

MONTANA LOTTERY COMMISSION MEETING MINUTES

2525 North Montana Avenue

Helena, Montana 59601

December 8, 2022 @ 9:01 – 11:00 a.m.

COMMISSION MEMBERS

Leo Prigge, Commission Chair

Steve Morris, Commissioner

Jon Metropoulos, Commissioner

Dwaine Iverson, Commissioner

Denise Blankenship, Commission Secretary

MONTANA LOTTERY STAFF

Scott Sales, Lottery Director

Bryan Costigan, Security Director

Armond Sergeant, Finance Services Director

Anne Charpentier, Sales and Marketing Director

Phil Charpentier, IT Director

Mike Arnell, Network Administrator

Daniel Iverson, Content Manager

Logan Jackson, Sales Manager

Jay Boughn, Instant Product Manager

Celina Becton, Marketing Insights Associate

Chase Peaslee, Online Creative Services Manager

Debbie Sebens, Region 4 Sales Rep.

Kassie Kultgen, Quality Assurance Analyst Supervisor

Jolene Boyd, Quality Assurance Analyst

Daniel Betcher, Information Systems Security Officer

DEPARTMENT OF ADMINISTRATION

Don Harris, Chief Legal Counsel

INTRALOT

Paul Ostendorf, Intralot Regional Director

Ben Kamerzel, Intralot General Manager

Samantha Harker, Intralot Marketing Coordinator

Sassion Beckman, Intralot Marketing Manager

Forrest Webster, Intralot QA Analyst

Suzette Angel, Intralot CST Manager

Sierra Anderson, Intralot Operations Shift Supervisor

Reggie Scott, Intralot Senior Systems Engineer

MONTANA COIN MACHINE OPERATOR'S ASSOCIATION

Ronda Wiggers, Wiggers Consulting

THE WENDT AGENCY

Jennifer Fritz, Senior Account Manager

GAMING INDUSTRY ASSOCIATION OF MONTANA

Shauna Helfert, Executive Director

MIDO LOTTO

Kevin Kramer, CEO

OTHER ZOOM PARTICIPANTS

Greg Van Horssen, Attorney

E.J. Redding

Rich Wheeler

Rory Schulte

Luke Hoffer

Margaret Morgan

GENERAL BUSINESS

INTRODUCTION AND CALL TO ORDER (00:26 – 03:18): Commissioner Prigge called the meeting to order at 9:01 a.m. and took roll call to ensure there was a quorum to conduct business. All Commissioners except Tony Harbaugh were present. The Lottery Directors and Lottery staff introduced themselves. Phil Charpentier identified those individuals who dialed into the Zoom meeting.

INTRODUCTION OF NEW STAFF (03:19 – 04:05): Director Sales announced Celina Becton the Lottery's new Marketing Insights Associate. Celina is a 2021 graduate of Auburn University with a BA in Public Relations. Most recently she worked as a Community Relations Coordinator for the City of Opelika, Alabama. Celina made a trip to Montana in 2020 and fell in love with the state. She enjoys everything outdoors and is looking forward to making Montana her new home.

PUBLIC COMMENT: (04:06 – 10:32): Public comment was received from Shauna Helfert, representing the Gaming Industry Association of Montana and Ronda Wiggers, representing the Montana Machine Coin Operators Association. Both respectfully disagreed with the legal opinion regarding the courier services and asserted the memorandum did not consider that the Montana Constitution prohibits online gambling. Ronda Wiggers agreed with Ms. Helfert and indicated John Iverson of the Montana Tavern Association, although not present, had concerns and agrees with their comments. A full transcript of their public comments may be found at the above time stamp.

VOTE – APPROVAL OF PRIOR MEETING MINUTES: (10:35 – 11:15): Chairman Prigge asked if there were any objections, comments, or corrections to the prior meeting minutes? Commissioner Iverson made a motion to approve the minutes. Commissioner Morris seconded the motion. The motion carried. The Commission voted unanimously to approve the September 8, 2022, meeting minutes.

ARMOND SERGEANT, FINANCE SERVICES DIRECTOR (11:18 – 31:47)

Financial Statements

September 30, 2022

Statement of Net Position – Page 2

Current Assets: The total Current Assets of \$11,139,000 are \$2,062,000 higher than last first quarter. The main difference is our increase in our Cash and Cash Equivalents:

- Our Cash and Cash Equivalents have increased by \$2,795,000 compared to last year at this time. This was due to the big jackpots of Montana Cash and Mega Millions.

Non-Current Assets: Total Non-Current Assets of \$2,041,000 have increased by \$843,000 between this year and last year. The reason for this increase is an increase in our Intangible Assets.

- Our Intangible Assets increased by \$882,000 because of the new GASB 87, which requires Lottery to record the intangible effect of leases on its statements, even though they are operating expenses, Lottery is required to present the value of this lease in assets as present values.

Current Liabilities: The Current Liabilities of \$11,309,000 have increased by \$2,101,000 between this year and last year. This difference is due to the increase in our Lease Payable and our transfer obligations.

- There was an increase in our Lease Payable of \$153,000 due to the new GASB, which was never recorded before.
- The transfer obligations are related to Lottery's bottom line each quarter which increased by \$3,702,000.

Non-Current Liabilities: The Non-Current Liabilities of \$4,077,000 is approximately \$179,000 higher than last quarter. Most of the increase was due to the new GASB reporting the liability for the lease, with an offset of Lottery's pension liability.

- The lease liability increased by \$810,000 due to the new GASB.
- The net pension liability decreased by \$607,000 compared to last fiscal quarter. This is a calculation state accounting makes on Lottery's behalf using actuarial information they receive from outside firms.

All the above increases and decreases result in total assets and deferred outflows of \$14.0 million, which is \$2,824,000 higher than last year at this time.

Statement of Revenues, Expenses and Changes in Net Position – Page 3

Operating Revenues: For the quarter ended September 30, 2022, operating revenue was \$33,743,000, which is an increase of \$8,892,000 compared to last year or an increase of 35.8%. For the quarter ended: Montana Cash increased 363.2%; Mega Millions increased by 210.0%; Treasure Play increased by 1.5%; Lucky for Life increased by 2.5%; Lotto America increased by 52.5%; and Sports Bet increased by 21.7%. While: Scratch revenue decreased by 4.1%; Powerball decreased by 10.1%; and Big Sky Bonus decreased by 24.6%.

Direct Game Costs: The direct game costs increased approximately \$5,102,000 or a 24.6% increase compared to the last quarter end, which is in direct relation to sales and increases and decreases in ticket and prize cost. The increase in operating revenues and the decrease in direct game costs resulted in Net Operating Revenue of \$7,880,000, which is approximately \$3,790,000 higher than last year at this time.

Operating Expenses: Overall Operating Expenses of \$1,320,000 have increased by approximately \$89,000 or 7.2% increase between this quarter and last. The variances are due to a combination of increases and decreases, but as far as the bigger changes, Lottery had an increase in their advertising and advertising production, and its communications expense.

- Advertising and advertising production costs increased by \$110,000 compared to last year. This line item fluctuates each year, based on yearly needs, promotions, and high running jackpots.
- Communications expense increased by \$51,000 compared to last year. This is due to the higher cost of UPS shipping.

Total Non-Operating Revenue and Expenses: Our overall non-operating revenue/expenses have increased by \$164. This is due to interest earned on Lottery's investments and rate of return.

Transfer: The combination of the 92.7% increase in net operating revenue and a 7.2% increase in total operating expenses resulted in a quarterly transfer of \$6,561,000, which is \$3,702,000 higher than last year's first quarter or a 129.5% increase. The percent of the transfers to revenue is 19.4% for the quarter ended compared to 11.5% for last year end.

Statement of Revenues, Expenditures, and Changes in Net Position and Reconciliation of Budget and Actual – Page 4

This statement for the quarter ended September 30, 2022, shows:

- Total revenues are 29.13% of budget.
- Total Direct Game Costs are 27.93% of the budget, which are in direct relation to revenue.
- Total Operating Expenses are 25.91% of the budget.
- Net Income (GAAP Basis) is 36.13% of the budget.

Analysis of Revenues and Expenses by Product – Page 5

This statement shows the revenue, game costs, and operating expenses, net income and the profit as a percent of revenue for each game. The profit as a percentage of revenue at the bottom of the schedule shows that:

	As of 6/30/22	As of 6/30/21
Scratch	13.66%	9.96%
Powerball	31.72%	32.99%
Montana Cash	30.74%	29.15%
Mega Millions	35.67%	39.02.%
Treasure Play	10.69%	(11.41)%
Lucky for Life	29.39%	21.12%
Big Sky Bonus	24.11%	16.41%
Lotto America	34.61%	32.85%
Sports Bet	9.18%	4.02%

The following 28 pages contain notes to the financial statements.

VOTE – APPROVAL OF QUARTERLY FINANCIAL STATEMENTS (31:50 – 32:12): Chairman Prigge asked if there were any objections, comments, or corrections to the quarterly financial statements for September 30, 2022. After some discussion, Commissioner Iverson made a motion to approve the financial statements. Commissioner Morris seconded the motion. The motion carried. The Commission voted unanimously to approve the September 30, 2022, financial statements. Questions and discussion from Commissioners regarding this presentation may be accessed on the recording at the above time stamp.

BRYIAN COSTIGAN, SECURITY DIRECTOR (32:15 – 43:24)

Vehicles: Armond mentioned some vehicles that Lottery has purchased. They arrived about an hour before this meeting. It took a year and a half to get the vehicles. They will be going out as we need them to the different Sales Reps. There are a few vehicles in the field that are falling apart, and we will start to change them out as they get licensed.

Site Visit – Intralot Duluth: During this last quarter the Security and IT staff went to Intralot in Duluth and conducted a site assessment. Staff were there for a short period of time and will return next year. This site visit is done twice a year to assess security. In the future, Security and IT staff may go to Idaho to do the same thing, which is another Intralot site location that does work for us.

Security Audit: The Lottery is in a constant state of audit. The 2022-2023 Security Audit has begun. They are focusing on three items: follow-up from previous audit findings, (which was expected); Information Technology Security, and the Lottery's Business Continuity Plan. To date there has been an exchange of documentation. They send a request for documentation, and we respond, and they spend several months reviewing it. They typically ask for additional documentation. Complete interviews and then complete the audit. Last year it took two years to do the Security Audit due to Covid. This time it will be significantly less. It usually takes 6-8 months. Then we also have Armond's Financial Audit every year and the Statewide Audit Lottery contributes to.

Security Information and Security Procedures: Reviewed our current procedures within the Security Department. Identified how we are going to change things to more of an electronic format. Information is supposed to have a workflow, that goes from point "A" to point "B", to make sure things are done. Turning that into an electronic workflow ensures everybody signs off correctly and allows us to do additional document approvals and gives the Lottery centralized records that are protected from disasters. Everything we used to do in this building was on paper and if we have a fire there is no record of it. Now electronic information is backed up in Helena and at the State IT site in Miles City. It's a good disaster recovery plan for our records.

Internal Control Review (ICR): The 2022 ICR was completed by all staff. It is a process that is completed annually. Electronic forms were utilized to accommodate remote staff. The results of the ICR were reported to Director Sales. Four issues were addressed: Policy and Desk Manual Review; Remote Work Policy Compliance; Lottery Contract Review; and Risk Management.

Business Continuity Plan (BCP): The BCP for the Montana Lottery has been rewritten and was completed last month. In the event of a major event such as a fire or earthquake or other major event, that interrupts the operation of the Lottery for longer than 3-hours, the plan can be implemented. The Lottery has also obtained the BCP for Intralot to better understand and prepare for an incident that impacts their services to the Lottery. Questions and discussion regarding this presentation may be accessed on the recording at the above time stamp.

ANNE CHARPENTIER, SALES, AND MARKETING DIRECTOR (44:05 – 1:22:05):

Sales Performance Overview: Product sales for the fiscal year through week 22 compared with sales for the same timeframe last fiscal year show Powerball with a significant increase. This is due to the record \$2.04 Billion dollar jackpot in early November. Mega Millions success is a result from a huge jackpot earlier this fiscal year, driving its sales to higher levels. Lotto America has a record jackpot now with a \$31 million dollar jackpot. Sales for this game and other games have been increased by the Powerball and Mega Millions jackpots. This is a regular

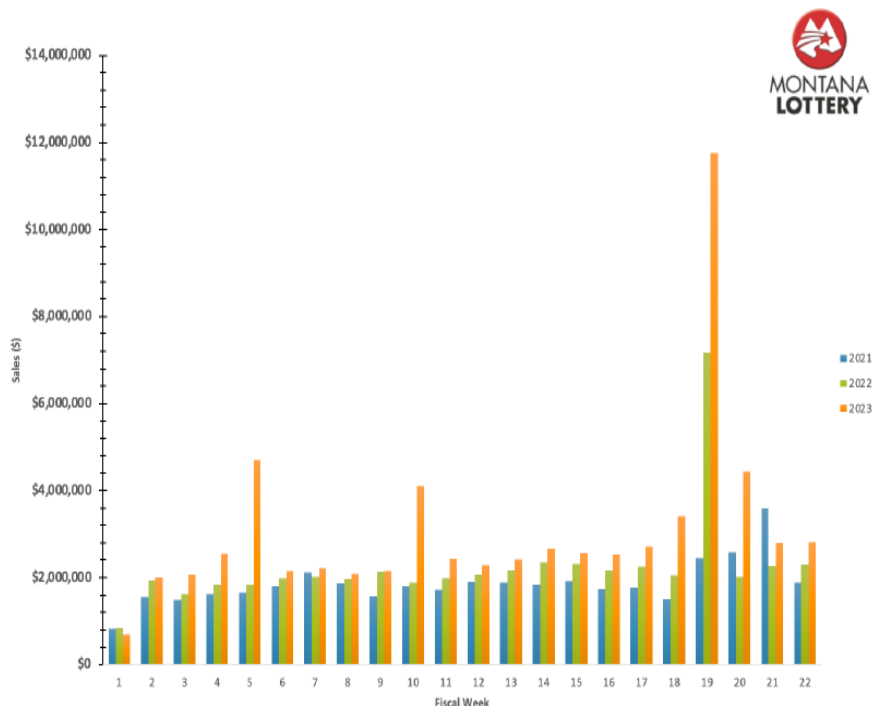
occurrence historically when experiencing larger jackpots. Montana Cash had its record jackpot in September contributing to its sales success.

FISCAL YEAR 2022 AS OF WEEK 22

FY23 Product Sales To-Date				
Product	FY23	FY22	\$ Change	% Change
Powerball	\$11,135,792.00	\$5,221,008.00	\$5,914,784.00	113.3%
Mega Millions	\$5,535,572.00	\$2,153,820.00	\$3,381,752.00	157.0%
Lotto America	\$1,165,769.00	\$720,445.00	\$445,324.00	61.8%
Montana Cash	\$6,498,509.00	\$1,841,628.00	\$4,656,881.00	252.9%
Lucky For Life	\$1,548,416.00	\$1,509,380.00	\$39,036.00	2.6%
Big Sky Bonus	\$1,232,214.00	\$1,200,074.00	\$32,140.00	2.7%
Treasure Play	\$3,549,835.00	\$3,233,855.00	\$315,980.00	9.8%
Scratch	\$10,349,368.00	\$10,550,492.00	-\$201,124.00	-1.9%
Sports Bet Montana	\$20,876,682.41	\$17,759,504.06	\$3,117,178.35	17.6%
Montana Millionaire	\$5,600,000.00	\$5,000,000.00	\$600,000.00	12.0%
Grand Total	\$67,492,159.00	\$49,190,206.06	\$18,301,952.94	37.2%

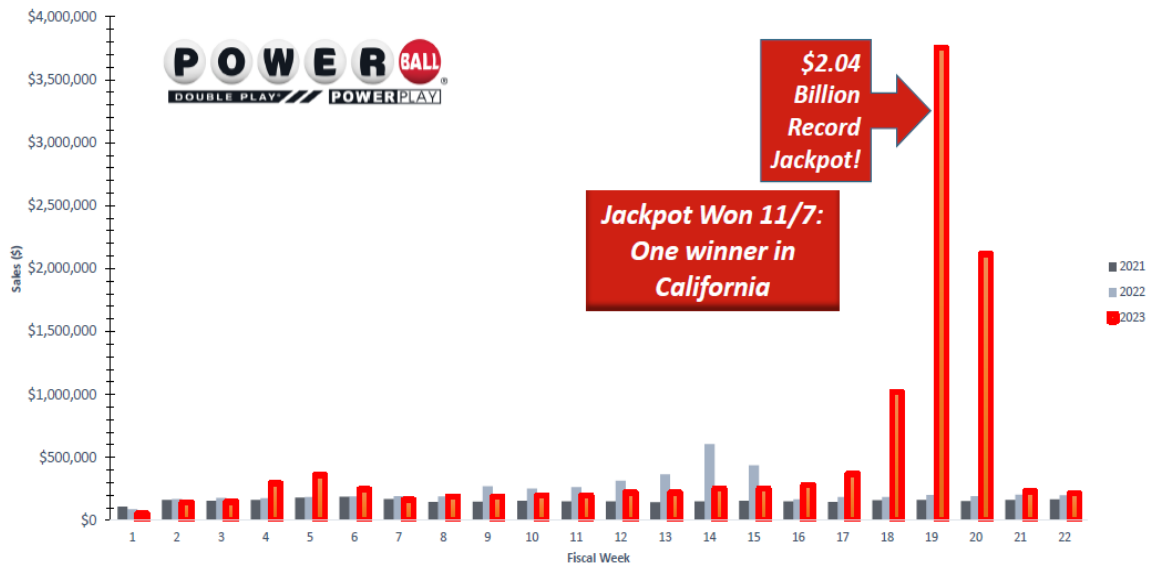
Fiscal Year Total Sales Comparison: This chart compares the last three fiscal years total sales for all products up to week 22. Fiscal year 23 is outperforming the previous years. The larger jackpots and increased betting with the sports wagering product is driving this growth.

FISCAL YEAR TOTAL SALES BY WEEK COMPARISON



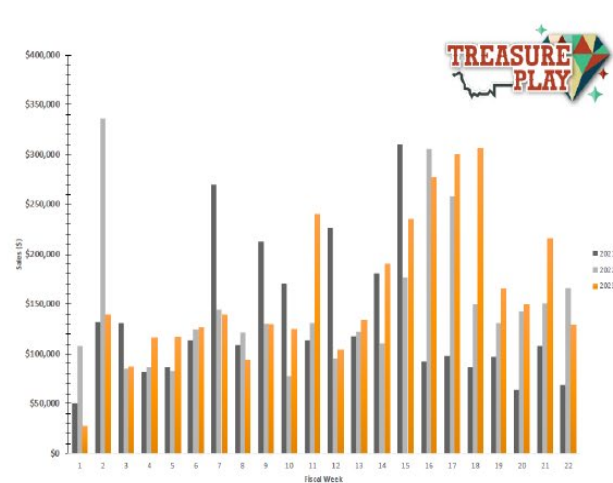
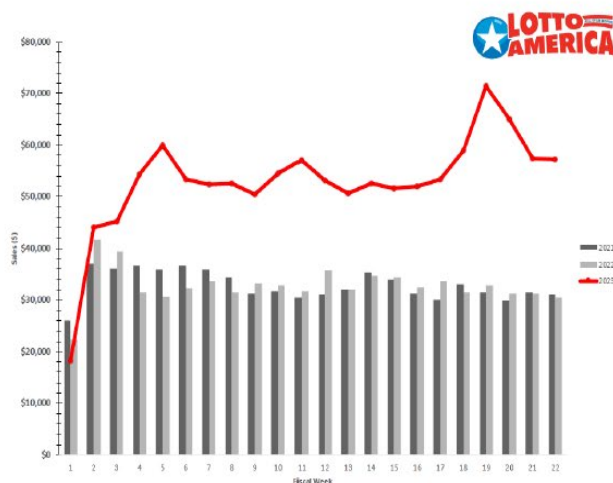
Powerball: The most recent record jackpot was the \$2.04 Billion dollar jackpot for Powerball. During the jackpot run, which occurred the same week as the Montana Millionaire game selling out, Powerball sales reached \$3.715 million during week 19. Before and after that week (18 and 20) respectively, Lottery had million dollar plus weeks in Powerball sales. It was a tremendous few weeks in sales for the Lottery.

FISCAL YEAR 2023 POWERBALL WEEKLY SALES AS OF WEEK 22



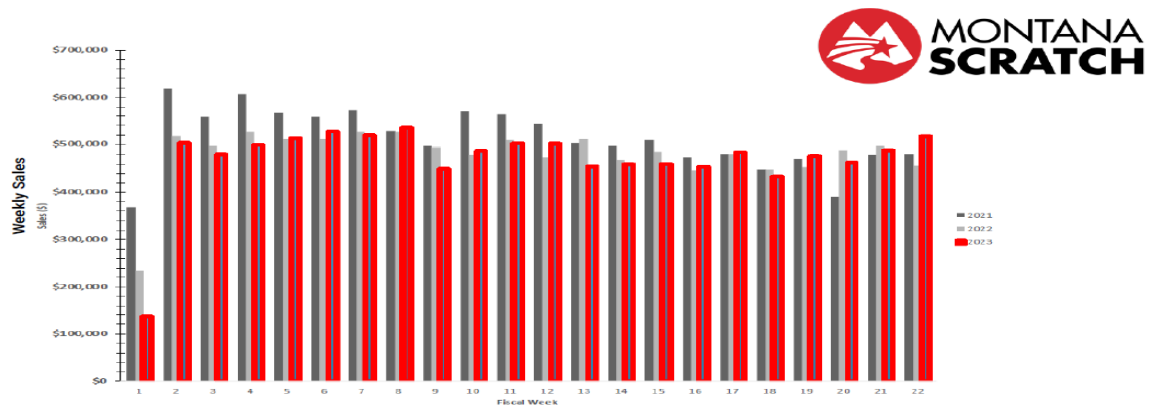
Lotto America and Treasure Play: Lotto America is currently in the middle of a record jackpot run. Average weekly sales this fiscal year are \$53,212; as compared to the average weekly sales of \$32,756 for the same time last year. The Treasure Play chart through week 22 depicts the sales by week which are driven primarily by progressive game jackpots in bars and casinos. In fiscal year 23, as the previous chart shows a 9.8% increase in Treasure Play sales as compared to the similar timeframe last year.

FISCAL YEAR 2023 PRODUCT SALES AS OF WEEK 22



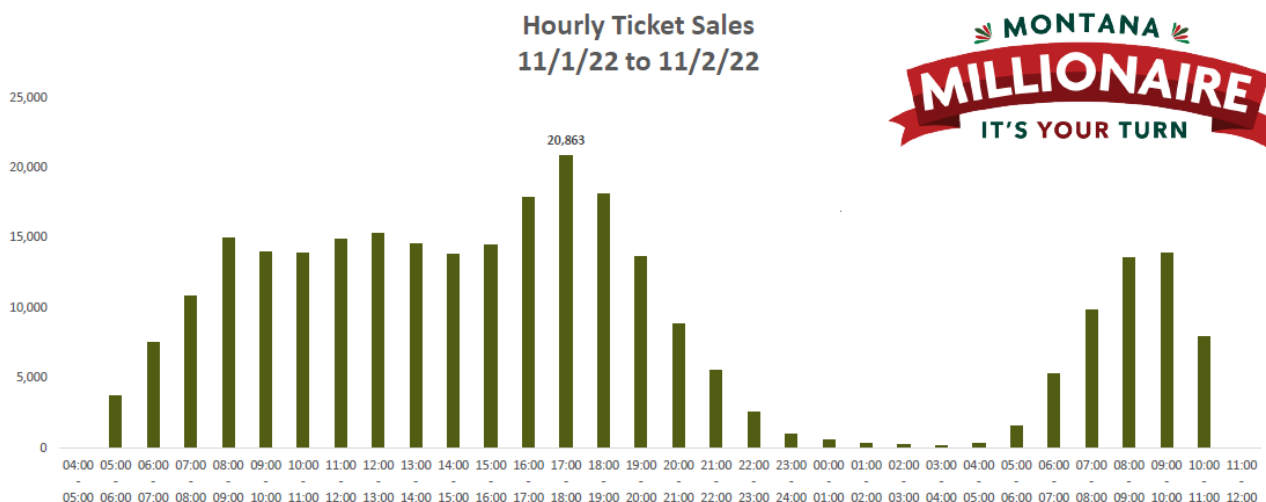
Scratch Product: The Scratch product is doing well, and Lottery is seeing an increase in sales due to the holiday scratch campaign. The four varying price points for the holiday games are performing as expected this quarter.

FISCAL YEAR 2023 AS OF WEEK 22



Montana Millionaire: The Montana Millionaire game has continued to outperform Lottery's expectations this year. Millionaire sold 280,000 tickets in 29 hours, which is another record sell out. Based on its extraordinary performance, Lottery has begun to process and address next year's game parameters. Lottery is not being reactionary to the game's performance. Over the past year, the marketing department has been strategically working to ensure long term growth, while maintaining maximum revenue generation. Lottery's main goal is to ensure the sustainability of Montana Millionaire over the next decade. Specifically, how to move towards offering additional \$1 million dollar prizes, while providing players with the odds and playing experience they love. Considering all the important factors is the approach Lottery has used over a decade and it has ensured its success for over a dozen years. It's the Lottery's responsibility to see that this game grows in a reasonable manner and maintains its identity as a raffle game, with a limited number of tickets available to everyone who wants to buy them. As with any game change, the Lottery's integrity are of the utmost importance and will always be the foundation of the game design we bring before the Commission for their approval.

2022 MONTANA MILLIONAIRE UPDATE



Another successful **RECORD SELL OUT!**

2023 raffle game planning in progress...

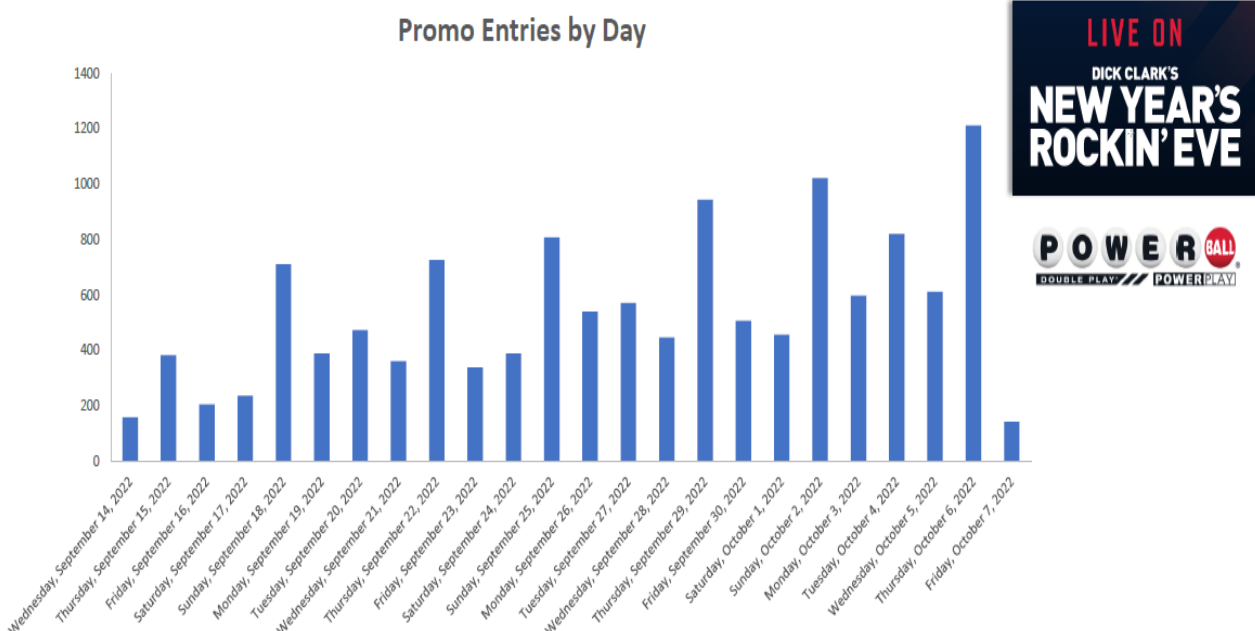
- Analysis of research data collected
- Listening to player and sales agent feedback
- Maintain sustainability
- Meet the agency mission



New Year's Rockin' Eve Promotion: The New Year's Rockin' Eve Promotion is a National Promotion ran by participating Powerball States. This was the first year Montana offered this promotion to its players. Overall players responded positively to the prize offered. Players entered their Powerball tickets through the Player's Club during select dates in Sept. and October to be eligible to win a trip to Times Square to celebrate New Year's Eve 2023. During this time the first Millionaire of the year will be selected from other state's winners also in attendance during a live TV broadcast of Dick Clark's New Year's Rockin' Eve with Ryan Seacrest. Over 13,500 entries went into the drawing. Lottery will do further analysis to see if it will consider doing it again. Lottery will review the plan from the Powerball group for next year's promotion before bringing it before the Commission for their consideration. Lottery is glad they participated and hope the winner from Eureka is selected as the first millionaire of the year.



NEW YEARS ROCKIN' EVE POWERBALL PROMOTION SUMMARY



NEW YEARS ROCKIN' EVE POWERBALL PROMOTION SUMMARY

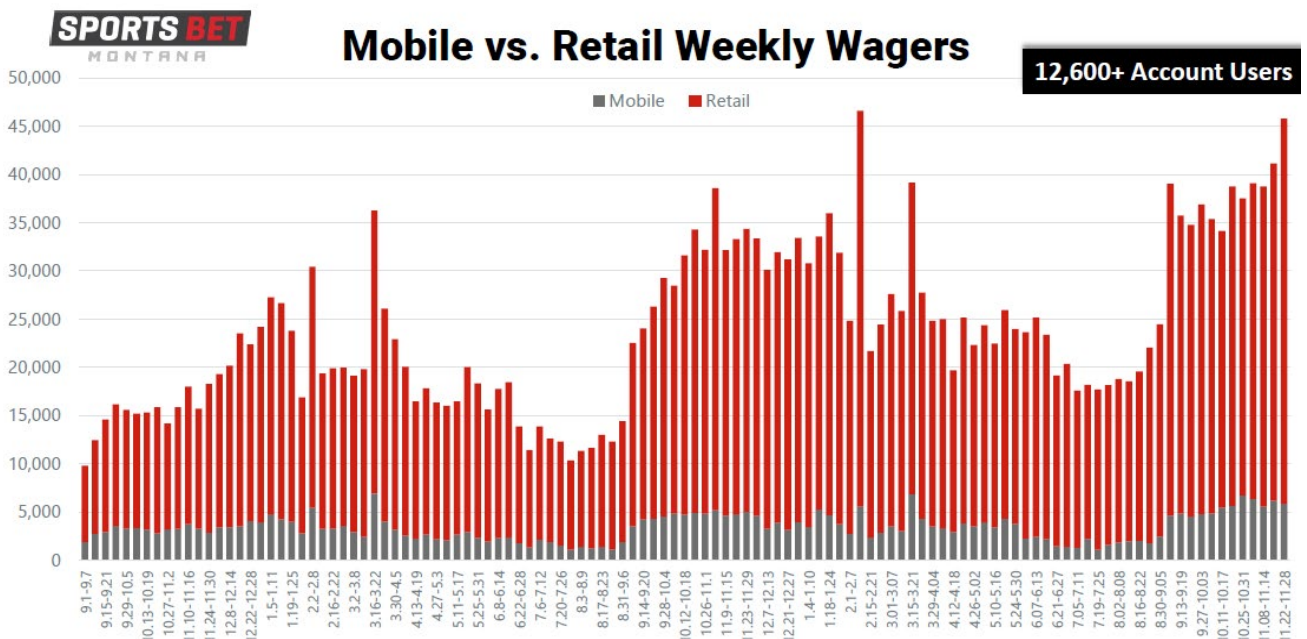


Promotion length (days)	23
Unique players	3,198
Drawing entries	13,519
Max entries (unique player)	420
Average entries per player	4

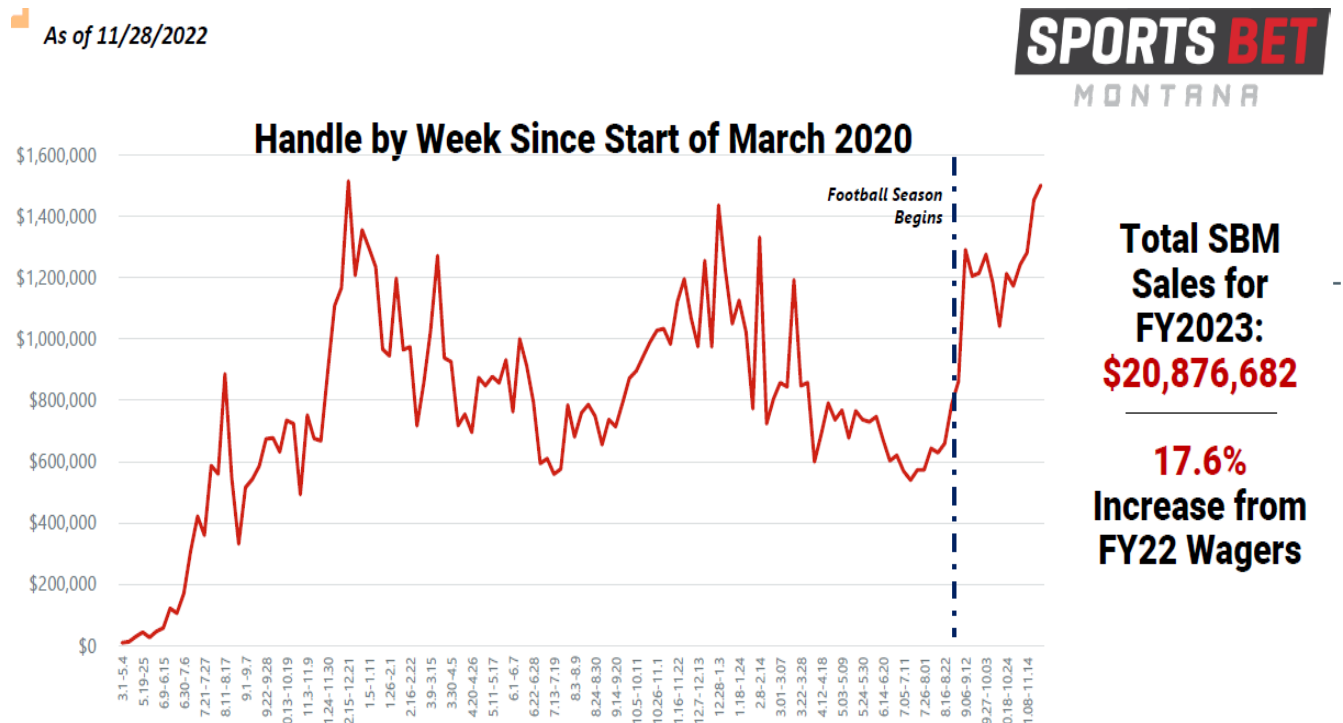
Sports Bet Montana: This chart shows how all the sports markets are performing by device, since the start of the product in March of 2020. 91% of total wagers are being placed through the machine and the remainder are being placed through account play, or mobile devices. The sport with the most wagered is Football with over \$33 million, with Basketball following closely behind at \$30.8 million.

As of 11/28/2022

Sport	Mobile	PCT	Retail	PCT	Total
Football	\$3,665,946	11.0%	\$29,568,725	89.0%	\$33,234,672
Basketball	\$2,861,962	9.3%	\$27,939,568	90.7%	\$30,801,530
Baseball	\$1,498,430	6.4%	\$21,874,554	93.6%	\$23,372,983
Hockey	\$404,558	9.3%	\$3,929,757	90.7%	\$4,334,316
Golf	\$305,942	17.9%	\$1,401,220	82.1%	\$1,707,163
Specials	\$280,317	13.9%	\$1,734,114	86.1%	\$2,014,432
Soccer	\$192,048	2.1%	\$8,946,405	97.9%	\$9,138,454
MMA	\$182,928	9.9%	\$1,665,258	90.1%	\$1,848,186
Tennis	\$62,774	2.8%	\$2,153,810	97.2%	\$2,216,584
NASCAR	\$44,609	10.0%	\$399,523	90.0%	\$444,132
Boxing	\$5,701	3.6%	\$153,348	96.4%	\$159,049
Formula 1	\$4,606	8.7%	\$48,456	91.3%	\$53,062
Athletics	\$2,977	48.6%	\$3,154	51.4%	\$6,131
Indycar	\$758	18.5%	\$3,348	81.5%	\$4,106
Rugby	\$664	4.8%	\$13,212	95.2%	\$13,876
Olympics	\$364	7.8%	\$4,284	92.2%	\$4,648
Aussie rules	\$315	3.7%	\$8,222	96.3%	\$8,537
Handball	\$309	84.1%	\$58	15.9%	\$368
Beach Volley	\$271	70.6%	\$113	29.4%	\$384
Other	\$1,245	8.9%	\$12,742	91.1%	\$13,987
Total	\$9,516,725	8.7%	\$99,859,875	91.3%	\$109,376,599



The handle by week chart shows those times when Sports Bet Montana sales have performed well and where events have been less available or popular with bettors. The increased betting has been due to the popular Football betting, both collegiate and professional. Having Montana Universities in the playoffs and having markets available for both teams were popular during the past month. The "Brawl of the Wild" saw a total sales increase of 27% from last year with \$156,719 in wagers placed for the game. Total increases for all sports wagered so far in fiscal year 23 have resulted in a 17% increase in wagers from last year during this same time. Lottery has 483 locations across the state selling Sports Bet Montana and more coming on each week. Lottery has seen a surge in Football and Basketball betting. Other popular sports are Hockey, Soccer, Golf, and Mixed Martial Arts.



Questions and discussion regarding this presentation may be accessed on the recording at the above time stamp.

PHIL CHARPENTIER, IT DIRECTOR (1:22:10 – 1:37:15):

Montana Millionaire: Since the last meeting, Lottery tested and deployed the Montana Millionaire game changes for November 1st. There were no IT issues with the game changes, deployment, or ticket sales. The second early bird drawing will be held on Friday, December 16th, and the final Grand Prize drawing on Tuesday, December 27th. IT also tested and deployed the Treasure Play game "Cash Preppers." This game is now available for Marketing to start.

Backup and Restore: During the last commission meeting the production system backup and restore was mentioned. This process allows Lottery the ability to test its User Acceptance Testing environment with perfectly matched production data and executables. This is done often to ensure the test environment reflects our current production environment identically, in between releases when there is time. The backup and restore process was delayed in September and rescheduled for December to avoid any conflict with Montana Millionaire testing. This production backup is done as of Tuesday, and the restore process is in

progress right now on the UAT environment. Lottery also tested its fail-over solution for both the Lotto environment and Sports Betting environment. This switchover was conducted on September 20th. Lottery encountered a few issues with reporting. However, this is why Lottery conducts these tests. Lottery identified the issues and will ensure they do not happen again for the next switchover test, and more importantly if Lottery ever needs to completely failover between environments for an emergency.

Sports Bet Issues: Last meeting Lottery and Intralot took a hard look at Sports Bet Kiosk communications issues. Specifically, the “white screen” and “terminal unresponsive” issues. Since Intralot has addressed these issues, Lottery continues to see virtually zero “white screen” or “terminal unresponsive” problems. Any comms issues now reported, are location specific problems that end up being corrected directly at/or related to the individual location. There are no more system wide deficiencies causing these issues. Intralot continues to monitor for any new system wide issues, and Lottery is working with individual sales agents and chain heads to ensure Intralot gets a clear picture of any remaining outstanding network issues at each location.

Next Quarter: In our Sports Betting environment Intralot will be tackling another significant issue. This issue is not widespread like the network issue was, rather when this issue occurs it requires a significant amount of time and resources to research and resolve. This is the ticket “no print” issue. If a kiosk fails to print a sports bet ticket or a cash receipt, both the player and sales agent have to spend quite a bit of time dealing with this situation. Lottery and Intralot on the backend also spend quite a bit of time researching, providing documentation, determining proof of sale or proof of validation to ensure all parties are made whole. Intralot is focused on this issue to address and improve that process next.

Full Production Switchover: Tentatively scheduled for February after Superbowl and before March Madness begins, Lottery will conduct another full production system switchover. The exact date is still to be determined, but he is confident this switchover will be even cleaner than the last.

Biennial Legislative Security Audit: It’s time for the IT Department, Security Department, and Information System Security Officer to assist with the biennial Legislative Security Audit. All will be working with the Legislative Security Auditors.

New Sports Bet Kiosk – Dual Terminal: This quarter Lottery is planning to unveil a new Sports Bet Kiosk user interface and improved user experience. The update is meant to provide both a Pro experience and a Novice experience to help Lottery’s newer players use the terminals to place wagers. There are a few contractual requirements owed to the Lottery from our vendor regarding our Sports Betting product line. With the addition of the Sports Betting product line, Lottery agreed to an upgrade to the Sports Betting terminals to allow terminals to sell Sports Betting and Traditional Lottery products. The dual terminal would allow players the ability to toggle between interfaces to purchase their Sports Betting via one channel, and toggle to another screen to purchase their Treasure Play and Montana Cash tickets. This is a space saver for Bars and Taverns and frees up terminals for new locations for the Lottery. The only problem is that the current Contract Amendment only addresses the Sports Betting Kiosks, and not converting the Traditional Kiosks to be a dual terminal. Intralot has offered to convert both terminal types to be a dual terminal. Lottery and Intralot are working on the details for an updated amendment for the Commissioner’s approval during the next commission meeting.

Debit Card Reader: In addition to the dual terminal upgrades, Intralot has also proposed a debit card reader pilot solution that the Lottery is interested in pursuing, with Commissioner’s approval. This solution is called Pay Range. Intralot is still working out details for this solution. The only piece of hardware required is a

Bluetooth enabled dongle to be placed in line with the bill acceptor inside of the terminal; and some stickers on the outside of the kiosk letting players know this feature is available. Players will be able to walk up to the terminal and add credits to that terminal through their mobile phone, using the Pay Range app wallet, that can only be filled using an ACH bank transfer or debit card process. This is like our Sports Betting Account Play application, where Lottery offers similar methods to fill that wallet. There would be extremely limited downtime for an Intralot technician to install the dongle and minimal changes for the sales agents.

It would be just another line item on their shift reports. Bills In = equals (\$50 bucks); Dongle Entry In = equals (\$20 bucks); and Sales out = equals (\$70 bucks). Intralot and the Lottery will better define this, but Lottery is also eliminating the fees associated with other Traditional debit card solutions, as well as additional overhead and extra equipment needed for those Traditional debit card solutions. There will be software updates that need to be made to implement this solution for Lottery's yearlong pilot program at a few agent locations, to gauge player use and value. Intralot and the Lottery will entertain an agreement to combine both the dual terminal solution for all Kiosks, (both the black - Sports Bet terminals and the red - Traditional terminals), along with the proposed debit card pilot program.

Contract Amendment: Lottery and Intralot are working on contract amendment language and timelines for these upgrades now, for the Commissioner's review and consideration at the next commission meeting or possibly earlier, following the appropriate meeting guidelines for public comment. Questions and discussion regarding this presentation may be accessed on the recording at the above time stamp.

BEN KAMERZEL, INTRALOT GENERAL MANAGER (1:37:17 – 1:40:53):

Staffing: There are no new promotions. Intralot has hired three new CST's, two in Helena and one in Missoula. They are now fully staffed in the field. The web developer remains open and advertised.

Supply Chain: Intralot is ordering vehicles and repair stock earlier in anticipation of product stock and delayed shipments.

Facility Projects: Intralot has just installed a new video surveillance/security system and just completed installation of a new Access Control System.

Terminal Numbers: Currently in the field there are 485 active Sports Bet terminals and 125 DUO/TV's; 391 - Treasure Play terminals; 48 - Dream Touch; 55 - Win Stations and 624 - Photons/Printers and Genions. Present inventory stock of terminals/Duo/TVs include: 97 – Sports Bet Terminals; 164 - DUO/TV's; 13 – Treasure Play terminals; 8 – Dream Touch; 1 - WinStation; and 150 – Photons/Printers/Genions. There are a total of 1,707 active devices in the field. Questions and discussion regarding this presentation may be accessed on the recording at the above time stamp.

SCOTT SALES, LOTTERY DIRECTOR (1:40:58 – 1:57:45)

Legal Opinion: "Lottery obtained a legal opinion regarding licensed couriers. The memorandum deals with two retailers which allow customers to use their app to deposit money and purchase tickets. We've already had public comment on that today. Denise forwarded the memorandum to Commissioners, which was provided by our legal counsel, Don Harris, who is online to answer any questions. Lottery had the same questions the Tavern owners and Gaming Industry Association had prior to granting a license to these individuals. This was mentioned in the previous commission meeting; that Lottery didn't think they could deny their application to

participate in lottery games. Obviously, there is a lot of interest from other parties. I spoke with quite a few representatives and there is a bill that would address this in the current Legislature, which would prohibit that type of activity for these courier type services. The Lottery likes the extra business they are getting from these retailers, but Lottery doesn't make the laws and that is in the purview of the Legislature."

Legislative Report: "For the first time in quite a few years Lottery has quite a few bills of its own they drafted and currently have sponsors for. There are about five of them. The first bill Lottery has up, Director Costigan is handling. It pertains to a small change to statutes regarding our security and investigative employees and post certification. Lottery has a sponsor for that bill. If you have any questions Bryan can address those."

Outside Employment: "Also, a small change on a bill that pertains to me. Currently the Lottery Director is the only individual in the State of Montana that's appointed by the Governor that can't have any outside employment. For instance, I can't do a little bit of hay on my property in Bozeman and sell it to my neighbor. So, I brought a bill forward that the Lottery Director is treated like every other Director. Obviously, you can't have a conflict of interest with anyone or with anyone that does business with the Lottery. But it wouldn't prohibit myself or anyone else in the future from doing a little business on the side like a family farm or something else."

Retailer Commissions: "Last Spring, Lottery made some changes to the compensation to retailers from 6% to 3%, which required a rule change. It came before the interim committee at the Legislature to get that approved. It was approved by the interim committee. However, the legal counsel of that interim committee thought Lottery might be in violation of current law. There was discussion and the interim committee went ahead and let the Lottery do it because nobody was really getting gored. Lottery has a bill to correct that, so the rule is in congruence with existing state law. A member of that committee is sponsoring that bill."

Fantasy Sports: "Lottery has some more controversial bills. One of them isn't our bill. A little over a year ago Lottery suspended a game "Fantasy Sports" for the Board of Horse Racing. It was a big loser for the Lottery. Lottery spent a little over \$2-million dollars on that game over a 13-year period and never came close to that for the Board of Horse Racing in terms of revenue. Lottery suspended that game and tried to do some other stuff for the Board of Horse Racing. There is a Legislator that will be cleaning up the statutes and repealing that portion of law that was passed in 2007. The reasoning behind that is the Board of Horse Racing doesn't have the ability to do that game on their own. After a 13-year period, it had quite a test run, it wasn't successful. It's basically to clean up the statutes and get that off the books. Lottery will be supporting that bill."

Sunset HB 704: "The final bill Lottery is sponsoring or has introduced is a sunset bill. This will probably be more controversial. It would be to sunset House Bill 704, from the previous session that mandated the Lottery do some games for the Board of Horse Racing. To be frank, the Board of Horse Racing is not going to like this. In our opinion, and I've spoken to many representatives and senators on the subject matter... We're not exceptionally good at doing stuff for the Board of Horse Racing that's not the Lottery's forte. Really what the Legislature needs to do if they think from a policy standpoint the Board of Horse Racing is vital to state interests and needs a subsidy to continue to exist; then the right approach I think is to do a statutory appropriation every year straight out of the general fund. Lottery doesn't care where the money goes. Lottery just sends it to the Legislature; it's the Legislature's money and they can allocate it any way they want. I think that's much cleaner and a transparent way to help the Board of Horse Racing, if they really think that's necessary. I'll refrain from giving my own opinion on where the Board of Horse Racing is at and what they need to do. I think it's time to sever that relationship between the Lottery and Board of Horse Racing."

Jackpot Commissions: “From a Legislative standpoint there is a lot of interest out there from Legislators in dealing with retailer commissions. One pertains to your first question, Commissioner Morris, dealing with commissions for retailers on big jackpots. There is a bill to look at increasing commission rates for the sale of all lottery tickets. It’s something that’s being looked at and increasing retailers commission in the event they sell a billion-dollar ticket. Lottery is not opposed to either one of these things. This is the business of the Legislature if they want to use general fund money that we provide to increase peoples where-with-all then Lottery is not opposed to that if it isn’t egregious. There are many other bills out there too and I’m sure there are more to come. I plan to spend a fair amount of time at the Capitol over the next few months testifying on bills at the Legislature and trying to get our limited agenda through the process and defending ourselves from dilatory type actions that someone may take.”

“In summary, I’d like to say in terms of the last quarters efforts here at the Lottery..., my old man loved to work and one of his favorite sayings was “the harder you work the luckier you got.” Quite frankly there is a lot of hard work that goes on at the Lottery. A fair amount of luck too. We can’t control obviously these enormous jackpots that benefit the lottery and benefit the transfer to the general fund. Lottery is going to have a great quarter coming up, it should be close if not exceeding what we currently had. We are going to continue to work hard and make good decisions at the Lottery to provide games that people enjoy; and try to maximize the transfer to the general fund. That’s our mission and we’ll continue to work on it.” Questions and discussion regarding this presentation may be accessed on the recording at the above time stamp.

OTHER PUBLIC COMMENT: There was none.

NEXT REGULAR MEETING DATE (1:57:51 – 1:58:12): Director Sales proposed the next regular commission meeting be held on March 9, 2023. Bryan will instruct Denise to canvas the Commissioners closer to the date to confirm there is a quorum. 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.

ADJOURNMENT (1:58:14 – 1:58:23): Chairman Prigge asked for a motion to adjourn the meeting. There being no further business, Commissioner Iverson made a motion to adjourn. Commissioner Morris seconded the motion. The meeting adjourned at 11:00 a.m.