

Executive Director Carey stated that fiscal year to date Pick-3 had total sales of \$221.5 million compared to \$202 million the prior year, which was an increase of 9.6%.

Executive Director Carey stated that fiscal year to date Pick-4 had total sales of \$144 million compared to \$130 million the prior year, which was an increase of 10.8%.

Executive Director Carey stated that fiscal year to date Jersey Cash 5 had total sales of \$90.6 million compared to \$67.4 million the prior year, which was an increase of 34%.

Executive Director Carey stated that fiscal year to date Cash Pop had total sales of \$14.8 million compared to \$8.2 million the prior year, which was an increase of 79.1%. He explained that the comparison to last year is not appropriate because Cash Pop sales began on September 30, 2019.

Executive Director Carey stated that fiscal year to date Quick Draw had total sales of \$51.6 million compared to \$61.5 million the prior year, which was a decrease of 16.1%.

Executive Director Carey stated that fiscal year to date Fast Play had total sales of \$10.7 million compared to \$9.5 million the prior year, which was an increase of 12.7%.

Executive Director Carey stated that fiscal year to date Scratch-Off tickets had total sales of \$1 billion compared to \$942.2 million the prior year, which was an increase of 6.9%.

Executive Director Carey stated that fiscal year to date all games had total sales of \$1.72 billion compared to \$1.6 billion the prior year, which was an increase of 6.8%.

Executive Director Carey stated that fiscal year to date the total contribution to the State was \$502 million compared to \$466.3 million the prior year, which was increase of 7.6%.

Executive Director Carey stated that Mega Million sales in December were \$17.2 million compared to \$17.1 million in 2019. In December 2020, Mega Millions jackpots averaged almost \$300 million compared to December 2019 where they averaged almost \$200 million. Sales are not quite where we have seen them in the past with high jackpots.

Executive Director Carey stated that net proceeds for the fiscal year to date exceeded \$502 million or 29% of sales. Fiscal year profits from lotto games were \$74.3 million or 39.2% of sales. Fiscal year profits from daily games were \$206 million or 38.6% of sales. Fiscal year profits from Scratch-Offs were \$216.7 million or 21.5% of sales.

Executive Director Carey stated that total to date FY21 net proceeds also include 30% of the current estimated forfeited prizes or \$4.9 million.

Executive Director Carey stated that the top three selling non-core games for December were "Raging Hot 7's," which generated \$11.9 million in sales, "\$1,000,000 Spectacular," which generated \$10.6 million in sales and "\$3,000,000 Ultimate Riches," which generated \$8.6 million in sales.

Executive Director Carey stated that the four new games launched on January 4 were "Pocket Change," "Roses & Riches," "Super Tic Tac Toe Bonus" and "Crossword Bonanza."

Executive Director Carey stated that the four new games to be launched on February 1 are "Hot 7's," "Flaming Hot 7's," "Scorching Hot 7's" and "Blazing Hot 7's."

Executive Director Carey stated that advertising to support the Holiday Family of Scratch-Off games ran through the month of December. The statewide advertising campaign included broadcast, cable and connected television commercials.

Executive Director Carey stated that Fast Play Progressive had one \$10 Jersey Jackpot ticket that won \$190,697 on December 15.

Executive Director Carey stated that on the afternoon of December 22, the New Jersey Lottery's headquarters building was forced to close due to a positive case of COVID-19. Lottery staff conducted evening drawings from Lottery's Business Continuity Site (BCS). The drawings were conducted that night 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 pages. The headquarters building was cleaned during the evening of December 22 and the building reopened on the morning of December 23. Executive Director Carey noted that he had thanked during the January 15 Commission meeting all of the Lottery employees and vendors who contributed to successfully conducting the drawing at the BCS.

Executive Director Carey stated that all other drawings for the month of December were completed with no abnormalities.

Executive Director Carey stated that all online game pools were closed according to procedures with no abnormalities except on December 22 as noted. 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 Lottery staff worked together to make sure that the drawings went off as seamlessly as possible on December 22.

Executive Director Carey stated that the Lottery's Public Information Office continued to work with staff at Lottery, Northstar and the Council on Compulsive Gambling of New Jersey to disseminate Lottery's Holiday Gifting Awareness Campaign press release and video. Every year Lottery works to create a

strong holiday gifting campaign to remind people to play the Lottery responsibly and not to gift Lottery tickets to minors.

Executive Director Carey stated that Northstar and the Promotions team held many events at Walmart stores during the month of December. We are very happy with the results so far from Walmart. It was part of a broader effort across the lottery industry to get into lottery sales at Walmart.

Executive Director Carey stated that there were 189 total open Security cases at the end of the month. There were 112 investigations completed.

Executive Director Carey stated that the IMS team submitted an updated technology assessment to DORES requesting replacement of the laptops at the BCS. In the event that Lottery headquarters is closed, we are prepared to run our operations from the BCS. The ability to work from home is very important, however, many operations need to be performed on site. In the last few months, IMS Manager Rick Pagnani has been working diligently to update the older laptops.

Executive Director Carey stated that Scott Golonka and the IMS team are working with Security on a new case management program and database. Lottery believes it will improve the reporting of Security matters significantly.

Executive Director Carey stated that the Validations Department received and sorted 3,724 mailed claims during the month of December. He explained that payments of claims tend to get behind in December because of year-end work, including IRS reporting.

Executive Director Carey stated that the Retailer/Call Center handled 2,581 incoming calls during the month. Lottery is taking steps to improve handling phone calls and to make sure that less calls are dropped. We hope to discuss this more next month. We are looking at different ways to improve how players and consumers can reach the Lottery and get the information that they need.

Executive Director Carey stated that the warehouse received 3,123 packages from UPS, FedEx and other special deliveries.

Executive Director Carey stated that Adam Perlow, Vice President and Chief Operating Officer of Northstar, was not able to attend the Commission meeting due to a scheduling conflict. Mr. Perlow will provide an update on Northstar's activities at the meeting next month.

Executive Director Carey concluded the Director's report.

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

Vice Chair Blazovsky stated that it is good see the excellent sales and that she is looking forward to seeing what sales look like next month.

Vice Chair Blazovsky stated that in the monthly report there was a significant increase in the number of emails and inquiries to the VIP Club. She stated that it was over last month's numbers by almost 700. Vice Chair Blazovsky asked why there were so many more inquiries. She asked if there was anything wrong with the website, the mobile app or game questions. She stated that maybe next month Mr. Perlow could give us an update. Executive Director Carey responded that he will follow up with Mr. Perlow on the increased number of emails. The Lottery has seen an increased volume of calls and we are concerned that calls are being dropped and it was hard to reach the Lottery.

Vice Chair Blazovsky stated that the Warehouse processed 277 totes which contained overstocks for redistribution. She asked how large the totes are and is a tote an adequate measure of Scratch-Off packs. Vice Chair Blazovsky stated that it was 100 more totes and it did not seem like there was a game end. She asked if we are initially putting too many packs out there and that is increasing our cost of doing business. Even though we are paying a flat rate to Northstar, it is increasing their cost of doing business. Vice Chair Blazovsky questioned that in light of COVID-19, do we need to better assess what those thresholds are for the number of tickets that we are sending out to retailers for initial distribution. Executive Director Carey responded that he will ask about the number of totes that we received. He noted that in late November, Lottery worked very closely with the Treasurer's Office, Treasury Human

Resources and the Health and Safety Office, to get our Collections staff back in the field. The Account Adjusters went out into the field to work with Lottery retailers. There were retailers that closed during the year and there might have been an increase in the number of instant tickets that were returned.

Vice Chair Blazovsky stated that she would like to know how big the totes are and how many packs are typically in them. She stated that if she could get that information, she would appreciate it. Executive Director Carey responded that he would provide her that information.

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 "Extreme Cash" and "Money Vault." 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

Executive Director Carey stated that there were no Commission meeting minutes for approval on the agenda today. The Lottery Commission's December meeting was canceled due to inclement weather and rescheduled for January 15, 2021. Because the minutes are very detailed, there was not enough time to have the minutes for the December meeting as part of today's agenda. At the February meeting, we will have minutes for the December and January meetings for approval on the agenda.

There was no Public Comment.

EXECUTIVE SESSION

There was no Executive Session.

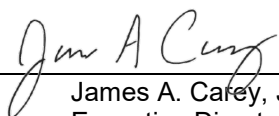
ADJOURNMENT

Chairman D'Anton asked for a motion to adjourn the Public meeting. Commissioner Leonard made the motion, which was seconded by Vice Chair Blazovsky. 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 21, 2021.

IN WITNESS WHEREOF, I hereby set my hand on

the 11 day of February, 2021.



James A. Carey, Jr.
Executive Director