

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING MAY 20, 2021

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

COMMISSION MEMBERS (BY TELEPHONE)

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

James A. Carey, Jr., Executive Director
Robert E. Kelly, Deputy Attorney General
Roza Dabaghyan, Deputy Attorney General
Brian Wilton, Governor's Auth. Unit

VISITORS (BY TELEPHONE)

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

STAFF (BY TELEPHONE)

Frances Edwards
Missy Gillespie
Jerry Guarino
Robert Kersey
Kalli Kostis
Kelly Laird
Jason Lee
Jack Leo
Marc Marseglia
Charlene Mello
Joe Oleszkiewicz
Ellen O'Malley
Rick Pagnani
Steve Palmieri
Debbie Raub
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.

Chairman D'Anton requested a motion to approve the minutes of the April 22, 2021 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.

DIRECTOR'S REPORT

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

All games total sales were: \$328.2 million
Lotto games total sales were: \$36 million
Daily machine games total sales were: \$101.7 million
Scratch-Off tickets total sales were: \$189 million

Executive Director Carey stated that Pick-6 had sales of \$5.8 million compared to \$3.8 million the prior year, which was an increase of 50%. Sales benefitted from a very high jackpot which reached \$8.8 million during the month. He stated that sales in April of 2020 were down significantly because of the COVID pandemic.

Executive Director Carey stated that CASH4LIFE had sales of \$5 million compared to \$3.77 million the prior year, which was an increase of 34%.

Executive Director Carey stated that Mega Millions had sales of \$16.7 million compared to \$8 million the prior year, which was an increase of 107%. Mega Millions is currently benefitting from a very high jackpot, which is over \$500 million.

Executive Director Carey stated that Powerball had sales of \$9 million compared to \$7 million the prior year, which was an increase of 29.4%.

Executive Director Carey stated that Pick-3 had sales of \$41.4 million compared to \$30.3 million the prior year, which was an increase of 36%.

Executive Director Carey stated that Pick-4 had sales of \$25.8 million compared to \$19.1 million the prior year, which was an increase of 35%.

Executive Director Carey stated that Jersey Cash 5 had sales of \$14 million compared to \$9.6 million the prior year, which was an increase of 47%.

Executive Director Carey stated that Cash Pop had sales of \$5.4 million compared to \$1.4 million the prior year.

Executive Director Carey stated that Quick Draw had sales of \$10 million compared to \$5 million the prior year, which was an increase of 86.8%.

Executive Director Carey stated that Fast Play had sales of \$4.8 million compared to \$1 million the prior year, which was an increase of 361%.

Executive Director Carey stated that Fast Play sales were suspended on April 27. Our vendor, IGT, recently updated the computer system that the Lottery uses for our central gaming system and there was a software coding error during the upgrade. The software was patched and sales resumed on April 29. That software error affected games in February and prevented the game from selecting a Fast Play progressive top prize jackpot. All prizes below that top tier were unaffected and players still won. The Lottery had approximately \$8 million in sales and approximately \$4.6 million in prizes awarded during that period.

Executive Director Carey stated that fiscal year to date Pick-6 had total sales of \$47 million compared to \$47.1 million the prior year, which was a decrease of 0.2%.

Executive Director Carey stated that fiscal year to date CASH4LIFE had total sales of \$49.7 million compared to \$47 million the prior year, which was an increase of 5%.

Executive Director Carey stated that fiscal year to date Mega Millions had total sales of \$181.9 million compared to \$115.9 million the prior year, which was an increase of 56.9%.

Executive Director Carey stated that fiscal year to date Powerball had total sales of \$149.1 million compared to \$109.9 million the prior year, which was an increase of 35%.

Executive Director Carey stated that fiscal year to date Pick-3 had total sales of \$374.4 million compared to \$331.8 million the prior year, which was an increase of 12.8%.

Executive Director Carey stated that fiscal year to date Pick-4 had total sales of \$241.9 million compared to \$213.4 million the prior year, which was an increase of 13%.

Executive Director Carey stated that fiscal year to date Jersey Cash 5 had total sales of \$151.7 million compared to \$108.5 million the prior year, which was an increase of 39%.

Executive Director Carey stated that fiscal year to date Cash Pop had total sales of \$31.8 million compared to \$15.9 million the prior year, which was an increase of 100.2%.

Executive Director Carey stated that fiscal year to date Quick Draw had total sales of \$89.8 million compared to \$94.7 million the prior year, which was a decrease of 5.2%.

Executive Director Carey stated that fiscal year to date Fast Play had total sales of \$23.5 million compared to \$14.9 million the prior year, which was an increase of 58%.

Executive Director Carey stated that fiscal year to date Scratch-Off tickets had total sales of \$1.75 billion compared to \$1.54 billion the prior year, which was an increase of 11%.

Executive Director Carey stated that fiscal year to date all Games had total sales of \$3.056 billion compared to \$2.6 billion the prior year, which was an increase of 15%.

Executive Director Carey stated that the total monthly contribution to the State was \$96.4 million compared to \$60.8 million the prior year, which was an increase of 58%.

Executive Director Carey stated that fiscal year to date the contribution to the State was \$905.5 million compared to \$768.6 million the prior year, which was an increase of 17%.

Executive Director Carey stated that net proceeds for the fiscal year to date exceeded \$905.5 million or 29.6% of sales. Fiscal year profits from lotto games were \$174.8 million or 40.8% of sales. Fiscal year profits from daily games were \$352.9 million or 38.6% of sales. Fiscal year profits from Scratch-Offs were \$370.8 million or 21.6% of sales.

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

Executive Director Carey stated that all drawings for the month of April were completed with no abnormalities, with the exception of evening drawings conducted on April 28. On that date, the evening drawings were conducted at the Lottery's Business Continuity Site after an individual who had been in the draw studios earlier in the day received a positive COVID-19 test. The April 28 evening drawings were conducted from the BCS without incident.

Executive Director Carey thanked Deputy Director of Finance, John White, and Draw Manager, Shelina Islam, who have worked hard to get the BCS operating and ready to handle drawings. The Lottery is unable to broadcast draws at the BCS and drawings there are recorded for security purposes only.

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. 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 4,275 mailed claims during the month of April. During the month of April there were 5,027 claims totaling over \$23 million that were paid to winners including annuity payments.

Executive Director Carey stated that we paid out approximately 1,000 more claims than we received this the month. We have addressed for the past few months that there has been a backlog on the payment of claims. Lottery has been working on changing procedures to smooth out that process and we are adding at least one new employee to that unit. It will still take a little bit longer in the pandemic to fix the claims issues because there are other issues that we cannot control, including the need for members of the Validations staff to quarantine, which happened in April and May.

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 April was a fantastic month for sales. It was also fantastic to see some of the bars and restaurants starting to reopen. We are excited to have some outdoor events at some retail locations again.

Executive Director Carey concluded the Director's report.

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

Treasurer's Designee Ajmani asked what is driving the increase in sales, especially the Scratch-Off games. Executive Director Carey responded that consumers do not have many options for their entertainment dollars, it is tax season so people are getting tax refunds now and there were stimulus payments in March and April. Consumer and retail spending has been up. Those factors are certainly working in the favor of the Lottery and helping to boost sales. Executive Director Carey asked if Mr. Perlow had anything to add.

Mr. Perlow stated that in March there was a huge increase in retail sales in this country. In April, they were flat from March. The story of this fiscal year is that we have seen an increase coming throughout the fiscal year. For the reasons that Executive Director Carey stated earlier, the stimulus checks, tax returns, and high employment, have helped sales in March and April. It is continuing in May.

Chairman D'Anton requested a motion to approve the Director's Report. Commissioner Leonard 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.

Executive Director Carey stated that we are removing the Fast Play game rules for "Treasure Quest" from the agenda.

Executive Director Carey stated that "Win Either \$100 or \$200" is an unusual game in that there are only two prizes, either \$100 or \$200. Executive Director Carey invited Mr. Perlow to discuss "Win Either \$100 or \$200" and why we are running a game like this.

Mr. Perlow explained that in the Lottery industry, this is called a limited tier game and we started seeing these crop up in the US Lottery industry in late calendar year 2017. The odds are little bit longer than the normal Scratch-Off games since we do not have our break-even prizes. These tickets have launched in Georgia, Virginia, Indiana, Texas, Missouri, New Hampshire and West Virginia, and have done well in all those states.

Executive Director Carey stated that sometimes things that are a little different appeal to a different sort of player. Executive Director Carey asked if there were any questions regarding "Win \$100 or \$200."

Vice Chair Blazovsky stated right now on Lottery's website, there are about nine games on the market at the \$20 price point. They still have top prizes remaining in the range from \$400,000 to \$2 million, and she asked how does this game fit. Mr. Perlow responded that the game appeals to players who want frequent wins compared the players who are going for the \$400,000 prize. Some players play certain games to dream big and with this ticket, players might just want a different type of winning experience. The odds of winning \$100 or \$200 are the best odds on any scratch ticket that the New Jersey Lottery offers.

Vice Chair Blazovsky thanked Mr. Perlow and stated that she is glad that this has been tested in other states and it has done well.

Executive Director Carey stated that the Win for Life game is reviewed occasionally to look at the annuity value. The only substantive change in the Win for Life game rules is that the cash value of the annuity went from \$1,300,000 to \$1,236,200. That reflected interest rates have been increasing over the last six or seven months. Lottery has to set a cash value for the Win for Life annuity and that cash value dropped a bit because interest rates have been increasing. One on-substantive change to the game rules was that the claiming rules contained a sentence on page four that originally read "once the claim is filed and the identified life term may not be subsequently be changed." The word "and" was deleted from that sentence.

Chairman D'Anton requested a motion to approve the Scratch-Off ticket game rules for "Win Either \$100 or \$200" and "Win For Life." 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.

PUBLIC COMMENT

There was no Public Comment.

EXECUTIVE SESSION

Chairman D'Anton requested a motion to go into Executive Session. Commissioner Leonard made the motion which was seconded by Vice Chair Blazovsky. The motion carried.

Executive Director Carey stated that Executive Session will be held to discuss a contractual matter regarding Northstar. If there are any public actions that are taken as a result of Executive Session, it will be reflected in future minutes of the Commission.

As to any matter discussed in Executive Session, the subject and nature of the discussion will be timely made known to the public if and when the need for confidentiality ends.

Chairman D'Anton requested a motion to close Executive Session. Commissioner Leonard made the motion which was seconded by Vice Chair Blazovsky. The motion carried.

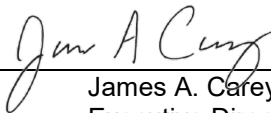
ADJOURNMENT

Chairman D'Anton asked for a motion to adjourn the Public meeting. Commissioner Leonard made the motion, which was seconded by Chairman D'Anton. 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 May 20, 2021.

IN WITNESS WHEREOF, I hereby set my hand on

the June day of 9 , 2021.



James A. Carey, Jr.
Executive Director