

MONTANA LOTTERY COMMISSION MEETING MINUTES

2525 North Montana Avenue

Helena, Montana 59601

April 29, 2022 @ 9:00 – 11:22 a.m.

COMMISSION MEMBERS

Leo Prigge, Commission Chair
Tony Harbaugh, Commissioner
Steve Morris, Commissioner
Jon Metropoulos, Commissioner
Dwaine Iverson, Commissioner
Denise Blankenship, Commission Secretary

MONTANA LOTTERY STAFF

Scott Sales, Lottery Director
Armond Sergeant, Finance Services Director
Anne Charpentier, Marketing and Sales Director
Phil Charpentier, IT Services Director
Mike Arnell, Network Administrator
Jay Boughn, Instant Product Manager
Daniel Iverson, Communications Manager
Logan Jackson, Sales Manager
Mike Shatto, Region 7 Sales Rep.
Kassie Kultgen, Quality Assurance Supervisor
Jolene Boyd, Quality Assurance Analyst

INTRALOT

Ben Kamerzel, General Manager
Patrick Johnston, Sports Bet Business Analyst
Forrest Webster, QA Analyst
Brandon Parker, Customer Service Tech.

MONTANA COIN MACHINE OPERATOR'S ASSOCIATION

Ronda Wiggers, Wiggers Consulting

MONTANA TAVERN ASSOCIATION

John Iverson, Government Affairs Consultant
Paul Tash, Montana Tavern Times

SCIENTIFIC GAMES

Drew Scolaro, Vice President of North American Sales

WENDT AGENCY

UNIDENTIFIED PARTICIPANTS

CMA751

CMB044

M.T. Michael Thomas

INTERNATIONAL GAMING TECHNOLOGY

Tom Kitts, Consultant Governmental Relations

GENERAL BUSINESS

INTRODUCTION AND CALL TO ORDER: (0:15 – 2:43) Commissioner Prigge called the meeting to order at 9:00 a.m. and took roll call to ensure there was a quorum to conduct business. All Commissioners were present. Phil Charpentier, IT Director identified Lottery staff and other participants present and those who dialed into the zoom meeting.

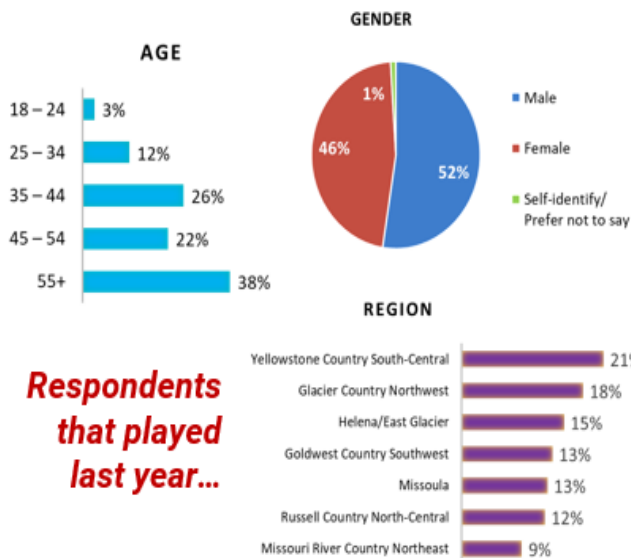
ANNE CHARPENTIER, MARKETING AND SALES DIRECTOR: Anne announced a status update on the Lottery's signature game Montana Millionaire, and for Commission approval, the proposed changes for 2023.

Montana Millionaire: (2:57 – 27:47) Montana Millionaire had a surprising and amazing performance last year and sold out in six days. Following the final drawing of last year's raffle game, Lottery began to work with Intralot to conduct research to better understand why the game sold out so quickly. Lottery primarily looked at what current socio-economic factors drove sales to be so out of sync with game sales growth patterns experienced in past years. To analyze this further, during the month of February, 854 Montana residents participated in a 15-minute on-line survey. They were recruited from Leger, a research company, and from the Montana Lottery's Player's Club. When Lottery developed the new game design, they took all the research into consideration. There were pages of data which has been summarized below:

Montana Millionaire FY2023

What we took into consideration...

- **The Leger research results confirmed players...**
 - Like the limited number of tickets
 - Want a high tier prize added back to the prize structure
 - Want increased instant wins
 - Hope for an additional million-dollar prizes
- **A ten percent increase in total tickets**
 - A value safely under market saturation while still preserving the sellout
- The ability to add tickets in smaller amounts for years to come so we can safely add a third millionaire prize at some point in the future.



In basic terms, Lottery's primary considerations were that players like the limited number of tickets Lottery has been offering in the game. They expressed the desire for Lottery to add back in a second-tier prize level in addition to the million-dollar prizes awarded. They wanted more instant wins, and if possible, wanted Lottery to consider adding another million-dollar prize. Lottery's consideration included a ten percent increase in total tickets, which is a value safely under market saturation while still ensuring a sellout of the game. When limiting the number of tickets year after year to manageable levels, Lottery preserves the game stability for years to come and ensures adding a third millionaire prize in the future.

This year's game design...

Montana Lottery		\$2,355,000 Revenue			
FY 2023 Montana Millionaire (Proposed)					
Ticket Price:	\$20.00	Highlights 30k more tickets improved overall odds New \$100k high tier prize Larger Early Bird Prizes inc. \$100k Prize Multiple Millionaires Multiple \$100k Winners			
Total Tickets available:	280,000				
Ticket Price:	\$20.00				
Additional Tickets for 2022	30,000				
Total Revenue	\$5,600,000				
Profit	\$2,355,000				
Profit change from 2021	12%				
Payout	57.95%				
Prize Cost	\$3,245,000				
	Odds	Number of Winners	Cash Prizes	Prize Cost	Prize % Of Sales
Grand Prize	140,000	2	\$1,000,000	\$2,000,000	35.71%
High Tier Prize	280,000	1	\$100,000	\$100,000	1.79%
Instant Win Prizes	156	1800	\$500	\$900,000	16.07%
Instant Win Prizes	233	1200	\$100	\$120,000	2.14%
Early Bird #1 Drawing Prizes	Depends on amount of entries	1	\$100,000	\$100,000	1.79%
Early Bird #2 Drawing Prizes	Depends on amount of entries	1	\$25,000	\$25,000	0.45%
Overall Odds:	93.2	3005	Total Prize Cost:	\$3,245,000	57.95%

Last year's game design...

Montana Lottery		\$2,110,000 Revenue			
FY 2022 Montana Millionaire (Last Year)					
Ticket Price:	\$20.00				
No. of Tickets available:	250,000				
Ticket Price:	\$20.00				
Total Revenue	\$5,000,000				
Profit	\$2,110,000				
Payout	57.80%				
Prize Cost	\$2,890,000				
	Odds	Number of Winners	Cash Prizes	Prize Cost	Prize % Of Sales
Grand Prize	125,000.00	2	\$1,000,000	\$2,000,000	40.00%
Instant Win Prizes	166.67	1500	\$500	\$750,000	15.00%
Instant Win Prizes	250.00	1000	\$100	\$100,000	2.00%
11/26/21 Black Friday Early Bird Drawing Prizes	Depends on amount of entries	1	\$25,000	\$25,000	0.50%
12/17/21 Second Early Bird Drawing Prizes	Depends on amount of entries	1	\$15,000	\$15,000	0.30%
Overall Odds:	99.84	2504	Total Prize Cost:	\$2,890,000	57.80%

The prize structure on the left is the proposed prize structure in green, the blue is last year's prize structure for comparison purposes. Highlighted in yellow are the primary changes. Lottery has added 30,000 tickets to the proposed game for a total 280,000 offered. Lottery has added a \$100,000 prize that will be drawn when the 2 - \$1 million dollar prizes are drawn after Christmas. Lottery was able to increase the number of \$100 and \$500 instant win prizes as requested by players in the research. Lottery was also able to increase the early bird prizes as well, which was another research finding, to add additional excitement to the game as players wait for the final drawing towards the end of the year. Lottery was able to make these changes while keeping the overall odds better than last year (93.2 versus 99.84).

VOTE – APPROVAL OF PROPOSED GAME CHANGES TO MONTANA MILLIONAIRE: (26:22 – 27:47)

Chairman Prigge asked if there was any public comment on the proposed changes to Montana Millionaire. There being none, Chairman Prigge asked the Commission if there was any further discussion or questions regarding the game changes to the 2023 Montana Millionaire raffle game. After some discussion, Commissioner Metropoulos made a motion to approve. Commissioner Harbaugh seconded the motion. The motion carried. The Commission voted unanimously to approve the proposed game changes to Montana Millionaire.

JAY BOUGHN, INSTANT PRODUCT MANAGER: (28:28 – 44:19) Jay presented for Commission approval, the next seven scratch games proposed for the second quarter of 2022. The first proposed scratch game is Skyline Crossword, it has a \$2.00 price point, with a crossword playstyle. It is unusual in that it has a unique feature, a redline doubler, which adds interest to the game. It has a payout of 62.10% and overall odds of 1:4.80. The second proposed scratch game is \$12,000 Count Up, it has a \$2.00 price point, with a key symbol match with bonus feature. It has a payout of 60.43% and overall odds of 1:4.28. The third proposed scratch game is Cookie Crossword, it has a \$2.00 price point, with a crossword playstyle. It has a payout of 61.53% and overall odds of 1:4.44. The fourth proposed scratch game is Code Word Crossword, it has a \$3.00 price point, with a crossword with bonus word game playstyle. It has a payout of 64.86% and overall odds of 1:3.93.



\$2-Skyline Crossword • Playstyle - Crossword
Payout = 62.10% • Overall game odds = 1:4.80



\$2-\$12,000 Count Up • Playstyle - key symbol match with bonus feature
Payout = 60.43% • Overall game odds = 1:4.28

Scratch games
for 2nd quarter
2022 approval



\$2-Cookie Crossword • Playstyle - Crossword
Payout = 61.53% • Overall game odds = 1:4.44

\$3 - Code Word Crossword
Playstyle - Crossword
with bonus word game
Payout = 64.86%
Overall game odds = 1:3.93



The fifth proposed scratch game is Money Maker Slingo Trio, it has a \$5.00 price point, with a Slingo game playstyle. It has a payout of 68.25% and overall odds of 1:3.73. The sixth proposed scratch game is Bongo, it has a \$3.00 price point, with a crossword game playstyle. It has a payout of 64.26% and overall odds of 1:4.00. The seventh proposed scratch game is Crossword Treasure Hunt, it has a \$5.00 price point, with a crossword game playstyle. It has a payout of 68.00% and overall odds of 1:3.21.



\$5-Money Maker Slingo Trio • Playstyle - Slingo
Payout = 68.25% • Overall game odds = 1:3.73



\$3-BONGO • Playstyle - Crossword
Payout = 64.26% • Overall game odds = 1:4.00



\$5-Crossword Treasure Hunt • Playstyle - Crossword
Payout = 68.00% • Overall game odds = 1:3.21

COMMISSIONER IVERSON: “I have a couple questions, first, last meeting I asked if we could get the closeout on some of these games to see how close our profit comes to what we expect in the games. Secondly, I’d like to see how close these payouts are to what we’ve been doing in the past?” **Anne Charpentier, Marketing and Sales Director:** “Commissioner Iverson, we’ll have that information for you at the June meeting. We’re working on pulling all that information together for you. I have a few clarification questions for you. We want to make sure that we are getting you the information that you are looking for.”

Commissioner Iverson: “On these payouts, 68%, 64%, 68%, is that what we’ve been running for the last several years?” **Jay Boughn, Instant Product Manager:** “Yes. Commissioner Iverson we have a standardized chart that we have a range of payouts for each particular prize point, payout, and odds. So, every time we develop a game, we keep those odds and payouts within those ranges. And we’ve been doing that for the last five years now. They’ve always been close, but we created this chart specifically for that reason, to keep those odds and payouts within range. Not only to generate the revenue we expect but also for the playability of the game, to give that consistent value to the players who play these games. We don’t want to fall out of those ranges otherwise our profit could go down and player satisfaction could go down as well.”

Commissioner Iverson: “From my personal standpoint I don’t think 11.7% return off the scratch tickets is enough. We need to figure out how we can start bumping that up without changing it a whole lot. But I think there is room for more profit there and I think we have to look at that.” **Jay Boughn, Instant Product Manager:** “I’ll be happy to provide more detailed information on this at the June meeting.”

Commissioner Metropoulos noted he is aware of Commissioner Iverson’s question and request for information, and he is also looking forward to seeing it in June.

VOTE – APPROVAL OF SCRATCH GAMES: (42:53 – 44:19) Chairman Prigge asked if there was any public comment on the seven scratch games proposed for the second quarter of 2022. There being none, Chairman Prigge asked the Commission if there was any further discussion or questions regarding the scratch games. There being none, Commissioner Harbaugh made a motion to approve. Commissioner Morris seconded the motion. The motion carried. The Commission voted unanimously to approve the seven scratch games proposed for the second quarter of 2022.

ANNE CHARPENTIER, MARKETING AND SALES DIRECTOR:

Montana Sports Bet – Mobile Only Pilot Program: (44:46 – 1:10:23) Our traditional Sports Wagering locations all have a terminal and mobile betting capabilities. However, it is not necessary for betting to take place with the terminal in place. Mobile betting can take place on its own with the beacon and communications in place without the need of a terminal. Lottery’s had inquiries from potential sales agents throughout the state asking to sell Sports Bet Montana but had legitimate concerns with having a terminal in their location. To address this request and increase our channels of distribution of the product, Lottery developed a mobile-only pilot program for Sports Bet Montana. The chart below addresses the location requirements, the equipment the location will be given, and the sales commission rate that is an action item for the Commission.



Proposed SBM Mobile Only Pilot Program

Pilot Locations

- May 25, 2022 – October 30, 2022
- Location selection with LSRs
 - Two (2) locations in each region minimum

Sales Agent Location Requirements

- Preferably no casinos unless authorized by the Marketing Director and Sales Manager
 - If a casino location is to be considered, the casino must be smaller than average (less than 10 machines) and located in a space less visible from public view
- Must have a Lottery/SB license, gambling license (state law) and meet all conditions of licensing
 - Depending on program viability, licenses may be revoked if mobile only program is not revenue generating.
 - Sales agent knowledge of temporary status must be made clear at start of program

Equipment Needed

- One (1) or two (2) screens
 - Mutually agreed upon locations within establishment for optimal viewing
- Neon SBM sign
 - One visible from outside and one placed in mutually agreed upon location for optimal viewing
- Other advertising at our discretion
 - Door decal
 - Bar table QR code decals
 - Other as needed/requested

Sales Agent Commission (Pending Commission Approval)

- Commission rate

Additionally, the plan addresses how the sales agent will be trained on the app and reporting. This will all be followed by studying the performance of each location, working with our sales representatives on specific location sales, and the challenges and successes that can be applied to other pilot program participants.

The only portion of this plan before the commission for a vote is the commission rate for these sales agent locations. It is recommended that this rate be half of the regular commission rate established for Sports Bet Montana. The reasoning for that is these sales agents have far less interaction with the product as they do not have a terminal placed in their location. They are not handling any cash transactions as all transactions are all handled through account play on the app, and there is no floor space being taken by the terminal, warranting the lesser commission rate.



Proposed SBM Mobile Only Pilot Program (cont.)

Sales Agent Training/Reporting

- Exclusively Sales Agent Portal
 - How to get weekly invoice, sales, and commission reports

Case Study /Data Collection

- Stats on foot traffic
- Sales data
- Sales agent interviews
- Player interviews

Lottery Sales Representatives

- LSRs select two (2) pilot locations in their region that would fit this mobile only style
- LSR recommendations reviewed by Sales Manager, Directors and SB Coordinator
- LSR visits to pilot locations followed by reports of any observations/comments by sales agent
 - Notes from LSRs collected by SB Coordinator and shared with Sales Manager and Marketing Director

Analysis

- Regular sales tracking of pilot locations completed
 - Daily, weekly, monthly sales by sport
- Calls and in-person visits to observe play, placement of assets and interview location staff
 - Tracked by SB Coordinator; presented to Sales Manager and Marketing Director
- Final report offered in October – completed by SB Coordinator with Sales Manager and Marketing Director
 - Observations and analysis to Directors
 - Program recommendations

Commissioner Iverson: “I’d like to hear the commission proposed rate change along with this item as we approve it. I think its important information to have rather than two isolated things. They are connected, let’s hear the whole story.”

Scott Sales, Lottery Director: (59:08 – 1:10:22) “Mr. Chairman, if I understand Commissioner Iverson’s request, he would like to go over the commission rate change for the retailers and then take a vote simultaneously, corresponding to this 1.5% for mobile users. Mr. Chairman with that we’ll open it up here for a discussion on Sports Wagering and the commissions that we are currently paying vs. what we proposed in the last meeting. What we should have done in the last meeting was also get a vote on the 3%, reducing the commission rate for the retailers from 6 to 3%. There’s not a whole lot of new information to give you that wasn’t covered in the previous commission meeting regarding those changes. Those changes were outlined in the newest amendment to the contract that made several changes. Notably would be the change that we’re adjusting the payout to be more competitive with the marketplace and the potential for other people coming into the state to compete in this Sports Betting arena. As stated in the previous contract, and what was brought to your attention at the last meeting, there was going to be an 80% payout, and of that 20% GGR, 60% would go to lottery, 40% go to the vendor, (which was Intralot) and we would pay 6% of gross sales to the retailer. That model wasn’t working for us, wasn’t really working well for the vendor, and we’ve heard all along from our retailers that they wanted a more competitive product. They were hearing this from their customers. They wanted something that was more in line with what you would get out-of-state with either a full mobile app like the State of Arizona or if you were in Vegas or Nevada that’s closer to 92%. In an effort to make

our product more competitive and to maintain a reasonable profit level for the Lottery, the Commission agreed to making the payout at 88% and basically reducing the commission rate from 6% to 3%. Of that 12%, five would go to the lottery, I think, six would go to the vendor and three would go to the retailer. So that would be the ratio of that remaining 12%. Basically, in order to put this amendment to the contract into action we need a vote from you to agree to reduce the commission from 6% to 3% of the gross for the retailers. Director Charpentier and I have spent a fair amount of time speaking with the industry on the subject matter and had gotten the O.K. The Commission heard from the Tavern Owner's Association when they testified at the last meeting that they agreed with the concept of dropping the commission from 6% to 3% to make us more competitive in the marketplace. I would be more than happy to try and answer any questions myself or my staff members regarding this change. We're not blind sighting you here we just need an official vote. I'd be more than happy to answer any questions from you or the public. We'll start with the Commission."

Commissioner Iverson: "Clarify the rates again for me I thought it was 5% Lottery, 4% Intralot, and 3% Vendors, which makes 12% and it's an 88% payout." **Phil Charpentier, IT Director:** "I can speak to that, Commissioner, you can't breakout percentages straight across all three parties. Because one of the parties, the retailers is off gross. But if we are pretending it's a dollar its 88% goes to prizes or eighty-eight cents; 60% of the GGR of the remaining money goes to the lottery. Of that 60% which is 8 cents, 5 cents from the gross would go to the retailer. So, they're getting the 5 cents, we are getting 3 cents from the 8 cents from the GGR, and the vendor is getting the difference or the remaining." **Commissioner Iverson:** "We're going to drop from 4.7 we were making down to 3? I thought the 4.7 was becoming 5 for us." **Phil Charpentier, IT Director:** "Yes, it is because 5 plus 3 is 8 cents. Which is..." **Commissioner Iverson:** "Well, its 3 cents to the vendor, 5 cents to us." **Phil Charpentier, IT Director:** "Yes and then 3 cents to the retailer." **Commissioner Iverson:** "3 cents to the retailer, 5 cents to us and basically 4 cents to Intralot." **Phil Charpentier, IT Director:** "Correct." **Commissioner Iverson:** "Because you only have 12 cents to deal with. At least that's the way I learned math. That's how it works." **Scott Sales, Lottery Director:** "Right, I was incorrect when I said Intralot was 5 and I apologize for that." **Commissioner Metropoulos:** "Mr. Chairman, if I could ask just to clarify from you it is 5, 4, 3, correct?" **Scott Sales, Lottery Director:** "3 for the Retailer, 5 for the Lottery, and 4 for the Vendor roughly speaking."

Commissioner Harbaugh: "Have you had any other retailers around the state that have expressed concerns on the reduction? I fielded a fairly lengthy call from one in Eastern Montana yesterday. And of course, he is very upset because he sees his part of the profits being cut in half. I am curious if there have been any other retailers that have talked to anyone?" **Scott Sales, Lottery Director:** "Mr. Chairman I'll defer to Director Charpentier who has had numerous conversations with our retailers on this subject matter. She can give her perspective on that." **Anne Charpentier, Marketing and Sales Director:** "Yes, I have spoken to several locations. Obviously, they have expressed, you know, they are not happy about seeing a reduction. However, they have also said they understand the reduction and after discussion and with the increase in the 88% payout, they see that is a good thing for their business. They see in the long-term that will be a good thing for the product and their players. They don't intend to remove the terminal or product from their establishment. There were some locations that said their initial concern was "well I'm not going to keep this, I'm going to get rid of it." We talked it through a little bit, after understanding the reason behind it, why we were making that decision they understood and were more inclined to keep it. And understood that this was a good thing to keep in their establishment as the patrons still wanted to play it. These people were coming into their establishment not only betting but also buying other things and participating in other parts of the business, buying drinks, and buying food, and turning their winnings into other things and playing other games. So, they understood that part of it. Now, there are other people and bar owners who are extremely upset by it. I

believe whom Tony is referring to I have also spoken to as well and is not happy about it and may be part of the public comment today. I'm not sure if that person is online and will certainly express those concerns." **Commissioner Harbaugh:** "I encouraged him to participate in the call today as well, after visiting with him. And we'll see if he has comments if he is on the call today." **Anne Charpentier, Marketing and Sales Director:** "Right. We also talked to several corporate entities as well. Reached out to the corporates to let them know, who have the product in their corporate accounts. Those folks primarily were understanding of the change and didn't express too much concern with the change going forward."

PUBLIC COMMENTS AND DISCUSSION: (1:10:28 – 1:58:26)

TYLER HUTCHINSON, OWNER OF BAR 52 IN WIBAUX, MT: Mr. Hutchinson is a Sports Bet Retailer and objected to the reduction of retailer commissions from 6% to 3% and also expressed concerns with the mobile pilot percentage of 1.5%. Mr. Hutchinson stated he was not notified of this change until recently and complained about his experience selling Sports Betting since its inception. Mr. Hutchinson's public comments may be found on the recording at **(1:11:04 – 1:17:38); (1:27:15 – 1:30:07); and 1:47:10 – 1:51:15)**. In response to Mr. Hutchinson's concerns, Director Sales provided an overview of the Legislative history creating Sports Betting in the State of Montana, as well as why there is a monopoly. Chairman Prigge discussed geofencing and that many of Mr. Hutchison's concerns were controlled by the Legislature not the Lottery. Commissioner Morris discussed his recollection of the two legislative bills, their similarity, their basic parameters, and his personal knowledge as a retailer. Anne Charpentier, Marketing and Sales Director addressed Mr. Hutchinson's concerns with terminal problems, service issues and the importance of reporting and working with the Lottery's vendor to resolve issues. This information may be found on the recording at **(1:18:19 – 1:27:03); (1:30:08 – 1:31:01); and (1:31:02 – 1:32:41)**.

RHONDA WIGGERS, MONTANA COIN OPERATOR'S ASSOCIATION: Ms. Wiggers discussed the original legislative bills and stated their bill and the lottery's bill were almost identical. The lottery made a few minor changes, but they were very, very close. Ms. Wiggers had some questions concerning the mobile only pilot program. "If those locations had a gaming license but no VGM's, how would it work? Is it just required you have a liquor license?" "How would you deposit money in these accounts if there was no Kiosk to deposit the money in?" Anne Charpentier, Marketing and Sales Director explained, "retailers that are in the pilot program would have to have a gambling license. They would not have to have a casino or any VGM's in their establishment. You can have a Sports Bet Montana app. to deposit money. You don't have to have any interaction with a terminal to deposit money. Depositing money can be done through any of the deposit methods that Lottery offers through the app., anything from the IACH. Lottery has various methods of deposit, and they can all be done through the app itself. None of those require any interaction with the terminal." Ms. Wiggers public comments may be found on the recording at **(1:34:04 - 1:37:01)**.

Commissioner Metropoulos: "I have a question arising from public comment. Mr. Hutchison mentioned once or twice that he was only recently made aware of this. So, my question is what public notice process was this information disseminated by? When, where and by what means and what was said? I'm a little concerned that we've got a lot of people out there that might be in Mr. Hutchison's position. Maybe not, I don't know."

Scott Sales, Lottery Director: "We relied heavily on the input from the Tavern Owners Association, which is a lobbying organization that represents many of the bars and taverns around the State of

Montana. For many, many months we've been communicating with the tavern owners that we were contemplating making these changes. In fact, the tavern owners via this organization had brought to our attention that they wanted our line or our payout to be more competitive and we've heard that input from a lot of individual players as well. So, this wasn't something that hasn't been out there for a long period of time. The tavern owners brought this subject matter of reducing the rate from 6% to 3% to their board and their board approved it. That's what was communicated to us. That information would have been disseminated through the tavern owners. It's been in the Tavern Times, which is a publication that we receive, and all the legislators receive it in the state. And people that belong to the Tavern Owners Association I would assume all of them receive it. And I would say probably a lot of people that aren't members of the Tavern Owners Association receive it. So that information was out there, and we have had it on our website, I would assume. And I'm going out on a limb a little bit, this is where I might defer to Director Charpentier. Before we have a Commission Meeting, we make mention of it, and we promote it on our website. And I don't know if we do a press release or not, but I think we do; that tries to inform the public about what we will be discussing at that meeting. If any of my directors would like to expand on that further, I encourage them to do so. I think to the best of our ability, we try to make these types of decisions as available to the public and to the people that are going to be affected by it. We get it in the public square as soon as we can. We're not trying to hide anything here. We certainly want to make an informed decision and allow the Commissioners to make one as well."

Anne Charpentier, Marketing and Sales Director: "In addition to that we did take it upon ourselves in the marketing department to reach out to as many locations as we could. Again, reaching out to some of our corporate accounts to inform them of the pending decision that was going to be taking place today. So that's the work that's been done on this side."

Commissioner Morris: "Mr. Chairman, also the Montana Tavern Association wasn't the only industry group that supported this. The GIA, which is the Gaming Industry Association, also supported it. That goes to bigger casino operators around the state. It wasn't just the tavern owners that went along with this there were other associations. It's been out there, there is nothing we can do about it. I'm sorry that Mr. Hutchison didn't know about it. But it's been out there. It's been circulated."

Chairman Prigge: "Anne is there a way that Intralot or the Lottery when there is stuff like this going on or a Commission Meeting... I don't know if there is any email, newsletters, notifications that go out in terms of doing our meeting notifications. As you know, the retailer is a real strong stakeholder in this organization. Is there something that goes out to them every meeting in terms of the public notification part of it or is that something we can look into?"

Anne Charpentier, Marketing and Sales Director: "We have the ability to reach out through our terminals. I would say probably we can reach 50% of our retailers through messaging. There is a limitation in our self-service terminals, where we don't have the ability to send out messaging to those locations. Mr. Hutchison being one of those locations because he has self-service terminals. But we do have email capability and we can do better with sending out specific agenda information and things like that, which we will absolutely address for the June meeting and beyond that. We will come up with a plan to make sure that we are reaching out to those stakeholders better with that Mr. Chairman."

Phil Charpentier, IT Director: "I think there is also an option for any member of the public who wishes to receive those press releases, to just reach out. And I think that's a requirement that they reach out in order to get added to the list for those press releases. And we can make mention of that as well."

Anne Charpentier, Marketing and Sales Director: “That is called an interested parties list. Anybody who reaches out to us that says they want to be part of the interested parties list gets added to the list. And then anything that comes out for notification purposes from us receives all notifications and information that we put out publicly; including meeting notifications and associated information.”

Chairman Prigge: “O.K. Thank you. I see that there is a comment in the zoom text from Carmen Hahn, with the Wibaux Pioneer Gazette, that says “he or she did not see a press release on this item.” I understand the difficulty... trying to... you know it’s a big state. I think that hopefully we can figure out ways to get these notifications out, especially when we’re making big decisions like this to make sure everybody’s involved.”

Chairman Prigge: “I’d like to move on to the vote if possible. Again, I appreciate your (Mr. Hutchison’s) comments. I think that from my perspective, the logic behind this was to make the Sports Betting more competitive to increase the payout. Maybe the folks that are currently betting aren’t going to wager any more than they currently are. But the feeling behind everybody that we heard from last time and that I’ve spoken to personally is that there is a whole lot of betters that are on the sidelines right now that aren’t playing these games. All of the sharp betters are either betting illegally in the state (because there is a lot of that going on) or they are seeing numbers and odds-on ESPN or Fan duel or online that aren’t competitive and aren’t what the odds say on the machine. So, the hope here is, that the logic behind it as I understand it, is that you are going to grow the size of the pool of people that are actually willing to play this game when the odds are more competitive. Because right now, the odds the state is offering at an 80% payout are just not what they are online and on big TV shows where they are talking about Sports Betting. They’re seeing odds that are advertised and you go to the terminal and it’s not even close to what..., so why would somebody bet on this game if this game isn’t competitive. So, hopefully the thought was, and that’s why I think why Steve was saying that the Tavern Association, that everybody’s been on board on this thing, because you’re going to grow the pie. So, your take of 3%, is going to be less, but if you bring more people over the border because the odds are more competitive then you could see growth. Hopefully, you are seeing other business activity in your bar, not just the commission, hopefully people are buying beers. Hopefully, that will outweigh the negative impacts of some of the service issues you’ve been experiencing and some of the payment issues. I’m glad you brought that stuff up. Its good as a commissioner to know where we need to be doing better as a Lottery. My other thoughts on some of your other issues on the monopoly that is a legislative thing that’s not something we can control. But we’re hoping to increase the number of players. And we’re taking a haircut and Intralot is taking a haircut. Everybody is going to share in a reduced percentage of hopefully a larger pie.”

Scott Sales, Lottery Director: “Mr. Chairman I think you’re spot on. The only other thing I would add, we haven’t made these changes to inflict pain or suffering on the retailers. We did this in a transparent fashion. It’s what the major players wanted who represent the retailers. We wanted to have a more competitive product. We’re eight months out from a legislative session and the rumor on the street is there is going to be another bill that is going to add competition to the equation. In preparation for that we want to have a product that is more market competitive and is closer aligned with the odds that we’d get with a Vegas type facility. Tyler didn’t mention in his last comments, I know there is concern about Intralot being a foreign enterprise. They employ roughly 20 people in the State of Montana. They are at the very end of the process of separating themselves from Intralot Europe. So, they are going to be Intralot, if they are not at this moment, they will be an American enterprise and I think they will be traded separately as an independent stock here in North America. Our main focus and desire was to make our product more competitive. Everybody is taking a haircut. Yes, the retailers are taking a larger

haircut than the Lottery and the vendor. And I don't mean for this to be offensive, but the vendor and the Lottery put a tremendous amount of effort each and every day in maintaining and trying to make the system better for the retailers as well as for the end users."

Commissioner Iverson: "I have a question when we passed that contract with Intralot last month, at the last meeting. O.K. that's already in place, when does that start?" **Scott Sales, Director:** "Well Mr. Chairman the thought was if you were to approve this reduction, that we would cut it in this weekend on Sunday." **Commissioner Iverson:** "I guess we've already made the deal with Intralot we're kind of stuck as the way I see it. So, based on that, I don't think we have a choice but to move that we pass the change. As much as we regret some people maybe not hearing about it earlier." **Chairman Prigge:** "Yeah, I feel the same way."

VOTE – APPROVAL OF RETAILER COMMISSION ADJUSTMENT FROM 6% to 3%: (1:58:27 – 2:00:05)

Chairman Prigge asked if there was any public comment on the proposed retailer commission reduction from 6% to 3%. Public comment was previously received from Tyler Hutchinson. After some discussion, Commissioner Iverson made a motion to approve the decrease in retailer commissions. Commissioner Morris seconded the motion. The motion carried. The Commission voted unanimously to approve the commission reduction from 6% to 3% effective Sunday, May 1, 2022.

VOTE – APPROVAL OF PROPOSED SPORTS BET MONTANA MOBILE ONLY PILOT PROGRAM WITH A REDUCED RETAILER COMMISSION OF 1.5%: (2:00:10 – 2:02:03) Chairman Prigge asked if there was any public comment on the proposed Montana Sports Bet Mobile Only Pilot Program? There was none. After some discussion, Commissioner Iverson made a motion to approve the mobile only as a pilot program. Commissioner Iverson amended his motion to include "with a reduced retailer commission rate of 1.5%;" to be evaluated within one year on its effectiveness as to whether it should be continued. Commissioner Iverson requested this evaluation be provided at the December 2022, meeting. Commissioner Metropoulos seconded the motion. The motion carried. The Commission voted unanimously to approve the mobile only pilot program.

BOARD OF HORSE RACING MOU: (2:02:18 – 2:03:09) Director Sales requested approval from the Commission on the Memorandum of Understanding between the Montana Lottery and the Board of Horse Racing. A copy of which was provided to the Commission. "It states what the Lottery has done and what it will continue to do for the Board of Horseracing from a game standpoint. It pertains to HB 704. The agreement has been verbally approved by the Board of Horse Racing."

VOTE – APPROVAL OF MEMORANDUM OF UNDERSTANDING WITH THE BOARD OF HORSE RACING: (2:03:10 – 2:04:24) Chairman Prigge asked if there was any public comment regarding the MOU with the Board of Horse Racing? There being none, Chairman Prigge asked the Commission if there was any further discussion or questions regarding the MOU. After some discussion, Commissioner Iverson made a motion to approve. Commissioner Metropoulos seconded the motion. The motion carried. The Commission voted unanimously to approve the MOU between the Montana Lottery and Board of Horse Racing.

GENERAL PUBLIC COMMENT: (2:04:54) Chairman Prigge asked if there were any "general" public comments that aren't related to the commission rate? There was one question from the public.

PAUL TASH, MONTANA TAVERN TIMES: (2:06:10 – 2:06:46) "I have a quick question. I know the vote has already been taken but it's just a point of fact I'd like to get straight. What is the percentage of use

of the Kiosk vs. the mobile betting in establishments? Are the Kiosk's used more or the mobile more?" Anne Charpentier, Marketing and Sales Director: "The machines are used more, it's a 90 to 10% ratio."

OTHER BUSINESS: (2:05:10 – 2:06:07) Commissioner Iverson stated, "I would like to see the public comment be at the beginning of our meeting after roll call. And then like we've done at each thing would be good. But that way somebody can set the precedent at the beginning of the meeting if they have something that needs to be addressed." Chairman Prigge agreed. Chairman Prigge stated, "he will also include public comment on anything before the Commission takes a vote."

NEXT MEETING DATE: (2:07:00 – 2:08:20) Director Sales reminded Commissioners the next regular Commission Meeting is scheduled for Thursday, June 9, 2022. Director Sales indicated he would instruct Denise to canvas the Commissioners prior to the meeting to ensure there is a quorum to conduct business. The commission meeting was recorded using Zoom. Pursuant to Section 2-3-212, MCA, the audio recording is designated as the official record of the meeting. A copy of the recording may be obtained upon request from the Lottery

ADJOURNMENT: (2:08:32 – 2:08:42). There being no further business, Commissioner Morris made a motion to adjourn the meeting. The meeting adjourned at 11:22 a.m.