

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING MARCH 4, 2021 (RESCHEDULED FROM FEBRUARY 18, 2021)

Chairman D'Anton called the Commission meeting into session at 10:00 a.m.

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
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
Erin Ziegler, Northstar

STAFF (BY TELEPHONE)

Missy Gillespie
Jerry Guarino
Dean Ialacci
Robert Kersey
Jason Lee
Jack Leo
Marc Marseglia
Charlene Mello
Joe Oleszkiewicz
Ellen O'Malley
Rick Pagnani
Steve Palmieri
Debbie Raub
Mary Ann Rivell
Ryan Schaffer
Margaret Square

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 requested a motion to approve the minutes of the January 15, 2021 (rescheduled from December 17, 2020) Commission meeting. Vice Chair Blazovsky made the motion, which was seconded by Commissioner Leonard. 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 minutes of the January 21, 2021 Commission meeting. Commissioner Leonard 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 for the month of January, Lottery had the best month of sales ever. Total sales for the month were \$408 million. On January 20, 2021, Powerball had a \$730 million jackpot winner in Maryland. On January 22, 2021, Mega Millions had a \$1 billion jackpot winner in Michigan. He explained that even though those jackpots were won in Michigan and Maryland, New Jersey also had a good month. The very first drawing after the \$730 million Powerball jackpot, New Jersey sold a \$23 million Powerball winning jackpot ticket at the Quick Mart in Clifton. On January 30, New Jersey sold a \$30 million Powerball winning jackpot ticket at QuickChek in Cedar Knolls.

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

All games total sales were: \$408.6 million
Lotto games total sales were: \$138 million
Daily machine games total sales were: \$98.9 million
Scratch-Off tickets total sales were: \$171.3 million

Executive Director Carey stated that Pick-6 had sales of \$4.5 million compared to \$4.9 million the prior year, which was a decrease of 8.1%.

Executive Director Carey stated that CASH4LIFE had sales of \$5.8 million compared to \$4.8 million the prior year, which was an increase of 20%.

Executive Director Carey stated that Mega Millions had sales of \$76.4 million compared to \$11.8 million the prior year, which was an increase of 547%.

Executive Director Carey stated that Powerball had sales of \$51.4 million compared to \$23.1 million the prior year, which was an increase of 122.8%.

Executive Director Carey stated that Pick-3 had sales of \$38 million compared to \$33.7 million the prior year, which was an increase of 12.9%.

Executive Director Carey stated that Pick-4 had sales of \$24.8 million compared to \$21.9 million the prior year, which was an increase of 13.5%.

Executive Director Carey stated that Jersey Cash 5 had sales of \$20 million compared to \$10 million the prior year, which was an increase of 99.6%.

Executive Director Carey stated that Cash Pop had sales of \$3.6 million compared to \$2.1 million the prior year.

Executive Director Carey stated that Quick Draw had sales of \$9.3 million compared to \$9.5 million the prior year, which was a decrease of 1.5%. Quick Draw is the game that was most impacted by the pandemic. Northstar has worked hard with Quick Draw and has focused on trying to get Quick Draw players to play it in traditional lottery retailers.

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 76.9%.

Executive Director Carey stated that New Jersey only games had sales of \$274.9 million compared to \$238.7 million the prior year, which was an increase of 15%.

Executive Director Carey stated that fiscal year to date Pick-6 had total sales of \$32 million compared to \$34.8 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 \$34.8 million compared to \$34.2 million the prior year, which was an increase of 1.7%.

Executive Director Carey stated that fiscal year to date Mega Millions had total sales of \$143 million compared to \$88 million the prior year, which was an increase of 62.7%.

Executive Director Carey stated that fiscal year to date Powerball had total sales of \$117 million compared to \$84 million the prior year, which was an increase of 39%.

Executive Director Carey stated that fiscal year to date Pick-3 had total sales of \$259.6 million compared to \$235.7 million the prior year, which was an increase of 10%.

Executive Director Carey stated that fiscal year to date Pick-4 had total sales of \$169 million compared to \$152 million the prior year, which was an increase of 11%.

Executive Director Carey stated that fiscal year to date Jersey Cash 5 had total sales of \$110.9 million compared to \$77.6 million the prior year, which was an increase of 43%.

Executive Director Carey stated that fiscal year to date Cash Pop had total sales of \$18.4 million compared to \$10.4 million the prior year, which was an increase of 76.7%. 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 \$61 million compared to \$71 million the prior year, which was a decrease of 14.1%.

Executive Director Carey stated that fiscal year to date Scratch-Off tickets had total sales of \$1.1 billion compared to \$1.0 billion the prior year, an increase of 7.5%.

Executive Director Carey stated that fiscal year to date all games had total sales of \$2.1 billion compared to \$1.8 billion the prior year, which was an increase of 12.7%.

Executive Director Carey stated that the monthly Pension Fund L contribution was \$136.1 million compared to \$86.8 million the prior year, which was an increase of 56.7%. The contribution of \$136.1 million represented 33% of our total revenue. Normally the contribution floats around 30% of sales. The jump to 33% of sales is because Powerball and Mega Millions, which are more profitable than the Scratch-Offs, drove sales.

Executive Director Carey stated that fiscal year to date the total contribution to the State was \$638 million compared to \$553 million the prior year, which was increase of 15%.

Executive Director Carey stated that net proceeds for the fiscal year to date exceeded \$638 million or 29.8% of sales. Fiscal year profits from lotto games were \$132.2 million or 40.3% of sales. Fiscal year profits from daily games were \$245.8 million or 38.8% of sales. Fiscal year profits from Scratch-Offs were \$254.8 million or 21.6% of sales.

Executive Director Carey stated that total to date FY21 net proceeds also include 30% of the current estimated forfeited prizes or \$5.3 million.

Executive Director Carey stated that the top three selling non-core games for January were "Raging Hot 7's," which generated \$14.5 million in sales, "\$3,000,000 Ultimate Riches," which generated \$8.8 million in sales and "\$1,000,000 Spectacular," which generated \$8.7 million in sales.

Executive Director Carey stated that the top three selling Core and Family Games for January were the "Crossword" core games, which made up 18% of total sales, "Spectacular" family of games, which made up 10% of total sales and the "Riches" family of games, which made up 10% of total sales.

Executive Director Carey reviewed high tier winners throughout the state in January.

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

Executive Director Carey stated that all on-line 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. Appropriate winning number information was broadcast correctly to all media contacts, except on January 31, when a press release was issued which misstated one of the Powerball numbers for the drawing that took place on January 30. All in-house staff received appropriate information via email.

Executive Director Carey stated that the issue on January 31 was a misstatement in the document that was provided to the Public Information Office. As a result of that misstatement, we had to issue a corrective Press Release.

Executive Director Carey stated that Northstar and the Promotions team held many events at Walmart stores during the month of February. The entire lottery industry worked hard to get Walmart selling lottery products across the county. Northstar's Sales team, Vice President and Chief Operating Officer Adam Perlow, and Sales Director, John Hodor, have worked hard with Walmart to get Lottery machines in their stores.

Executive Director Carey stated that there were 152 total open Security cases at the end of the month. Lottery's new Deputy Director of Security, Jack Leo, has been working carefully on setting up new processes and information for the Security department. Mr. Leo has been working on a new database

that will improve our reporting. The Licensing Unit received and processed 102 applications and there were 84 licenses issued.

Executive Director Carey stated that we continue to work on putting all of our games on the Random Number Generator (RNG) machines. We are working to make sure that the New Jersey Lottery can continue to operate in any kind of circumstances and the RNG machines are an important piece of that. The IMS department worked with IGT, Northstar and the State's Office of Information Technology to upgrade our network firewalls to include intrusion detection system and intrusion prevent system to comply with requirements of MUSL.

Executive Director Carey stated that the Validations Department received and sorted 4,439 mailed claims during the month of January. There were also 37 hand delivered claims submitted with appointments. Staff entered 3,869 claims into CAP claims payment system. During the month of January there were 5,040 claims totaling \$19,267,804.46 that were paid to winners including annuity payments.

Executive Director Carey stated that in the COVID-19 environment, we continue to work to pay claims as quickly as possible but payments are taking more time than usual because the Lottery is being very careful. Work from home and social distancing protocols are in place, which slows down our claims payments. All of the Validations team, and many of the people that work at the Lottery, also work the drawings.

Executive Director Carey stated that the Retailer/Call Center handled 3,606 incoming calls during the month. They also handled 2,872 winner claim status calls during the month of January.

Executive Director Carey stated that the warehouse received 5,872 packages from UPS, FedEx and other special deliveries. The Warehouse staff processed 312 totes of overstock tickets for return to IGT's warehouse for redistribution.

Executive Director Carey stated that during the January meeting, Vice Chair Blazovsky had some questions about the tote containers and returns. Vice Chair Blazovsky noted that the totes filled with instant tickets totaled approximately 180 in November. The number of totes climbed to about 270 in December and to 312 in January. In discussing the issue with Northstar, there was not an excessive number or a particularly unusual amount of instant tickets returned during December or January. Executive Director Carey explained that factors that caused the numbers to increase included end of year vacations and holidays, and smaller retailers have a tendency to return holiday tickets that they have not sold.

Executive Director Carey invited Deputy Director of Operations, Margaret Square, to describe the tote process. Ms. Square responded that two years ago Lottery decided to stop using cardboard boxes because they did not hold up well. Lottery purchased plastic totes to pack the tickets in once they come in from the retailers or the game had ended. Based on the game, the number tickets in the pack for that game, the size of the ticket, those containers can hold between 70 and 75 packs of instant tickets.

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 it was an exciting month for Northstar's team with the very high jackpots. Northstar had a Cash Pop advertising campaign running at the same time. Cash Pop sales went up dramatically, as well during January, as they have throughout the course of this fiscal year. There was a lot of excitement from the Northstar team around those jackpots and there was a lot of player excitement and retailer excitement.

Executive Director Carey stated that on Wednesday, March 10, the Lottery will host the Million Dollar Replay Second Chance Drawing Event. It will be a Facebook event this year. It is a popular Second Chance Drawing with our players and we are looking forward to that.

Executive Director Carey stated that during February, the Lottery, Northstar and IGT staffs focused on upgrading Lottery's computer gaming system to IGT's Aurora gaming system. It is a new product and is the first gaming upgrade in approximately 10 years. The system was upgraded, we had been running parallel processing with the old system and the new system for several weeks, and we transferred completely over to the new system on February 26. The Lottery has not had any significant negative impacts.

Executive Director Carey concluded the Director's report.

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

Vice Chair Blazovsky stated that there were 84 new licenses issued during the month. She asked how that factors in with the 6,869 retailers reported and the 122 disables. The Lottery is adding a lot of new licenses. She asked what amount of retailers is Lottery losing and how does that work. Vice Chair Blazovsky stated that we do not have to discuss it today, but if it could be addressed at the next meeting that that would be helpful. Executive Director Carey responded that the question would be addressed at a future meeting.

Chairman D'Anton stated that there were some retailers that do not have any or very small sales. He asked if Executive Director Carey could address that, too. Executive Director Carey stated that he will discuss that next month, as well.

Chairman D'Anton stated that the vending machines are still not working on the Garden State Parkway. Executive Director Carey responded that he discussed this with Mr. Perlow and there were accounting issues that needed to be worked out.

Chairman D'Anton stated that this was brought up around four to six months ago and asked if it could be discussed at the next meeting. Executive Director Carey stated that new machines are being rolled out and should be delivered and working within the next two weeks.

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

NEW BUSINESS

Executive Director Carey explained the amendments to the general rules governing Powerball. The Multi-State Lottery Association, the consortium that operates the Powerball game, voted to add a third drawing each week. Powerball will be now be drawn on Monday, Wednesday and Saturday, starting on August 23, 2021. Executive Director Carey explained that this is a change to the rules that we have to make in order to participate in the game. The Lottery is hopeful that it will increase sales for Powerball. There were also a number of housekeeping changes to our Powerball rules to make them consistent with the New Jersey Lottery rules. For example, Lottery deleted the definition for "courier or courier service" because the term "courier" was not used anywhere else in the rules for Powerball.

Chairman D'Anton requested a motion to approve the amendments to the general rules governing Powerball. 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.

Executive Director Carey explained the Addendum to the general rules governing Powerball with Double Play. The MUSL consortium also voted to approve a new add-on game to Powerball. The add-on game is Double Play, the exact same concept that the Commission approved last year as a Mega Millions' add-on. Powerball's Double Play is expected to launch on August 23, 2021. Double Play is an optional add-on feature that gives Powerball players the opportunity to participate in a second drawing. For an additional \$1, a player can participate in second drawing. Players select one set of numbers and they get to participate in two drawings with the Double Play add-on. The jackpot prize in Double Play is \$10 million and it has the same odds as the base Powerball game. The second tier prize for Double Play is \$500,000. This is an addendum to the general rules so it is a separate set of rules compared to Powerball. Executive Director Carey asked if there are any questions regarding this particular game.

Executive Director Carey explained that 13 jurisdictions have committed to the August 23, 2021 launch of Double Play. The jurisdictions include Colorado, Florida, Indiana, Maryland, Michigan, Missouri, Pennsylvania, South Carolina, South Dakota, Tennessee, Washington State, Puerto Rico and the Virgin Islands. He added that when the Commission approved Mega Millions Double Play, the Commission voted to include a proviso in its approval that stated "if any of the five states that were participating

dropped out of participation, the New Jersey Lottery could chose to withdraw its approval of participating in double play for Mega Millions.” Ultimately, the Mega Millions consortium decided not to launch Double Play.

Vice Chair Blazovsky asked if Executive Director Carey could talk about a possible need for a proviso regarding Powerball Double Play, similar to what the Commission did with Mega Millions. Executive Director Carey responded that when we did the Mega Million Double Play, there were only five states participating in the Double Play game at that time. The concern at that time was that the liability for paying jackpot prizes is proportional and based on the sales of each state. The issue that we discussed regarding the Mega Millions Double Play, was that if one player hit the \$10 million grand prize, New Jersey’s liability would have been about 40% of that \$10 million or about \$4 million. There was a concern that if a player were to win the jackpot on Mega Millions Double Play, that New Jersey would have a large proportional share of having to pay for the jackpot because there were only five states participating. With Powerball Double Play, there will be 14 states confirmed, if New Jersey participates. The 14 states have a total population of 101 million people, and New Jersey’s population is a little more than 9% of the group. If any of the states were to drop out, New Jersey’s proportional liability would expect to increase. Executive Director Carey stated that the Commissioners might consider attaching a proviso to their approval providing that if a certain number of states dropped out and New Jersey’s proportional liability increased, that New Jersey would revisit the issue.

Vice Chair Blazovsky asked how firm the other 14 states are. She asked if they signed on the dotted line or are they going through the same process we are in New Jersey. Executive Director Carey responded that he could not answer that question.

Vice Chair Blazovsky asked for Executive Director Carey’s recommendation. Executive Director Carey recommended approving the add on and including a proviso that if New Jersey’s share of the population increases from about 9% right now to more than 30%, this should be revisited. It is prudent to say that if other lotteries start dropping out there might be a reason and Lottery and Northstar staff should take a look at this.

Chairman D’Anton asked if the Lottery would have the option to drop out as well. Executive Director Carey responded yes.

Treasurer’s Designee Ajmani stated that we have been here before in a different situation and Vice Chair Blazovsky had been very prudent in asking the Division to put some language whereby we were able to get out when everyone dropping. She stated that a safety net that allows New Jersey to exit is important. Executive Director Carey responded that in this case, having it as percentage of population is better because, if a low population state such as South Dakota were to drop out, it would effectively have no impact on our liability. Whereas if Florida and Pennsylvania were to drop, it would have an impact on our liability.

Treasurer’s Designee Ajmani stated that if our goal is to not exceed a certain dollar amount in liability, can we put that in as a condition. Executive Director Carey recommended against using a dollar amount as the threshold. It is appropriate and easier to use population as the base number that we work off of rather than liability or proportional sales.

Vice Chair Blazovsky asked if Director Carey could propose some language that we can vote on now or do we need to postpone this until the next meeting.

Executive Director Carey stated that we can do it now with a simple proviso that if New Jersey’s proportional share of population in the participating group meets or exceeds 30%, the Commission shall revisit its approval.

Chairman D’Anton requested a motion to approve the addendum to the general rules governing Powerball with Double Play. Vice Chair Blazovsky made the motion with the proviso that if New Jersey’s proportional share of population in the participating group meets or exceeds 30% the Commission shall revisit its approval, which was seconded by Commissioner Leonard. Chairman D’Anton asked if there were any questions or comments and there being none the motion carried.

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 "Summer Fun" and "Multiplier Mania." Commissioner Leonard 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 "Bean Bag Bucks." Chairman D'Anton asked if there were any questions or comments on this game. 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.

Chairman D'Anton requested a motion to approve the amended 2021 meeting schedule. Executive Director Carey stated that a live link was included on the Lottery's website that provides an active telephone number and/or Zoom link for anyone who wants to attend. We had some issues with the weather last month and we wanted to be absolutely clear that meetings could be conducted over telephone or virtually without having live meetings at Lottery headquarters in compliance with the Open Public Meetings Act. Vice Chair Blazovsky made the motion which was seconded by Commissioner Leonard. Chairman D'Anton asked if there were any comments and there being none the motion carried.

Chairman D'Anton left the meeting and turned it over to Vice Chair Blazovsky.

PUBLIC COMMENT

There was no Public Comment.

EXECUTIVE SESSION

There was no Executive Session.

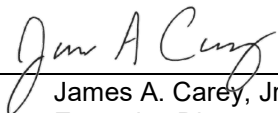
ADJOURNMENT

Vice Chair Blazovsky 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 March 4, 2021.

IN WITNESS WHEREOF, I hereby set my hand on

the 14 day of April, 2021.



James A. Carey, Jr.
Executive Director