

**TESTIMONY OF TRIBAL ATTORNEY SCOTT CROWELL  
ON BEHALF OF THE COQUILLE INDIAN TRIBE.  
HOUSE COMMITTEE ON GAMBLING REGULATION, OREGON STATE LEGISLATURE  
INFORMATIONAL HEARING  
TRIBAL PERSPECTIVE: HISTORY OF TRIBAL COMPACTS IN OREGON AND  
THE "ONE CASINO, ONE TRIBE" POSITION  
APRIL 25, 2022**

Good evening, Chairman Lively, Representatives Chaichi, Wright, Neron and Wallan. Thank you for the invitation to the Coquille Indian Tribe to testify on this important topic. My name is Scott Crowell, and I am here this evening at the request of Chair Brenda Meade and I speak on behalf of the Tribe. It has been my honor and privilege to provide legal counsel on gaming matters to the Coquille Tribe for more than thirty years. I submit my written testimony for the record and hope to discuss the highlights tonight.

Over the thirty-six years since the United States Supreme Court issued the landmark decision in *Cabazon Band v California*, which confirmed that Tribes have always possessed the sovereign authority to govern gaming activities on their lands, I have devoted my law practice exclusively to the representation of Indian Tribes, with rare exception. I have served as lead negotiation counsel in compact negotiations for sixteen tribes in nine states. I have served as lead litigation counsel in lawsuits over the application and interpretation of the Indian Gaming Regulatory Act for eleven tribes in eight states, while providing technical assistance to many more tribes and authoring amicus briefs in other litigation on behalf of the National Indian Gaming Association and regional tribal organizations. I say I represent Indian Tribes “with rare exception”, the most significant exception being the opportunity to represent key members of the California Legislature, like yourselves, in litigation against then-Governor Pete Wilson for his failed attempt to impose his own personal views on compacts with California Tribes, much like Governor Kotek is doing with her letter of two weeks ago touting an illusory one-casino-per-tribe policy.

During the thirty plus years representing the Coquille Tribe, I have seen Indian gaming in this State flourish and mature into the critical source of governmental revenue you see today. I have also witnessed the Oregon State Lottery grow into the most diverse, multi-faceted, complex Lottery in the United States, in sharp contrast to the limits on State Lotteries virtually everywhere else in the United States. I was here when then-Attorney General Kulongoski prepared his memo applying Oregon’s constitutional structure to the Indian Gaming Regulatory Act, establishing the legal framework for the compacts now in effect. I was here when then-Governor Roberts attempted to limit Class III gaming to 15% of a Tribe’s gaming floor and Governor Kitzhaber attempted to restrict house-banked blackjack. I was here when the NBA threatened to pull the All-Star game from Portland if the State proceeded to include sports betting in Coquille’s compact (my, have those times changed). We always found a way to resolve our disagreements without litigation. I worked with lawyers from other Oregon Tribes together with the State DOJ in briefing the protracted litigation defending the Confederated Coos Tribe’s right to operate its gaming

facility in Florence. And importantly and proudly, I served as lead negotiation counsel for Coquille's original compact in 1995 and for each of the six amendments thereto, and for the Completely Restated Compact in 2000 and for each of the three amendments thereto. I bring my background to you today not to inform you that I am old, but that I know firsthand of what I speak about today.

THERE IS NO ONE-CASINO PER TRIBE POLICY – NOR COULD THERE BE. Repeating the phrase over and over and over again does not make it any more real. When I hear the phrase, I hear convenient spin and rhetoric that defies federal law, namely the Indian Gaming Regulatory Act, defies the compacts in effect, and defies the current reality on the ground. It always comes up as subterfuge to defend an action or inaction that suppresses the gaming rights of those Oregon Tribes that do not have the geographic convenience of being the only Oregon Tribe on the edge of metropolitan Portland or the only Oregon Tribe on its own exit off of Interstate 5.

Let's start with the Indian Gaming Regulatory Act, which requires the State to negotiate a tribal state compact in good faith if the Tribe identifies a parcel over which it exercises jurisdiction and request the State to negotiate a compact:

*25 U.S.C. § 2710(d)(3)(A): Any Indian tribe having jurisdiction over the Indian lands upon which a class III gaming activity is being conducted, or is to be conducted, shall request the State in which such lands are located to enter into negotiations for the purpose of entering into a Tribal-State compact governing the conduct of gaming activities. Upon receiving such a request, the State shall negotiate with the Indian tribe in good faith to enter into such a compact.*

That is not a one-time obligation – that obligation applies to each and every request for such a compact. Indeed, there are Tribes in other States that operate compacted gaming at dozens of facilities located on their Indian lands. It is also true that some Tribes and some States have agreed to limit the number of gaming facilities on their Indian lands – but that is something that must be an agreement – a term within an approved tribal/state compact. That is not something a State can unilaterally impose on tribes. To do so would be to violate Indian Gaming Regulatory Act. And there is no such agreement in the Oregon Compacts, despite at least one Oregon tribe incorrectly and conveniently asserting otherwise.

I was at the negotiation table with the Kitzhaber Administration in 1999 and 2000 when he sought such a restriction. He recognized the Tribe's right to seek a separate compact for a second Class III facility, and the Coquille Tribe expressly agreed to waive that right, but only for a period of five years:

*Section 13.A. Gaming at Another Location or Facility. For a period of five (5) years, the Tribe hereby waives any right it may have under IGRA to negotiate a Compact for Class III gaming at any other location or facility, unless another Tribe is operating a gaming facility in this State as of December 31, 1997 signs a Compact that authorizes that Tribe to operate more than one gaming facility,*

*simultaneously, or is otherwise authorized to operate more than one gaming facility simultaneously, or unless physical calamity occurs that makes operation at the existing location unfeasible.*

– In other words, the Amended and Restated Compact expressly acknowledges that as of 2006 – seventeen years ago – the Tribe has the right to seek a second Class III gaming facility under the Indian Gaming Regulatory Act. Although the timing and sequence of amendments are different for each of Oregon’s nine federally recognized tribes, at least four have the same or very similar language – in other words, they expressly acknowledge that after a short period of five years, all of which have long since expired, the tribes have the right to seek additional compacts or an amended compact for additional Class III gaming facilities. The language in these compacts are quite revealing – Oregon does not have the right to impose a one-casino-per-tribe policy unless each and every tribe expressly agreed to it - and the Coquille Tribe among others, expressly rejected such a policy except for a limited period of five years that has long since expired.

Moreover, the compacts in effect expressly acknowledge that the State has no jurisdiction over Class II gaming activities, such as those proposed by the Coquille Tribe for the Roxy Ann Lanes bowling alley in Medford:

*Section 4(b)(4): This section shall be construed consistent with federal classifications of gaming activities. Notwithstanding any provision of this Compact, any gaming activity classified by federal regulation as a Class II activity shall not be subject to the provisions of the Compact.*

Accordingly, there is no Oregon policy regarding tribally operated Class II gaming facilities other than to acknowledge the State has no jurisdiction regarding such activities.

The purported policy also does not reflect the reality on the ground. Two Oregon Tribes, the Confederated Coos and Warm Springs operate second gaming facilities, albeit Class II, which is exactly the type of facility that Coquille seeks to operate at the Roxy Ann Lanes bowling alley. Indeed, the Department of the Interior considers Class II gaming as distinct from casino gaming, so even if such a one-casino-per-tribe policy did exist (it does not) and was lawful (it is not), it would not apply to the Coquille Tribe’s proposal. Coquille applauds those operations by Coos and Warm Springs as providing critically needed governmental revenue to its sister tribes – indeed, Coquille has never opposed any Tribe’s effort to pursue the opportunities available to it under the Indian Gaming Regulatory Act. The Confederated Coos’ facility, which opened in 2015, is located a mere three miles from Coquille’s Mill Casino. In sharp contrast to its sister Tribe operating on Interstate 5, over seventy miles from the Medford bowling alley, Coquille congratulated and welcomed the Coos Tribe’s second facility. We see that together, the Coquille and Coos Tribes have grown the market to generate new governmental revenue desperately needed for both tribes. It is a bit maddening that the illusory one-casino-per-tribe policy is touted to oppose the Coquille Tribe’s project while those people spouting those words fail to acknowledge the reality on the ground regarding Coos and Warm Springs.

So there you have it. The illusory one-casino-per-tribe policy is inconsistent with federal law, inconsistent with the tribal-state compacts in effect, and inconsistent with the reality on the ground. I repeat THERE IS NO ONE-CASINO PER TRIBE POLICY – NOR COULD THERE BE. The Joint Legislative Committee on Gaming Regulations came to the same conclusion in its Final Report issued just last December: “[W]e could find no evidence that any ‘One Tribe, One Casino’ policy by the Federal Government or State of Oregon has been formally adopted or exists in any written form.” But let me also make a few comments attacking such a policy on policy grounds.

First, we should all recognize and acknowledge what derives from governmental gaming, as opposed to commercial, for-profit gaming, and recognize and acknowledge what derives from open competition. Governmental gaming, whether it be owned and operated by states, such as the Oregon Lottery, or by the Tribes under the Indian Gaming Regulatory Act, generates revenue that stays in Oregon and funds needed governmental programs, such as better health care, housing, education, cultural preservation and the development and improvement of needed infrastructure. Competition means better products and better experiences for gaming patrons, more job opportunities and better wages and benefits for employees, and more and better business opportunities for Oregon businesses providing goods and services to the gaming facilities.

Second, in developing policy, do not pretend that the Oregon State Lottery is some distant cousin on a different path – own it – and own up to what it does and what it is. The Oregon State Lottery is no ordinary lottery, offering weekly numbers drawings and scratch tickets. Rather, the Oregon Lottery is extraordinary, owning and operating thousands of slot machines and, now, state-wide online sports betting. The Oregon Lottery has more than 4,000 retail outlets throughout the State, which operate nearly 12,000 slot machines (“video lottery terminals”)<sup>1</sup>. Last year, the Lottery generated \$ 1.7 Billion in revenue<sup>2</sup>, a 29% increase over the prior year. While traditional scratch and draw revenues dropped, slot machine revenue increased 44.9%, this all despite the Cowlitz Ilani casino coming into place just north of Portland, the Lottery’s largest market. Think about that for a minute – those numbers mean the State Lottery operates one or more mini-casinos in every neighborhood throughout the State, sells traditional Lottery draw and scratch tickets on nearly every corner, and now allows sports wagering on every cell phone and laptop located anywhere within the State. Against this backdrop, conveniently

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<sup>1</sup> The statistics set forth in this paragraph are sourced by the *Oregon State Lottery, Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2022*, a copy of which is attached hereto as Exhibit A.

<sup>2</sup> The \$ 1.7 Billion in the Annual Report at pp. 3 and 11 appears to be a combination of both gross revenue for some activities and net revenue for other activities (see fn.1 to table on p. 3). The Annual Report documents actual net revenue to be closer to \$ 1.3 Billion (\$ 979,203,229.00 Operating Income plus \$ 313,576,943.00 Retailer commissions = \$ 1,292,780,172.00). See, Annual Report at p. 13, Table 2.



suggesting that each tribe should be limited to only one gaming facility is hypocritical and insulting, at best.

And stay tuned for state-wide mobile sports betting. The Oregon State Lottery has granted Draft Kings a virtual monopoly (literally) into the newest form of gaming that is spreading like wildfire across the country. One cannot even classify this new deal as governmental gaming when the State has agreed to pay a minimum of 49% of the net revenue, and as much as 95% of the net revenue to this Massachusetts-based, publicly traded corporation<sup>3</sup>. The numbers in the Lottery's 2022 Annual Report do not yet show how dramatic this increase in gaming revenue will be – we are on the cusp of a new era. At least two Tribes, including Coquille, asked the Kate Brown Administration to negotiate compact amendments to offer the same game, only to be told absolutely no, citing to and siding with Florida cardrooms in pending litigation even though the United States Department of Justice and the State of Florida contend that Tribes should be able to offer the game under the Indian Gaming Regulatory Act. Coquille had been hopeful that the Kotek Administration would be more open to the Tribe's request, especially since the Department of the Interior recently published proposed regulations codifying the Tribes' right to offer state-wide mobile sports wagering. Given Governor Kotek's letter of two weeks ago and her failure to acknowledge the hypocrisy of protecting the State's monopolistic deal with Draft Kings, that hope has faded. It is unfortunate. Oregon and its Tribes have navigated the Indian Gaming Regulatory Act for thirty years without needing to resort to litigation to resolve its disagreements. That track record appears to be headed to an abrupt end.

Thank you for the opportunity to testify today. I am happy to answer any questions you may have.

Attachments:

Exhibit A: *Oregon State Lottery, Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2022*

Exhibit B: Commercial Gaming Agreement between Crown OR Gaming LLC (wholly owned by Draft Kings) and Oregon State Lottery Commission

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<sup>3</sup> See Commercial Gaming Agreement between Crown OR Gaming LLC (wholly owned by Draft Kings) and Oregon State Lottery Commission, attached hereto as Exhibit B at Section 11 (pages 28-30) .

Exhibit A:

*Oregon State Lottery, Annual Comprehensive Financial Report  
for the Fiscal Year ended June 30, 2022*

# Oregon State Lottery

An Enterprise Fund of the State of Oregon

## Annual Comprehensive Financial Report For the Fiscal Year Ended June 30, 2022



**OREGON  
LOTTERY®**

Together, we do good things.

**Mike Wells**  
Interim Director

**Kathy Ortega, CPA, CGMA**  
Chief Financial Officer

**Report Prepared by:**

Finance and Accounting  
Oregon State Lottery

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# ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2022

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# Introductory Section



January 9, 2023

To the Honorable Governor Tina Kotek and Citizens of the State of Oregon:

We are pleased to provide you with the Annual Comprehensive Financial Report of the Oregon State Lottery (Lottery) for fiscal year ended June 30, 2022. This report is published to meet the requirement in state law for an annual accounting of financial activities.

Lottery management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

The Secretary of State Audits Division, the constitutional auditor of public accounts in Oregon, audited the Lottery's financial statements for the fiscal year ended June 30, 2022. The auditors used generally accepted auditing standards in conducting the engagement. Their unmodified opinion on the financial statements is the first component in the Financial Section of this report.

A narrative analysis of the Lottery's financial performance for the fiscal year can be found in the Management's Discussion and Analysis (MD&A) immediately following the independent auditor's report. This letter of transmittal complements the MD&A and should be read in conjunction with it.

### **Profile of Oregon State Lottery**

The Oregon State Lottery was created through the initiative process in November 1984. Voters approved an amendment to the Oregon Constitution that required the establishment and operation of a State Lottery. Initially, Lottery profits were earmarked to create jobs and further economic development. In May 1995, voters approved a Constitutional amendment allowing Lottery profits to be used for the financing of public education. Similarly, voters added state parks and salmon habitat restoration projects to the list of allowable uses of Lottery proceeds in November 1998. Oregonians have voted to use Lottery profits for programs that make Oregon a great place to live and support veterans and outdoor schools.

The Lottery was established as a state agency to market and sell Lottery products to the public. As directed in statute, it operates to produce an optimal amount of net revenues for the people of Oregon commensurate with the public good. Development of new products and game enhancements is a continual process in the effort to sustain long-term revenues, while taking into consideration the potential impact of game decisions on problem gambling. The Lottery's commitment is to provide information and tools that help our customers make informed choices and enjoy Lottery games in a responsible way. Further, the Lottery is committed to ensuring that players and their families know how to access treatment for problem gambling, and that they understand treatment is free, confidential, and effective.

Lottery has a network of 3,909 retailers through which it offers players a broad mix of Traditional Games as well as Video Lottery<sup>SM</sup> and sports betting. Traditional Lottery games include: Scratch-its<sup>SM</sup>, Instant Tickets, Keno, Powerball®, Oregon's Game Megabucks<sup>SM</sup>, Raffle<sup>SM</sup>, Win for Life<sup>SM</sup>, Mega Millions®, Lucky Lines<sup>SM</sup>, and Pick 4<sup>SM</sup>. Video Lottery<sup>SM</sup> is a product sold on stand-alone Video Lottery<sup>SM</sup> terminals located in establishments licensed by Oregon Liquor Control Commission (OLCC). The Lottery has approximately 11,784 Video Lottery<sup>SM</sup> terminals deployed throughout the state. On January 18, 2022 Lottery partnered with DraftKings to replace the Scoreboard platform with the DraftKings Sportbook platform.

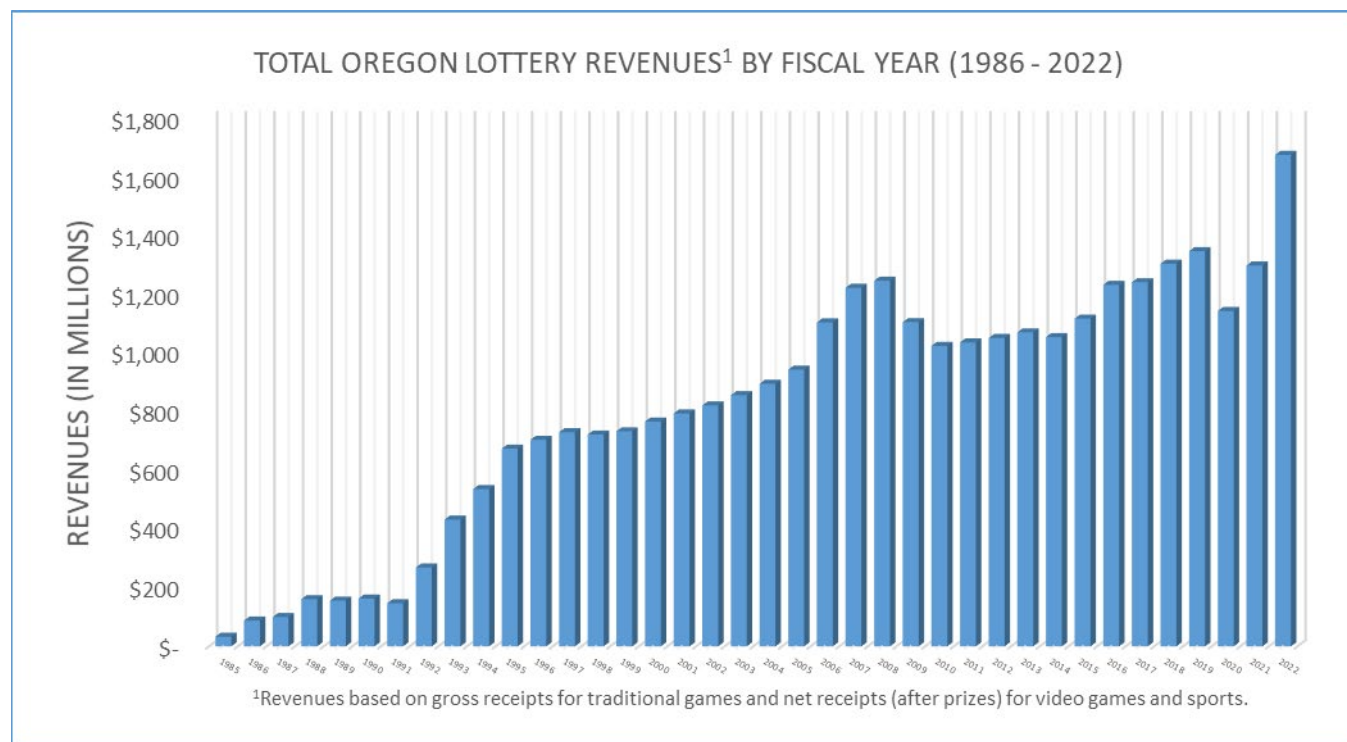


The Lottery, which is accounted for as a single enterprise fund, is entirely self-financed through its sales. Its operations are designed to fulfill its duty to develop, produce, and market Lottery games; pay winners and operating expenses; and remit the remaining net profits to the State. These net profits are transferred to the Oregon Economic Development Fund and are then distributed by the State to finance the various uses allowed by law. Through its business units, the Lottery provides services that are necessary to operate successfully including security, marketing, retailer support, finance, management, and information services. Additional information about the Lottery is available on its website at: <http://www.oregonlottery.org>.

The Lottery is operated under the direction of a five-member commission, with the commissioners appointed by the Governor and confirmed by the Senate. The Commission directs the activities of the Lottery, including the adoption of rules for the security and integrity of operations. The Governor also appoints a Director, who serves as the chief administrator of the Lottery. This position is also subject to Senate confirmation. The Director is responsible for operating the Lottery in accordance with state law and administrative rules and under the guidance of the Commission.

For budgeting purposes, the Commission adopts an annual Financial Plan based on activities identified in Lottery's Strategic Business Plan. The Financial Plan uses revenue forecasts prepared by the Oregon Department of Administrative Services, Office of Economic Analysis. Budgeted revenues and direct expenses (prizes, commissions, game vendor charges, and tickets) are revised quarterly for changes in revenue forecasts. Revisions to other expense items in the adopted budget must be approved by the Commission. The budget is prepared on the accrual basis of accounting. Actual expenses are monitored throughout the year for compliance with the approved budget and appropriate adjustments are presented to the Commission for approval if necessary. By law, expenses to operate the Lottery are limited to no more than 16 percent of total annual revenues and fiscal year 2022 expenses were 2.62 percent.

Since the Lottery's first full year of operation in 1986 through fiscal year 2008, Lottery revenues demonstrated strong and consistent growth. Lottery revenues declined in fiscal years 2009 and 2010 due to the impacts of Oregon's economic recession and the implementation of a statewide smoking ban in bars and taverns where Lottery products are sold. Revenues stabilized in fiscal year 2011 and have shown steady but modest growth, except for fiscal year 2014 which showed a slight decline. Revenue growth returned and continued to increase until the fourth quarter of fiscal year 2020. Sales were significantly reduced by effects of the COVID-19 pandemic and resulting retailer location closures. Since reopening in February 2021 Lottery sales have recovered from pre-pandemic levels.



## **Economic Condition and Outlook**

According to the December 2022 Oregon Office of Economic Analysis (OEA) Economic and Revenue Forecast, Oregon has seen slower economic growth, high inflation, and rising interest rates, which has put economists on recession watch. The fundamentals in the state are still sound, but there is risk that consumers will pull spending leading to potentially lower sales and, possibly, recession.

Personal income and consumer spending in Oregon are rising but are struggling to outpace the fastest inflation the U.S. has experienced since the early 1980s. The risks are real, and the outlook isn't clear between a soft landing or a recession.

As an agency operating in the entertainment industry, we are encountering increased competition from other gambling offerings available to the citizens of Oregon.

## **Long-term Financial Planning**

The Lottery uses a Strategic Plan in conjunction with an annual Strategic Business Plan and budget to manage its operations. Lottery's main strategic objective is to responsibly offer games that appeal to both current and new players on the gaming platforms they want to use. We operate with the highest standards of security and integrity to maximize revenue for the people of Oregon, commensurate with the public good. As we move forward, we will continue to focus on aligning our operations, improving processes, collaboration, and input.

In the December 2022 Economic and Revenue Forecast, the OEA is reflecting Lottery transfers of \$1.80 billion for the 2021-2023 biennium. It is expected that competition for household entertainment dollars will increase, gaming competition will increase, and potentially shifts in generational preferences and tastes when it comes to gaming.

## **Relevant Financial Policies**

To provide resources for current operations and future investment, the Lottery Commission established a contingency reserve fund. In June of 2022, the Commission authorized an increase to the contingency reserve with a cap of \$135 million. At June 30, 2022, the actual cash balance in the contingency reserve was \$119.27 million. The Lottery intends to use operating funds to pay for future business initiatives that are key to our ability to compete, remain relevant to our players, and maximize transfers to our beneficiaries, while maintaining the contingency reserve in the event of revenue declines from other economic factors. Further details on this can be found in the MD&A section of this report.

## **Major Initiatives**

The Lottery is currently implementing upgrades to back-office support systems that are facing obsolescence and end-of-life support. The business modernization roadmap under development includes enterprise architecture options, a movement towards known play, staging plans for the implementation of solutions, and system integration. The timeline for the roadmap is three to five years. The assessment of Lottery's business processes and capabilities and analysis of the enterprise architecture has aided in the development of the foundational activities that will drive adoption and ensure the long-term success of the business modernization program.

The key business modernization drivers are based on responsibly increasing revenues and leveraging a holistic understanding of retailer and customer behavior, preferences, and motivators. The goal is to optimize investments in marketing, product innovations and internal capability enhancements, leveraging product costs and personnel. The Lottery has developed a strategic business plan, and work has begun to transform the agency into a data-driven, learning organization, ensuring people have the right data to make informed decisions.

The most significant project in process as of June 30, 2022, is replacement of Lottery's back-office ERP system Microsoft Dynamics AX 2009 with current cloud-based ERP software Microsoft Dynamics D365, which will continue throughout fiscal year 2023.

The Lottery has defined a customer-centric brand promise strategy and developed an integrated communications plan. The Lottery has implemented a retail channel strategy to generate sustainable long-term growth that will expand the market by reaching players through relevant channels. During fiscal year 2022, Lottery continued to develop our Brand Promise initiative to attract new players and retailers, and appeal to a broad and diverse player and retailer base. We achieve this by investing in both retail operations and participating in local communities to improve funding for programs Oregonians care about.

Lottery has launched several initiatives to reach out to current and new players through a customer-first approach. A positive digital customer experience is instrumental to the Lottery modernization and growth success. The Lottery's existing and new games, platforms, and venues are being enhanced to attract more diverse demographic groups to maintain and enhance revenue performance.

During fiscal year 2022, the central gaming system for Scoreboard was replaced with new software provided by Draft Kings. Draft Kings acquired the previous vendor, SBTech, during fiscal year 2021. Draft Kings offers an improved betting experience, including the ability to make same game parlay bets, a robust customer facing promotional campaign, and excellent customer service.

The Lottery continues its commitment to enhancing and expanding its Responsible Gambling Program, as part of its overall commitment to Corporate Social Responsibility (CSR), which is an integral component of Lottery's Brand Promise. This includes sharing an Oregon Lottery Responsible Gambling Code of Practice with the public that details our values, commitments, and areas of focus regarding the promotion of responsible gambling and enabling free access to problem gambling treatment. The Lottery has created a program to produce an overall positive impact for Oregon by balancing our business priorities with our social, economic, and environmental responsibilities. The overall CSR goals include keeping lottery entertainment entertaining, promoting help and hope for those struggling with gambling addiction, championing diversity, equity and inclusion and supporting sustainability.

Lottery recently adopted a Tribal Consultation Policy and related procedure outlining Lottery's commitment to positive government-to-government relations with Oregon's nine federally recognized Tribes. During fiscal year 2022, the Lottery director approached leaders of each of the nine federally recognized Tribes in Oregon to start the process to build relationships based on trust, mutual understanding, and collaboration.

#### **Acknowledgements**

The preparation of this report reflects the combined efforts of the Lottery's Finance and Accounting staff. We would like to express our gratitude to all Lottery staff for working cooperatively to ensure the integrity of Lottery's financial reporting. In addition, we appreciate the direction and support provided by the Lottery Commission.

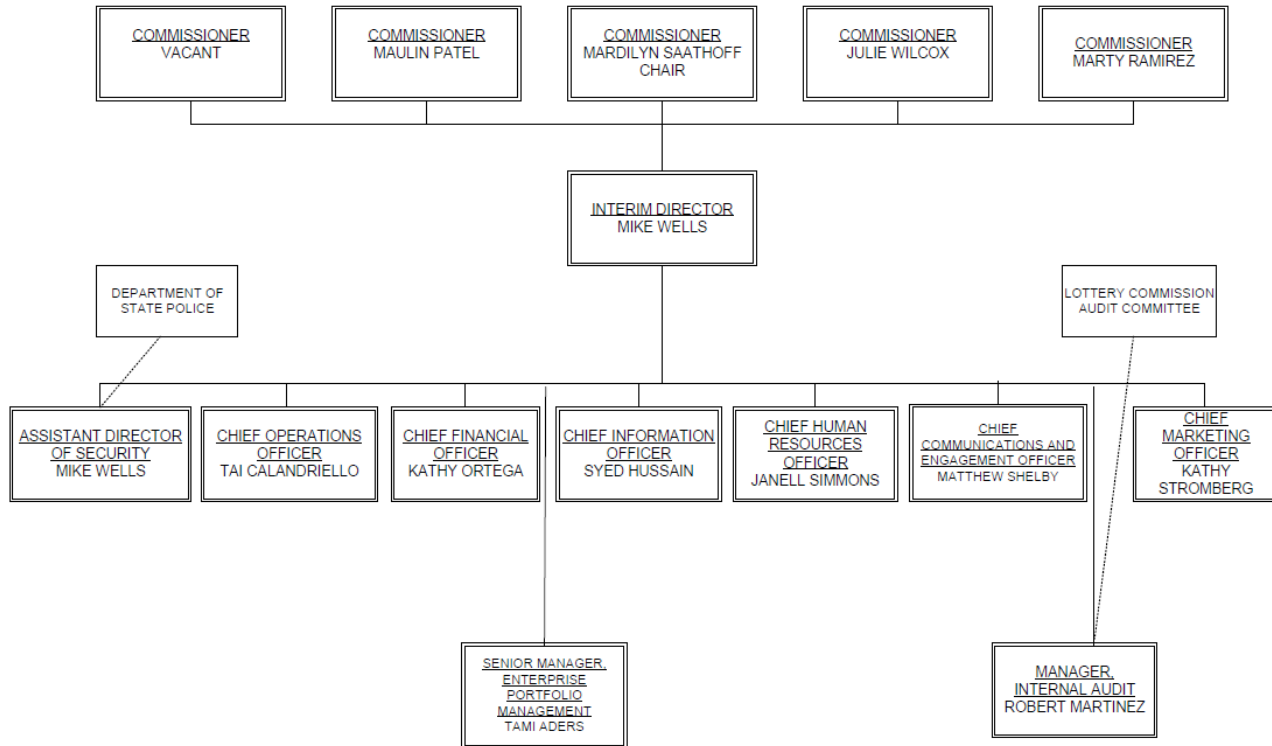
Respectfully submitted,

A handwritten signature in black ink, reading "Kathy Ortega". The signature is fluid and cursive, with the first name "Kathy" and last name "Ortega" clearly distinguishable.

Kathy Ortega, Chief Financial Officer  
Oregon State Lottery



## OREGON STATE LOTTERY COMMISSION





# Financial Section



Shemia Fagan Secretary of State  
Cheryl Myers Deputy Secretary of State, Tribal Liaison  
Kip Memmott Audits Director

## Independent Auditor's Report

The Honorable Governor of Oregon  
Chair, Oregon State Lottery Commission  
Director, Oregon State Lottery

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of the Oregon State Lottery, an enterprise fund of the State of Oregon, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Oregon State Lottery's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Oregon State Lottery, as of June 30, 2022, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Oregon State Lottery, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of Matter

As discussed in Note 1, the financial statements present only the Oregon State Lottery and do not purport to, and do not, present fairly the financial position of the State of Oregon, as of June 30, 2022, the changes in its financial position or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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[sos.oregon.gov/audits](https://sos.oregon.gov/audits)

## Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and the disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Oregon State Lottery's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension plan schedules and information, and other post-employment benefits schedules and information (as listed in the table of contents) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Oregon State Lottery's basic financial statements. The budgetary comparison schedule is

presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### Other Information

Management is responsible for the other information included in the report. The other information comprises the introductory and statistical sections, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

#### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2022, on our consideration of the Oregon State Lottery's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Oregon State Lottery's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Oregon State Lottery's internal control over financial reporting and compliance.

*Office of the Secretary of State, Audits Division*

State of Oregon  
December 29, 2022



## Oregon State Lottery

### Management's Discussion and Analysis

This section of the Oregon State Lottery's (Lottery) Annual Comprehensive Financial Report presents our discussion and analysis of the Lottery's financial performance for the fiscal year ended June 30, 2022. This analysis is to be considered in conjunction with information in the transmittal letter of this report.

#### Financial Highlights

- Revenue for all Lottery products is \$1.7 billion, an increase of 29.0 percent over fiscal year 2021.
- Traditional (Scratch and Draw) game revenue decreased 2.9 percent from the prior fiscal year and Video Lottery<sup>SM</sup> revenue increased 44.9 percent.
- Pension expense allocated to the Lottery was negative \$8.9 million compared to \$26.7 million the prior year, a decrease of 133.4 percent.
- Net position (equity) increased by \$59.2 million.
- The Lottery transferred \$908.3 million to Oregon's Economic Development Fund, which is \$255.8 million more than the prior year.

#### Overview of the Financial Statements

In addition to this discussion and analysis, the Financial Section of this annual report contains the basic financial statements, which include the fund financial statements and accompanying notes; required supplementary information; and an optional budgetary comparison schedule, which is presented as other supplementary information.

The basic financial statements offer short-term and long-term financial information about the Oregon State Lottery, which is structured as a single enterprise fund. The required supplementary information contains further details regarding pension and other postemployment benefits. The budgetary comparison schedule presents budgeted and actual revenues and expenses for the fiscal year. In addition, a Statistical Section containing information regarding financial trends, revenue capacity, as well as demographic, economic, and operating information is presented following the budgetary comparison schedule.

The Statement of Net Position provides information about the nature and amounts of resources with present service capacity that the Lottery controls (assets), resources that will be consumed in a future fiscal year (deferred outflows of resources), obligations at the end of the fiscal year to use resources that the Lottery has little or no discretion to avoid (liabilities), and acquisitions of resources that are applicable to a future fiscal year (deferred inflows of resources). The residual (net) of these four elements is reported as net position.

All the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Position. This statement measures the results of the Lottery's operations for the past year.

The primary purpose of the Statement of Cash Flows is to provide information about the Lottery's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities.

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Thus, expenses are recorded when liabilities are incurred, and revenues are recognized when earned, not when received.

#### Analysis of Financial Position and Operations

Lottery's net position for the current and prior fiscal year is summarized in Table 1 on the next page:

Table 1: Oregon State Lottery's Net Position

	2022	2021	Increase/ (Decrease)
Current assets	\$ 499,280,658	\$ 458,415,289	\$ 40,865,369
Capital assets	79,774,867	71,921,273	7,853,594
Other noncurrent assets	215,988,632	211,475,848	4,512,784
Total assets	795,044,157	741,812,410	53,231,747
Deferred Outflows of Resources	20,301,356	23,554,933	(3,253,577)
<b>Total assets and deferred outflows of resources</b>	<b>815,345,513</b>	<b>765,367,343</b>	<b>49,978,170</b>
Current liabilities	332,410,961	324,215,757	8,195,204
Noncurrent liabilities	151,511,874	192,182,164	(40,670,290)
Total Liabilities	483,922,835	516,397,921	(32,475,086)
Deferred Inflows of Resources	25,263,908	2,021,813	23,242,095
<b>Total liabilities and deferred inflows of resources</b>	<b>509,186,743</b>	<b>518,419,734</b>	<b>(9,232,991)</b>
<b>Net position:</b>			
Net investment in capital assets	73,362,750	63,784,030	9,578,720
Restricted for OPEB Asset- RHIA	1,561,144	680,959	880,185
Unrestricted	231,234,876	182,482,620	48,752,256
<b>Total net position</b>	<b>\$ 306,158,770</b>	<b>\$ 246,947,609</b>	<b>\$ 59,211,161</b>

Overall, assets increased \$53.2 million. Current cash and cash equivalents increased from fiscal year 2021 by \$23.1 million. Year-end current cash amounts reflect the Lottery Commission approved increase to the unrestricted contingency reserve from \$100 million to \$135 million. Although approved, the total unrestricted reserve amount was not reached by year-end. Securities lending cash collateral increased \$12.8 million due to loans of Lottery securities. The Oregon Treasury conducts securities lending activities on our behalf.

Capital assets, net of accumulated depreciation, increased 10.9 percent. Video Lottery<sup>SM</sup> gaming terminal purchases of \$24.3 million, and \$3.0 million for accounting software implementation and enhancements were the major acquisitions. The newly acquired gaming terminals replaced approximately \$8.4 million of older models which were disposed. Accumulated depreciation grew \$14.4 million as newer assets depreciated. At fiscal year-end Lottery had committed to purchasing an additional \$11 million of Video Lottery<sup>SM</sup> gaming terminals in fiscal year 2023. Additional information on Lottery's capital assets can be found in Note 6 of the financial statements-

Liabilities decreased \$32.5 million. Noncurrent liabilities decreased \$40.7 million as the net pension liability was reduced. The pension plan had significant investment earnings compared to the prior year which lowered the overall liability of the plan. Additionally, there was a reduction in Lottery's allocated share. Current liabilities increased \$8.2 million. As mentioned previously, securities lending collateral increased \$12.8 million driving its corresponding liability to increase the same. Prize liabilities decreased \$12.5 million as claim backlogs caused by pandemic issues were processed. Economic development liability increased \$6.4 million as transfer amounts increased.

Deferred inflows grew \$23.2 million as the pension plan's investment income was more than projected. Amounts over the projection are recognized over 5 years. Amounts not yet recognized are reflected in deferred inflows.

A portion of the Lottery's net position, 24.0 percent, reflects investment in capital assets, primarily Video Lottery<sup>SM</sup> gaming terminals. Investment in capital assets increased from the prior year by \$9.6 million due largely to video gaming terminal acquisitions, disposals and associated depreciation. Of the \$231.2 million in unrestricted net position at fiscal year-end, \$106.6 million is committed for capital purchases, projects, and long-term contract obligations, an increase of \$14.5 million. As approved by the Lottery Commission in June 2022, the amount to be held in the contingency reserve increased by \$35 million. Annual results generated \$32.3 million of the desired amount.

Table 2 below reflects a summary of changes in net position for the current and prior fiscal year:

Table 2: Oregon State Lottery's Changes in Net Position

	2022	2021	Increase/ (Decrease)
<b>Operating revenue:</b>			
Video Lottery <sup>SM</sup> game sales, net	\$ 1,246,146,763	\$ 860,326,742	\$ 385,820,021
Sports wagering sales, net	32,052,189	29,147,647	2,904,542
Scratch-its <sup>SM</sup> instant ticket sales	163,404,873	196,029,843	(32,624,970)
Draw game sales	233,743,066	212,942,872	20,800,194
Other income	3,399,589	380,966	3,018,623
<b>Total operating revenues</b>	<b>1,678,746,480</b>	<b>1,298,828,070</b>	<b>379,918,410</b>
<b>Operating expenses:</b>			
Prizes	257,168,546	266,065,927	(8,897,381)
Retailer commissions	313,576,943	239,197,863	74,379,080
Other operating expenses	128,797,762	156,492,256	(27,694,494)
<b>Total operating expenses</b>	<b>699,543,251</b>	<b>661,756,046</b>	<b>37,787,205</b>
<b>Operating income</b>	<b>979,203,229</b>	<b>637,072,024</b>	<b>342,131,205</b>
Interest and investment income	(8,970,219)	(2,561,203)	(6,409,016)
Insurance recoveries	9,946	9,932	14
Nonoperating expenses	(530,904)	(359,041)	171,863
<b>Total nonoperating revenues (expenses/losses)</b>	<b>(9,491,177)</b>	<b>(2,910,312)</b>	<b>(6,580,865)</b>
<b>Income before transfers</b>	<b>969,712,052</b>	<b>634,161,712</b>	<b>335,550,340</b>
Transfers	(910,500,891)	(654,439,622)	(256,061,269)
<b>Change in net position:</b>	<b>59,211,161</b>	<b>(20,277,910)</b>	<b>79,489,071</b>
Net position - beginning	246,947,609	267,225,519	(20,277,910)
<b>Net position - ending</b>	<b>\$ 306,158,770</b>	<b>\$ 246,947,609</b>	<b>\$ 59,211,161</b>

Product sales increased \$376.9 million (29.0 percent) over the prior fiscal year. Video sales generated the largest share of the increase as sales increased 44.9 percent over the prior year. Fiscal year 2022 had no pandemic-related closures as those occurring in fiscal year 2021. Other income increased \$3.0 million due to an unexpected vendor contract penalty which was assessed during the year.

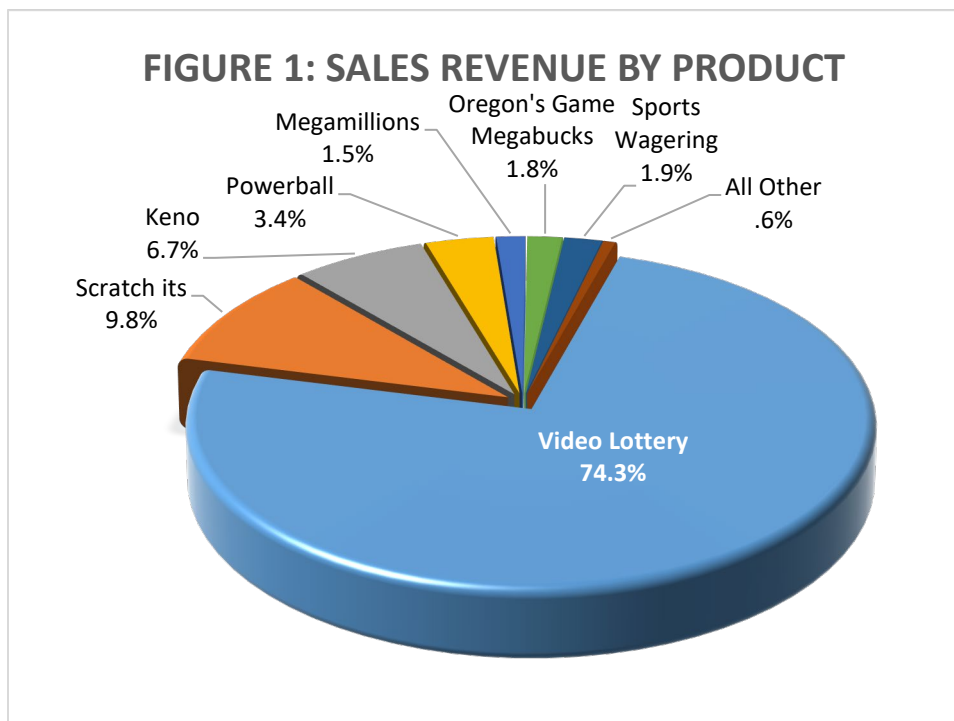
Total operating expenses increased 5.7 percent from the prior fiscal year. Retailer commissions, which are a percentage of sales, increased 31.1 percent as product sales increased. Game vendor charges, which for traditional and sports wagering products are also based on sales, increased 29.3 percent. The most significant decrease in expense for fiscal year 2022 came not from Lottery operations, but the annual share of state PERS expense passed down from the statewide accounting office. The expense from fiscal year 2020 was \$9.8 million, for fiscal year 2021 it was \$26.7 million and for fiscal year 2022 is \$(8.9) million. The amount for fiscal year 2022 represents a decrease of 133.4 percent over the prior year. The intent of the entry is for all participating State agencies to share in the total expense allocated actuarially to the State of Oregon as one employer of the pension plan. For the entire plan (all employers) the expense decreased 65.1 percent and the amount of plan expense allocated to the State of Oregon as one employer decreased 64.2 percent. The reason for Lottery's 133.4 percent expense decrease is the allocation methodology used by the statewide accounting office, as there were only minor changes in staffing and salaries during fiscal year 2021 (the measurement year). Additional expense reductions were seen in services and supplies as less consulting services were utilized year-over-year.

Total nonoperating revenues/(expenses) decreased \$6.6 million. Investments reported at fair value continued the decline that began in fiscal year 2021 resulting in an additional \$5.9 million loss in fiscal year 2022. Lottery holds securities to maturity; thus, fair value fluctuations do not impact operational decisions or cash position.

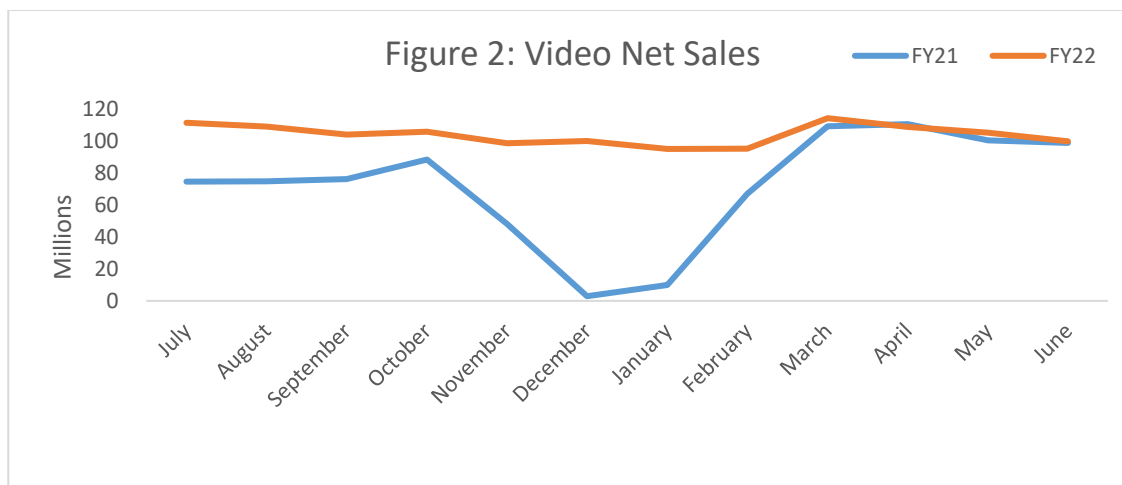
Overall, income before transfers increased 52.9 percent. Revenue increases resulted in an increase of \$255.8 million in transfers to the Economic Development fund.

## Sales Revenue

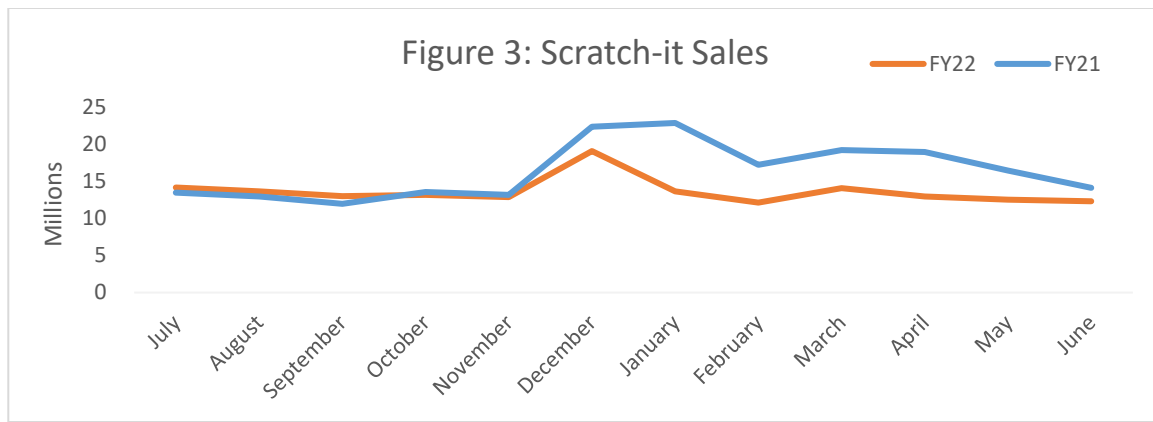
Figure 1 below shows the major sources and percentages of sales revenue for fiscal year 2022.



Video Lottery<sup>SM</sup> remains the Lottery's largest source of revenue representing 74.3 percent of total sales. Video revenues increased \$385.8 million from the prior year as a result of an entire year with no pandemic business closures. (See Figure 2 below.) During the year the Lottery continued to actively promote problem gambling programs.



Sales of Scratch-its<sup>SM</sup>, the second largest source of sales revenue at 9.8 percent, had a 16.6 percent decline compared to fiscal year 2021. Sales increased considerably in the prior fiscal year demonstrating a shift in player behavior as Video Lottery<sup>SM</sup> experienced pandemic-related establishment closures. However, with the return of full Video Lottery<sup>SM</sup> availability player behavior appears to have shifted away from the scratch product. Figure 3 on the next page displays the trend.



Draw game sales increased 9.8 percent from the prior year with Powerball® as the largest contributor to the growth. Powerball® exceeded prior year sales by 41.8%. In August of 2021 a third draw date was introduced so drawings now occur on Monday, Wednesday and Saturday. The added drawing generated increased sales, as did the average jackpot win increasing by \$118.4 million. The jackpot increase resulted from only four jackpot wins in fiscal year 2022 compared to five the prior year. Fewer jackpot awards results in jackpots increasing to higher levels that influence sales. Keno sales surpassed the prior year by 13.2 percent and \$13.1 million. Keno is sold at stores, restaurants and bars and realized gains from a full year with no bar and restaurant closures. Mega Millions® sales decreased by \$9.0 million, a 26.8 percent reduction from the prior year. Although the current year produced the same number of jackpots as the prior year, the timing of the wins was such that jackpots did not have time to grow to larger amounts. In fiscal year 2021 one of the Mega Millions® jackpots reached \$1 billion.

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# Basic Financial Statements

**OREGON STATE LOTTERY**  
**Statement of Net Position**  
**June 30, 2022**

**Assets**

Current Assets:

Cash and Cash Equivalents	\$ 425,770,616
Securities Lending Cash Collateral	33,558,592
Investments for Prize Payments	11,131,032
Accounts Receivable (Net)	23,409,654
Ticket Inventory	1,836,035
Prepaid Expenses	3,574,729
Total Current Assets	<u>499,280,658</u>

Noncurrent Assets:

Cash and Cash Equivalents	106,553,940
Investments for Prize Payments	101,288,804
Prize Reserves	6,584,744
Net Other Post-Employment Benefits (OPEB) Asset	1,561,144

Capital Assets:

Buildings, Equipment and Vehicles	265,468,950
Computer Software	33,550,251
Other Assets	3,578,916
Less Accumulated Depreciation and Amortization	<u>(222,823,250)</u>
Total Noncurrent Assets	<u>295,763,499</u>
Total Assets	<u>795,044,157</u>

**Deferred Outflows of Resources**

Deferred Amounts for Pensions	20,078,085
Deferred Amounts for Other Post-Employment Benefits (OPEB)	223,271
Total Deferred Outflows of Resources	<u>20,301,356</u>
Total Assets and Deferred Outflows of Resources	<u>815,345,513</u>

**Liabilities**

Current Liabilities:

Due to Economic Development Fund	232,927,964
Obligations Under Securities Lending	33,558,592
Prize Liability	38,850,963
Accounts Payable	18,407,709
Compensated Absences	3,550,723
Unearned Revenue	1,370,201
Contracts Payable	3,744,809
Total Current Liabilities	<u>332,410,961</u>

Noncurrent Liabilities:

Prize Liability	112,458,463
Compensated Absences	1,997,281
Net Pension Liability	30,791,310
Other Post-Employment Benefits (OPEB) Liabilities	955,560
Contracts Payable	5,309,260
Total Noncurrent Liabilities	<u>151,511,874</u>
Total Liabilities	<u>483,922,835</u>

**Deferred Inflows of Resources**

Deferred Amounts for Pensions	24,039,768
Deferred Amounts for Other Post-Employment Benefits (OPEB)	1,224,140
Total Deferred Inflows of Resources	<u>25,263,908</u>
Total Liabilities and Deferred Inflows of Resources	<u>509,186,743</u>

**Net Position**

Net Investment in Capital Assets	73,362,750
Restricted for Net Other Post-Employment Benefits (OPEB) Asset	1,561,144
Unrestricted	231,234,876
<b>Total Net Position</b>	<u><u>\$ 306,158,770</u></u>

*The accompanying notes are an integral part of the financial statements.*



**OREGON STATE LOTTERY**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**For the Year Ended June 30, 2022**

**Operating Revenues**

Sales:	
Video Lottery <sup>SM</sup> (Net Receipts)	\$ 1,246,146,763
Sports Wagering (Net Receipts)	32,052,189
Scratch-its <sup>SM</sup> Instant Tickets (Net of Returns)	163,404,873
Keno	112,010,235
Powerball <sup>®</sup>	57,488,112
Megabucks <sup>SM</sup>	29,404,998
Mega Millions <sup>®</sup>	24,614,302
Raffle <sup>SM</sup>	2,499,710
Win For Life <sup>SM</sup>	3,821,104
Lucky Lines <sup>SM</sup>	1,932,814
Pick 4 <sup>SM</sup>	1,971,791
Provision for Uncollectibles	(35,471)
Other Income	3,435,060
Total Operating Revenues	<u>1,678,746,480</u>

**Operating Expenses**

Prizes	257,168,546
Retailer Commissions	313,576,943
Salaries and Wages	44,867,842
Depreciation and Amortization	22,771,207
Services and Supplies	19,986,158
Game Vendor Charges	24,871,577
Advertising and Market Research	6,063,128
Public Information	902,247
Tickets	3,111,560
Game Equipment Parts and Maintenance	5,681,596
Sales Support	542,447
Total Operating Expenses	<u>699,543,251</u>
Operating Income	<u>979,203,229</u>

**Nonoperating Revenues (Expenses)**

Interest	2,572,842
Investment and Securities Lending Income (Loss)	(11,543,061)
Insurance Recoveries	9,946
Gain (Loss) on Disposition of Assets	6,945
Investment Expenses - Securities Lending	(40,107)
Investment Expenses	(13,640)
Interest Expense	(484,102)
Total Nonoperating Revenues (Expenses)	<u>(9,491,177)</u>
Income Before Transfers	<u>969,712,052</u>

**Transfers**

Transfers to the Economic Development Fund	(908,300,942)
Transfers to the General Obligation Bond Fund	(2,199,949)
Total Transfers	<u>(910,500,891)</u>
Change in Net Position	59,211,161
Net Position - Beginning	246,947,609

<b>Net Position - Ending</b>	<b><u>\$ 306,158,770</u></b>
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*The accompanying notes are an integral part of the financial statements.*

**OREGON STATE LOTTERY**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2022**

**Cash Flows from Operating Activities:**

Receipts from Customers	\$ 1,673,212,202
Payments to Employees for Services	(39,861,311)
Payments to Suppliers	(395,569,522)
Payments to Prize Winners	(259,708,204)
Other Cash Receipts (Payments)	2,488,495
Net Cash Provided (Used) by Operating Activities	<u>980,561,660</u>

**Cash Flows from Noncapital Financing Activities:**

Principal and Interest Payments on Long-term Pension Debt	(621,623)
Transfers to the Economic Development Fund	(908,627,885)
Transfers to the General Obligation Bond Fund	(2,199,949)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(911,449,457)</u>

**Cash Flows from Capital and Related Financing Activities:**

Acquisition of Capital Assets	(28,603,347)
Proceeds from Disposition of Capital Assets	65,938
Payments on Contracts	(3,973,943)
Insurance Recoveries for Capital Assets	9,946
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(32,501,406)</u>

**Cash Flows from Investing Activities:**

Purchases of Investments	(12,660,849)
Proceeds from Sales and Maturities of Investments	11,079,333
Interest on Investments and Cash Balances	2,572,842
Securities Lending Expenses	(40,107)
Investment Expenses	(13,640)
Net Cash Provided (Used) by Investing Activities	<u>937,579</u>

**Net Increase (Decrease) in Cash and Cash Equivalents**

Cash and Cash Equivalents - Beginning	494,776,180
<b>Cash and Cash Equivalents - Ending</b>	<u><u>\$ 532,324,556</u></u>

**Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:**

Operating Income	\$ 979,203,229
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization	22,771,207
Net Changes in Assets and Liabilities:	
(Increase) / Decrease in Accounts Receivable	(2,656,747)
(Increase) / Decrease in Ticket Inventory	(486,917)
(Increase) / Decrease in Prepaid Expenses	(1,524,848)
(Increase) / Decrease in Prize Reserves	530,201
(Increase) / Decrease in Pension Deferred Outflows	2,944,116
(Increase) / Decrease in Net OPEB Asset and OPEB Deferred Outflows	(570,722)
Increase / (Decrease) in Accounts Payable	330,659
Increase / (Decrease) in Compensated Absences Liability	492,995
Increase / (Decrease) in Unearned Revenue	447,545
Increase / (Decrease) in Prize Liability	(2,539,658)
Increase / (Decrease) in Net Pension Liability and Deferred Inflows	(18,904,316)
Increase / (Decrease) in OPEB Liability and OPEB Deferred Inflows	524,916
Total Adjustments	<u>1,358,431</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 980,561,660</u></u>

**Noncash Investing, Capital, and Related Financing Activities:**

Net Change in Fair Value of Investments	\$ (11,543,061)
Intangible Assets Acquired Through Contract	2,080,447
Total Noncash Investing, Capital, and Related Financing Activities	<u><u>\$ (9,462,614)</u></u>

*The accompanying notes are an integral part of the financial statements.*

# OREGON STATE LOTTERY

## Notes to the Financial Statements

June 30, 2022

### 1. Summary of Significant Accounting Policies

#### A. Reporting Entity

The Oregon State Lottery Commission (Commission) was created as an agency of the State of Oregon by enactment of Article XV, Section 4 (3), of the Oregon Constitution, an initiative measure approved by Oregon voters at the November 1984 general election. The Commission established the Oregon State Lottery (Lottery), which is an enterprise fund of the State of Oregon. The Lottery commenced operations to market and sell Lottery products to the public in January 1985. The net profits of the Lottery are transferred to the Oregon Economic Development Fund and are then distributed by the State of Oregon to finance the various public purposes allowed by law.

#### B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accompanying financial statements of the Lottery have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

The Lottery uses an enterprise fund, the Oregon State Lottery Fund, with a self-balancing set of accounts to record its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses. Enterprise funds account for activities that are financed and operated in a manner like private business enterprises.

Lottery financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Revenues and expenses are categorized as operating or nonoperating in the Statement of Revenues, Expenses and Changes in Fund Net Position. Operating revenues and expenses are those that result from selling Lottery games to the public. Operating revenues include the sale of Lottery products and incidental revenues associated with operating the Lottery. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. Revenues and expenses that do not result from selling Lottery games, such as investment income and investment expenses, are reported as nonoperating revenues and expenses.

Assets and liabilities are classified on the Statement of Net Position as current and noncurrent. Current assets are resources expected to be realized in cash or consumed within a year from the financial statement date. Current liabilities are obligations generally expected to be paid using resources that are classified as current assets and obligations due within one year from the date of the financial statements. Noncurrent assets are capital assets, resources that are restricted to use for other than current operations, resources designated to be used to acquire noncurrent assets, or resources that are not expected to be collected within one year. Noncurrent liabilities are obligations generally expected to be paid using resources that are classified as noncurrent assets and obligations due beyond one year from the date of the financial statements.

Total net position is segregated into three categories: net investment in capital assets, restricted for net OPEB asset and unrestricted net position. Article XV of the Oregon Constitution restricts the use of Lottery revenues for payment of prizes and administrative expenses, and remaining revenues are to be used for public purposes allowed in Article XV. Net proceeds not yet transferred are reflected in liabilities as the amount Due to the Economic Development Fund. Net position reported at year end will be used for Lottery operations.

#### C. Sales Revenue

Revenues for draw games Oregon's Game Megabucks<sup>SM</sup>, Powerball<sup>®</sup>, Mega Millions<sup>®</sup>, Keno, Win for Life<sup>SM</sup>, Raffle<sup>SM</sup>, Pick 4<sup>SM</sup>, and Lucky Lines<sup>SM</sup> are recognized when the draws occur. Revenues for instant scratch ticket games are recognized when retailers activate ticket packs for sale to the public. Sports wagering revenues are recognized when events have completed and the outcome is known and are reported net of returns to players. Revenues for Video Lottery<sup>SM</sup> games are recognized when sales to the public occur and are reported net of

prizes awarded. (Refer to Note 2(B) for more information on Video Lottery<sup>SM</sup> and sports wagering revenue and prize expense). All revenues are reported net of free plays, discounts, and allowances.

**D. Unearned Revenue**

All draw games can be purchased in advance of the drawings and sports wagers can be placed prior to an event. When shares are sold or wagers are placed in advance of the draw or event date, sales revenue is not yet earned. Unearned revenue includes revenue associated with draw or event dates occurring after the June 30 fiscal year end.

**E. Prize Expense**

Instant ticket prize expense is estimated and recognized when ticket packs are activated and is based on the game design. Game design includes certain guaranteed prizes in each pack of tickets and prizes placed randomly by the gaming vendor. When validations for the game have ended, differences between estimated and actual prizes awarded for the randomly placed prizes are adjusted to prize expense and prize liability. Guaranteed prizes not claimed by winners are transferred to the Economic Development Fund.

Prize expense for draw games is recognized as drawings are held, based on the shares sold and the estimated or known cost of the prize payments. Prize expense is adjusted as prizes are claimed and the actual cost of the prize is known. Expense for prizes with long-term payments is recognized when the prize liability is recorded, at the discounted present value of estimated future cash payments. Sports wagering prize expense is recognized when the outcome of the wagered event is known. Video Lottery<sup>SM</sup> prize expense is recognized as game play completes and prizes are known. More detailed information for Video Lottery<sup>SM</sup> and sports wagering is in Note 2(B).

Prize expense for fiscal year ending June 30, 2022 also includes \$3,468,959 of amortization expense related to the long-term prize liability discount (see Note 1(F)).

**F. Prize Liability**

Prize liability is recorded when the prize expense is recognized (see Note 1(E) above) and is reported at the discounted present value of estimated future cash payments. Discount rates are based on interest rates earned on securities purchased to fund long-term prize payments. Estimated and known prize payments due within one year of the financial statement date are recorded as a current liability and payments due later than the upcoming year are classified as a noncurrent liability. Unclaimed prizes (winning shares known to be sold and not presented for payment within one year from the draw date or official end of a game) are reclassified from Prize Liability to Due to Economic Development Fund.

**G. Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, test cash held by employees, cash in demand deposit accounts and cash and investments held in the Oregon Short-Term Fund (OSTF). For purposes of the Statement of Cash Flows, all Lottery moneys held by the Office of the State Treasurer in the OSTF are cash equivalents. The OSTF is an investment pool that functions as a demand deposit account.

**H. Investments**

Investments are reported at fair value based on quoted market prices for similar assets at June 30, 2022. The fair value hierarchy established by generally accepted accounting principles categorizes valuation inputs in three levels. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are unobservable. The quoted prices used by Lottery are Level 2 inputs. Changes in the fair value of investments are recognized as investment income or loss in the current year.

**I. Securities Lending**

Securities lending amounts are reported at the value of the cash collateral received. The security lending liability is reported at the cash amount received as collateral.

**J. Accounts Receivable**

Accounts receivable is reported net of an allowance for uncollectible accounts. Accounts receivable primarily consist of proceeds due from Lottery retailers. Most retailers selling Lottery products are required to remit

weekly proceeds (Sunday through Saturday), less commissions, on the following Wednesday. Corporate accounts with multiple establishments may remit proceeds on the second Wednesday following the end of the business week.

#### **K. Inventories**

Inventories are valued at cost using the specific identification method. Ticket inventory consists of Scratch-its<sup>SM</sup> instant tickets primarily stored in the Lottery warehouse. A small amount of inventory is stored at retail establishments. Ticket inventory held in the warehouse is destroyed and recorded as an expense when distributions to retailers are no longer allowed. When activations are no longer allowed, tickets not sold at retail establishments are expensed. The tickets are returned to the warehouse and subsequently destroyed.

#### **L. Prize Reserves**

Prize reserves held by the Multi-State Lottery (MUSL) are amounts held to indemnify participating lotteries for prizes that may be won. Should the Lottery decide against participation in MUSL, these amounts would be returned. Prize reserves for our prior sports wagering product Scoreboard<sup>SM</sup> are held in escrow and are available to our payment processor in the event cash amounts are not sufficient to cover player account withdrawals. Scoreboard<sup>SM</sup> wagering ended in January 2022. Scoreboard<sup>SM</sup> prize payments will end once all events have completed.

#### **M. Capital Assets**

Capital assets, which mainly include gaming equipment and related software and licensing agreements, are reported at historical cost. Physical and intangible assets with a cost of \$5,000 or more and a useful life of more than one year are capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	5 to 40
Video lottery equipment	5 to 7 or per agreement
Other machinery and equipment	5 to 25
Leasehold improvements	3 to 10 or per lease agreement
Vehicles	5 to 10
Computer hardware and software	2 to 10 or per agreement
Intangibles - Non-software	Term of contract

#### **N. Leases**

The Lottery participates in several lease contracts for equipment. The contracts are recognized as a lease liability and an intangible right-to-use asset in the Statement of Net Position. Lease liabilities are recognized at the present value of payments expected to be made during the lease term. The discount rate applied is the rate applied by the lessor. If the lessor rate is not provided Lottery policy is to use the Oregon Bond Index rate for the State of Oregon. The rate used is one where the effective date and borrowing term most closely relate to the lease initiation date and term. As payments are made the principal portion of payments reduce the liability and expense is recognized for the interest portion.

The corresponding intangible asset is measured and recognized at the value of the initial lease liability. The asset is then amortized on a straight-line basis over its useful life. Leased assets are reported with other capital assets.

#### **O. Compensated Absences**

Employees earn vacation leave of 10 to 20 hours per month, depending upon length of service. All Lottery employees may accumulate a maximum of 350 hours per employee. Accumulated vacation leave and accumulated compensatory time is recorded as an expense and a liability (compensated absences) as the benefits accrue to employees. The compensated absences liability is calculated based upon salary rates in effect at the fiscal year-end and includes estimated employer expenses. No liability is reported for accumulated sick leave benefits since employees are not paid for unused sick leave benefits when leaving State service.

**P. Net Pension Liability, Pension Related Deferred Inflows and Outflows of Resources and Pension Expense**

These items are included at amounts equal to Lottery's portion of the State of Oregon's proportionate share of Oregon Public Employee's Retirement System (PERS) plan totals measured as of June 30, 2021. Amounts are recognized on the same basis the plan uses. PERS uses the accrual basis of accounting. As such, revenues are recognized when earned, contributions are recognized when due, benefits and withdrawals are recognized when due and payable. Lottery pension expense is included in Salaries and Wages expense.

**Q. Net Other Postemployment Benefits Asset and Other Postemployment Benefits Liabilities, Related Deferred Inflows and Outflows of Resources, and Expense**

Lottery employees may be covered by one of three postemployment benefit plans. The associated assets and liabilities for the two plans administered by the Oregon Public Employee's Retirement System (PERS) are measured as of June 30, 2021 and recognized on the same basis the plan uses. PERS recognizes revenues when earned, contributions when due and benefits/withdrawals are recognized when payable. The other plan is administered by the Public Employees Benefit Board (PEBB) and is measured as of June 30, 2022. Amounts included are Lottery's portion of the State of Oregon's amount of the respective other postemployment benefit plans. Expense for the plans is included in Salaries and Wages expense.

**2. Stewardship and Legal Compliance**

**A. Budgetary Compliance**

The Oregon State Lottery is exempt from State of Oregon Budget Laws. For budgeting purposes, the Commission adopts an annual Financial Plan based on revenue forecasts prepared by the Oregon Department of Administrative Services, Office of Economic Analysis, and activities identified in Lottery's annual Business and Strategic Plan. Quarterly, budgeted revenues and direct expenses (prizes, commissions, game vendor charges, and tickets) are revised for changes to the revenue forecasts. Revisions to other expense items in the adopted budget must be approved by the Commission. The budget is prepared on the accrual basis of accounting. Actual expenses are monitored throughout the year for compliance with the approved budget and appropriate adjustments, if necessary, are presented to the Commission for approval. A comparison of revenues and expenses to the final revised and approved fiscal year 2022 Financial Plan is presented as supplementary information in this report.

**B. Video Lottery<sup>SM</sup> and Sports Wagering Net Revenue**

Video Lottery<sup>SM</sup> revenue is reported net of discounts and prize expense in the Statement of Revenues, Expenses, and Changes in Fund Net Position. The following schedule reconciles cash received with actual wagering and prize activity:

<u>Revenue</u>		<u>Prize Expense</u>	
Cash Received	\$ 4,481,346,373	Cash Paid Out	\$ 3,235,199,595
Dollars Won and Played	<u>12,137,766,195</u>	Dollars Won and Played	<u>12,137,766,195</u>
Total Revenue	<u>\$ 16,619,112,568</u>	Total Prizes	<u>\$ 15,372,965,790</u>
Net Revenue before Discounts = \$1,246,146,778			

Sports wagering revenue is reported net of discounts and prize expense in the Statement of Revenues, Expenses, and Changes in Fund Net Position. The following schedule shows actual wagering activity:

	<u>Amount</u>
Wagers Placed	\$ 404,545,507
Wagers Refunded Due to Cancellations	(1,935,209)
Prizes Won	<u>(367,682,234)</u>
Net Revenue Before Discounts	<u>\$ 34,928,064</u>

### C. Use of Revenues and Net Revenues

Article XV of the Oregon Constitution requires that all prizes and expenses of the Lottery be paid from Lottery revenues and any remaining proceeds be used to benefit the public purposes of economic development, public education (including outdoor school), veterans services, or restoring and protecting parks, beaches, watersheds and native fish and wildlife habitats. ORS 461.500 requires that at least 84 percent of the total annual revenues be returned to the public in the form of prizes and net revenues benefiting the public purposes in the Constitution and statutes, that at least 50 percent of the total annual revenues be returned to the public in the form of prizes, and that no more than 16 percent of total annual revenues may be allocated for the payment of administrative expenses.<sup>1</sup>

The following table shows that for fiscal year 2022 the Lottery operated within the legal limits defined by ORS 461.500:

<u>Fiscal Year 2022 Revenues</u>		
Sales	\$ 17,415,959,444	
Other Distributable Income	5,630,091	
Total Distributable Revenue	<u>\$ 17,421,589,535</u>	
<u>Fiscal Year 2022 Distribution of Revenues</u>		
Revenues Returned to the Public:		
Prizes to the Public	\$ 15,991,040,279	91.79%
Unclaimed Prizes Paid/Due to Economic Development Fund	6,776,291	0.04%
Transfers Paid/Due to Economic Development Fund	908,300,942	5.21%
Total Revenues Returned to the Public	16,906,117,512	97.04%
Administrative Expenses	456,260,862	2.62%
Held for Contingency Reserve	59,211,161	0.34%
Total Distribution of Revenues	<u>\$ 17,421,589,535</u>	<u>100.00%</u>

### D. Unclaimed Prizes

ORS 461.500 requires all unclaimed prizes to be allocated to the benefit of public purpose. Lottery administrative rules declare a prize as unclaimed when it is known that winning shares have been sold and have not been redeemed within one year of the end of the game, one year from the draw date, or one year from the date of issue. During fiscal year 2022, prizes in the amount of \$6,776,291 were determined to be unclaimed and were either transferred or accrued for transfer to the Economic Development Fund.

### E. Contingency Reserve

ORS 461.510 (4) and Administrative Rule 177-010-0045 allows for the creation of a contingency reserve. In June 2022, the Lottery Commission approved a contingency reserve amount such that the cash available for future investment does not exceed \$135,000,000. The table on the following page shows the liquidity detail of Unrestricted Net Position shown on the Statement of Net Position at June 30, 2022:

<sup>1</sup> Attorney General Opinion No. 8220 advises that ORS 461.548 regarding Video Lottery<sup>SM</sup> proceeds is unconstitutional and is not applicable. It is not included here.

Cash Available for Future Investment (Uncommitted Contingency Reserve)	\$ 119,270,172
Committed by Contract for Asset Purchases/Licensing (See Note 7 and 10)	21,675,308
Committed by Commission for Capital Purchases/Projects	84,878,632
Inventory and Prepaid Expenses	5,410,764
Total Unrestricted Net Position	<u>\$ 231,234,876</u>

#### F. Transfers to Economic Development Fund

In fiscal year 2022 \$59,211,161 of current year income was retained in contingency reserve. Remaining income after transfers to the General Obligation Bond Fund was accrued for transfer to the Economic Development Fund. Actual cash transferred, including unclaimed prizes, during fiscal year 2022 was \$908,627,885. The remaining balance is included on the Statement of Net Position in current liabilities. The following schedule reconciles the amounts:

	Balance Owed at June 30, 2021	Amounts Accrued	Cash Paid to Economic Development	Balance Remaining at June 30, 2022
Income	\$ 225,044,831	\$ 908,300,942	\$ 902,395,257	\$ 230,950,516
Unclaimed Prizes	1,433,786	6,776,290	6,232,628	1,977,448
Total	<u>\$ 226,478,617</u>	<u>\$ 915,077,232</u>	<u>\$ 908,627,885</u>	<u>\$ 232,927,964</u>

### 3. Deposits

The Lottery uses a financial institution qualified by the Oregon State Treasurer to hold public funds, and the Oregon Short-Term Fund (OSTF) for deposits. The Office of the State Treasurer maintains the OSTF, an investment pool available for use by state agencies and local governments. A separate financial report for the OSTF may be obtained from the Office of the State Treasurer, 867 Hawthorne Ave. SE, Salem, Oregon 97301 or from the Treasurer's website at: <https://www.oregon.gov/treasury/public-financial-services/oregon-short-term-funds/pages/default.aspx>

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Lottery or State Treasurer will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Lottery does not have a policy regarding custodial credit risk for deposits; however, the insurance and collateral requirements for state deposits are established by banking regulations and Oregon Revised Statute (ORS) Chapter 295. This statute creates a shared liability structure through a collateral pool of pledged securities held by a custodian. ORS 295 is administered by the Oregon State Treasurer using the Public Funds Collateralization Program (PFCP). This program monitors public funds balances in excess of Federal Deposit Insurance of \$250,000, total public funds on deposit, depository net worth and capitalization information. All depositories are required to report quarterly at a minimum but may be required to report as often as weekly. Reported information determines each depository's minimum market value of securities that must be pledged as collateral.

The PFCP determines collateral requirements based on the capitalization of each depository. Well capitalized depositories must pledge securities with a market value of 10% of their last reported uninsured public funds deposits. Collateral requirements increase for depositories considered to be less than well capitalized. Collateral requirements may be up to 110% of uninsured public funds deposits. The Oregon State Treasurer, in consultation with the Department of Consumer and Business Services, may also require collateral up to 110% for well capitalized banks. Depositories with increased collateral requirements are required to report weekly to ensure collateralization at the appropriate level.

Consequently, Lottery's bank balance at June 30, 2022 of \$533,618,654, deposited in financial institutions and the OSTF, is insured or collateralized.



#### 4. Investments

The State Treasurer is the Investment Officer for the State of Oregon. Investment standards are established in ORS 293.726 and require funds to be managed as a prudent investor would do. The Lottery does not have an independent investment policy.

##### A. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the State Treasurer will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Lottery's investments with the Office of the State Treasurer are registered in street name and held with the State Treasurer's agent in the name of the State of Oregon and segregated in the Treasurer's records in Lottery's name.

##### B. Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Lottery holds both US Treasury STRIPS as well as US Agency STRIPS of the Resolution Funding Corporation (RFC). The RFC investments are not explicitly guaranteed by the U.S. government and do not have a credit rating. However, interest payments are backed by the U.S. government, and the principal is protected by the purchase of zero-coupon bonds with an equivalent face value.

Concentration of credit risk is the risk of loss attributed to the magnitude of investments in a single issuer. Investments in the RFC represents 1.48 percent of the Lottery's investment holdings on June 30, 2022.

##### C. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The length of time until maturity affects the exposure of the investment to fair value fluctuations. Lottery's investments are purchased to closely match the liability stream for prize payouts and are intended to be held until maturity.

The following table shows the segmented time distribution of the fair value of all Lottery investments on June 30, 2022:

Investment Type	Less than 1 Year	1-5 Years	6-10 Years	More Than 10 Years	Fair Value
U.S. Agency STRIPS	\$ 812,897	\$ 854,212	\$ -	\$ -	\$ 1,667,109
U.S. Treasury STRIPS	10,318,135	38,907,709	30,153,620	31,373,263	110,752,727
Total Investments	<u>\$ 11,131,032</u>	<u>\$ 39,761,921</u>	<u>\$ 30,153,620</u>	<u>\$ 31,373,263</u>	<u>\$ 112,419,836</u>

#### 5. Securities Lending

In accordance with State of Oregon (State) investment policies, state agencies may participate in securities lending. The Office of the State Treasurer has authorized its custodian to act as its agent in the lending of the State's securities pursuant to a form of loan agreement. There were no significant violations of the provisions of securities lending agreements during the fiscal year.

During fiscal year 2022, the State's securities lending agent lent short-term and fixed income securities from the OSTF and U.S. Government securities segregated to the Lottery and received as collateral U.S. dollar-denominated cash and U.S. Treasury securities. Borrowers were required to deliver collateral for each loan equal to not less than 102 percent of the market value of the loaned securities. The State can impose restrictions on the amount of the loans that the securities lending agent made on its behalf. No such restrictions were made during the year ended June 30, 2022. The State may pledge or sell collateral securities in the event of a borrower default; however, the Lottery and the State, through the State Treasurer's Securities Lending Agreements, are fully indemnified against losses due to borrower default. There were no losses during the year from the failure of borrowers to return loaned securities.

During the year, the State and borrowers maintained the right to terminate all securities lending transactions on demand. Therefore, the maturities of investments made with cash collateral generally did not match the maturities of the securities loans. On June 30, 2022, the State and the Lottery had no credit risk exposure to borrowers related to securities on loan.

As of June 30, 2022, the total fair value of securities on loan from the OSTF was \$194,106,042, the collateral received was \$197,916,275 and the fair value of invested collateral was \$158,417,467. Cash collateral received for OSTF and Lottery investments is invested in a securities lending collateral pool and is not exposed to custodial credit risk.

The Lottery's allocated portion of the OSTF securities on loan and Lottery owned investments on loan at June 30, 2022, is presented in the following schedule:

	Securities Lending Balances		
	Fair Value of Securities on Loan	Collateral Received	Fair Value of Invested Cash Collateral
Lottery Share OSTF	\$ 3,772,581	\$ 3,846,635	\$ 3,078,949
Lottery Investments	30,819,584	31,317,074	30,469,306
Total	<u>\$ 34,592,165</u>	<u>\$ 35,163,709</u>	<u>\$ 33,548,255</u>

## 6. Capital Assets

Capital asset activity for the year ended June 30, 2022, is shown in the following schedule:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Depreciable Capital Assets</u>				
Equipment	\$ 227,733,704	\$ 24,840,360	\$ 8,417,301	\$ 244,156,763
Building and Improvements	15,388,341	175,006	-	15,563,347
Vehicles	4,963,202	340,789	-	5,303,991
Computer Software	30,105,868	3,444,383	-	33,550,251
Right-to-Use Leased Equipment and Facilities	-	1,773,447	-	1,773,447
Other Assets	1,695,660	109,809	-	1,805,469
Total Assets Being Depreciated	279,886,775	30,683,794	8,417,301	302,153,268
<u>Accumulated Depreciation/Amortization</u>				
Equipment	175,722,900	18,203,288	8,358,307	185,567,881
Building and Improvements	8,687,175	421,004	-	9,108,179
Vehicles	2,879,348	415,956	-	3,295,304
Computer Software	19,593,993	2,763,519	-	22,357,512
Right-to-Use Leased Equipment and Facilities	-	825,008	-	825,008
Other Assets	1,526,935	142,431	-	1,669,366
Total Accumulated Depreciation	208,410,351	22,771,206	8,358,307	222,823,250
<u>Capital Assets Not Being Depreciated</u>				
Building and Improvements	444,849	-	-	444,849
Capital Assets, Net	<u>\$ 71,921,273</u>	<u>\$ 7,912,588</u>	<u>\$ 58,994</u>	<u>\$ 79,774,867</u>

On June 27, 2014 the Lottery vacated its backup center and it remained idle at June 30, 2022. Carrying value included in capital assets is \$444,849.

## 7. Long-term Liabilities

The following schedule presents changes in long-term liabilities during the fiscal year, as well as the amounts due in the next fiscal year:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Prizes	\$160,625,375	\$257,168,546	\$266,484,495	\$151,309,426	\$38,850,963
Compensated Absences	5,055,009	3,987,694	3,494,699	5,548,004	3,550,723
Licensing Contracts	5,417,630	293,928	1,891,716	3,819,842	1,730,379
Financing Agreement	2,719,613	-	1,075,777	1,643,836	1,157,566
Leases	-	1,773,447	825,008	948,439	446,809
Pre-SLGRP Pension Debt	2,947,841	-	305,889	2,641,952	410,055
	<u>\$176,765,468</u>	<u>\$263,223,615</u>	<u>\$274,077,584</u>	<u>\$165,911,499</u>	<u>\$46,146,495</u>

As of June 30, 2022, there were 84 Oregon Lottery prizes with remaining long-term annual prize payments. The estimated number of years remaining for payments extends to 45 years. The following schedule of payments includes claimed prizes with guaranteed payments for a fixed period. Although estimated and included in prize liability, conditional prize payments are not shown in the following table:

Fiscal Year Ending June 30	Principal	Interest
2023	\$ 9,396,519	\$ 144,464
2024	8,893,684	378,982
2025	8,254,745	596,921
2026	7,931,738	819,928
2027	7,068,070	953,596
2028-2032	22,998,829	4,967,502
2033-2037	15,327,037	5,698,293
2038-2042	5,057,768	2,319,562
2043-2047	3,000,839	1,845,825
2048-2051	1,607,525	1,182,473
Total Guaranteed Prize Payments Due	<u>\$ 89,536,754</u>	<u>\$ 18,907,546</u>

The Lottery has seven software licensing contracts requiring monthly, quarterly, or annual payments for a defined period. Gaming software licenses include the video gaming system and instant ticket second chance drawing licenses. Beginning in September 2016 Lottery contracted for a video gaming system. The system includes all hardware and software necessary for a host and backup system that communicates and stores transactions occurring on Video Lottery<sup>SM</sup> terminals throughout the State. The contract will expire in September 2024. Should the Lottery default through non-payment or breach of contract, undisputed amounts on invoices for services performed and deliverables delivered, less any amounts previously paid, are due immediately. The second chance drawing software contract includes draw configuration and support for one or more application programming interfaces. The contract began in February 2021 and continues through February 2024. After the initial three-year term Lottery may extend the contract on an annual basis. Lottery does have the right to terminate the contract with a 30-day notice to the contractor. Other licenses held are for human resource software for recruiting, compensation, and employee engagement.

The following table shows the total annual liability payments required by the licensing contracts:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2023	\$ 1,730,380
2024	1,704,880
2025	384,583
Total Licensing Payments Due	<u>\$ 3,819,843</u>

In October 2016, the Lottery began a purchasing agreement for 2,700 video retailer terminals, known as iLinks, which are part of the communication infrastructure between the Video Lottery<sup>SM</sup> game terminals and the host system. The interest rate for the contract is 7.35 percent and the last payment is due in September 2024. Total assets acquired through the agreement is \$6,736,500 and is included in Buildings, Equipment and Vehicles on the Statement of Net Position.

Future financing payments required for the agreement are shown in the following schedule:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 1,157,566	\$ 82,343
2024	463,587	10,946
2025	22,683	279
Total Financing Payments Due	<u>\$ 1,643,836</u>	<u>\$ 93,568</u>

The Lottery participates in eight non-cancelable property leases for storage facilities and a payment center. The Lottery also participates in six non-cancelable leases for billboards and three for office equipment. The leases are recognized as right to use capital assets with a corresponding liability for the discounted present value of the payments required. Future lease and interest payments required are displayed in the following table:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 446,809	\$ 2,161
2024	258,620	1,133
2025	159,727	510
2026	83,283	79
Total Lease Payments Due	<u>\$ 948,439</u>	<u>\$ 3,883</u>

Prior to the formation of the PERS State and Local Government Rate Pool (SLGRP), the State and community colleges were pooled together in the State and Community College Pool (SCCP), while local government employers participated in the Local Government Rate Pool (LGRP). These two pools combined to form the SLGRP effective January 1, 2002. The unfunded actuarial liability (UAL) attributable to the SCCP at the time the SLGRP was formed is maintained separately, is reduced by contributions and increased for interest charges at the assumed interest rate. The balance of the pre-SLGRP pooled liability attributable to the State is being amortized over the period ending December 31, 2027. The Pre-SLGRP Pension Debt of \$2,641,952 represents Lottery's allocation of the state liability. The payment schedule is shown on the following page:

Year Ending June 30	Principal	Interest
2023	\$ 410,055	\$ 175,341
2024	438,837	146,559
2025	469,639	115,757
2026	502,603	82,793
2027	537,881	47,516
2028	282,937	9,761
Total Pre-SLGRP Payments Due	<u>\$ 2,641,952</u>	<u>\$ 577,727</u>

## 8. Discounts and Allowances

Revenues are reported net of discounts and free plays in the Statement of Revenues, Expenses and Changes in Fund Net Position. Some Lottery game structures offer free tickets as prizes instead of cash. The sales value of these prizes reduce sales rather than being included as prize expense. For fiscal year ended June 30, 2022 Lottery awarded free play prizes of \$693,847. Promotional discounts and free plays also reduced sales by \$2,979,325.

At June 30, 2022, accounts receivable in the Statement of Net Position is reported net of \$321,629 allowance for uncollectible amounts.

## 9. Joint Venture

The Multi-State Lottery Association (MUSL) was established September 16, 1987, to coordinate lottery games with larger prizes than the individual states could offer by themselves. The Oregon Lottery has been a participating member since the inception of MUSL. Each participating state sells its choice of MUSL products and keeps all profits earned. Participating states contribute amounts necessary to fund the estimated and actual prizes won, reserve prize pools, and costs for services of MUSL and the Product Groups. For the fiscal year ending June 30, 2022 MUSL service fees were \$22,682.

MUSL is a non-profit, government-benefit association owned and operated by its member lotteries. It is governed by a board on which each member lottery is represented. Each member lottery has one vote. The Board's responsibilities to administer multi-state lottery games are performed through product groups, advisory committees, or panels staffed by officers and independent contractors as appointed by the Board. These officers and consultants serve at the pleasure of the Board and the Board prescribes their powers, duties, and qualifications. Product groups manage product offerings, establish budgets, establish rules and policies for a product as well as the fees for services. The Finance Committee recommends all fees for services to be charged by MUSL and product groups to the Executive Committee who review and submit to the Board for final action. MUSL is subject to annual audits conducted by independent auditors that are retained by the Board. Upon termination of the MUSL's existence, if such termination should occur, the member lottery would receive any proceeds determined available for distribution by the Board.

The fiscal year end for MUSL is June 30. Long-term liabilities of MUSL are limited to prize annuities due, which are fully funded through investments in U.S. Government Securities. The schedule on the following page presents the summarized financial activity from MUSL financial statements as of June 30, 2022 and June 30, 2021 (in thousands):

	<b><u>2022</u></b>	<b><u>2021</u></b>
Assets	\$ 766,593	\$ 848,610
Total Assets	<u>\$ 766,593</u>	<u>\$ 848,610</u>
Liabilities	\$ 756,516	\$ 836,396
Net Assets <sup>1</sup> - Unrestricted	10,077	12,214
Total Liabilities and Net Assets <sup>1</sup>	<u>\$ 766,593</u>	<u>\$ 848,610</u>
Revenue	\$ 3,442	\$ 1,324
Expenses	5,579	4,832
Other Changes in Net Assets <sup>1</sup>	-	1,011
Decrease in Net Assets	<u>\$ (2,137)</u>	<u>\$ (2,497)</u>

<sup>1</sup>Because MUSL is organized as a non-profit, its financial statements have been prepared in accordance with accounting standards promulgated by the Financial Accounting Standards Board (FASB). Therefore, MUSL's financial statements use the term "net assets" rather than "net position" for equity.

The financial statements for MUSL may be obtained from the Multi-State Lottery Association, 8101 Birchwood Court, Suite R, Johnston, Iowa 50131.

## 10. Other Significant Commitments and Contingencies

### A. Commitments

In October 2019 the Lottery signed a comprehensive agreement for software and services associated with processing transactions for traditional products. The initial contract term is five years from the go-live date of May 23, 2021. During this term Lottery will pay 2.5047 percent of net sales of traditional products. Contract extension options are available for two additional five-year terms. For fiscal year 2022 expenses under the contract were \$9,955,662.

In May 2019, Lottery contracted for services and access to software for a sports betting solution. The contract was for five years from the launch date of October 16, 2019. In April 2020 the provider was acquired by another company. A new contract was agreed upon in December 2021 and a new platform launched on January 18, 2022. Under the new contract, the prior platform will remain operational for the purposes of settling prior platform wagers, enabling players to withdraw accounts or transfer them to the new platform, and for Lottery operations with respect to those activities. The maximum length for the prior platform to remain operational is 366 days from launch of the new platform. During the close out period the Lottery remains obligated for access and service fees established under the prior agreement. The fees are a percent of net gaming revenues (NGR), which is revenue net of prizes and other allowed expenses. Software access fees range from 9 to 11 percent of NGR and service fees are 16 percent of NGR.

The new sports wagering contract term is seven years from the launch date of January 18, 2022. Additional extension terms can be negotiated. Fees under the contract are 49 percent of net receipts (wagers less prizes but not including player incentives and related prizes) and 51 percent of player incentives and other expenses such as league fees and costs related to player account servicing. However, player incentives are capped at 15 percent of net receipts and player costs are capped at 4 percent of net receipts. The contract generally can only be terminated for contract breaches and changes of legal standing to engage in sports wagering. Total Lottery expenses for both contracts for the fiscal year ending June 30, 2022 were \$14,224,789. These expenses are included in Game Vendor Charges on the Statement of Revenues, Expenses, and Changes in Fund Net Position.

In May 2022 Lottery issued commitments to purchase 895 Video Lottery<sup>SM</sup> gaming terminals. At June 30, \$10,985,050 remained to be purchased in fiscal year 2023.

## **B. Unemployment Benefits**

State employees who qualify are entitled to benefit payments during periods of unemployment. Each state agency is required to reimburse the Employment Department for benefit payments made to former employees. There is no practical method of estimating the amount of future benefit payments that may be made to former employees for wage credits earned prior to fiscal year end. Consequently, this potential obligation is not reported in the accompanying financial statements. For the fiscal year ended June 30, 2022, \$31,850 of reimbursements were expensed.

## **11. Employee Retirement Plan**

### **A. General Information**

The State of Oregon participates in the Oregon Public Employees Retirement System (PERS) plan. As an agency of the State of Oregon, eligible Lottery employees receive pension benefits through the plan. PERS is a defined benefit, cost-sharing multiple-employer plan, administered by the Public Employees Retirement Board (Board) as required by Chapters 238 and 238(A) of the Oregon Revised Statutes (ORS). Board members are appointed by the governor and confirmed by the state Senate.

Pension benefits are based on hire dates and are provided under the PERS plan or the Oregon Public Service Retirement Plan (OPSRP). PERS members who established membership before January 1, 1996 receive PERS Tier 1 benefits while those who established membership on or after that date receive PERS Tier 2 benefits. The PERS plan was closed to new members on August 28, 2003. Eligible employees hired after that date are members of OPSRP. Both plans provide a life pension, death, and disability benefits.

#### Pension Benefit

Tier 1/Tier 2 member's basic pension benefits are calculated based on years of service and final average salary, multiplied by 1.67 percent for general service employees and 2.0 percent for police and fire (P&F) employees. Benefits may also be calculated under a money match computation if a greater benefit results. For members contributing prior to August 21, 1981 benefits may also be calculated under a formula plus annuity computation. Pension benefit options include survivorship and lump sum refunds. The retirement allowance is payable monthly for life.

Tier 1 full pension benefits are available at age 58 (age 55 for P&F) or any age with 30 years of service (25 for P&F). There is a reduced benefit option available at age 55 (50 for P&F) and fewer than 30 years of service (25 for P&F). Tier 2 members can retire at age 60.

OPSRP member pension benefits are calculated based on years of service and the final average salary multiplied by 1.5 percent for general service employees and 1.8 percent for P&F. General service employees may retire at 65 or at age 58 with 30 years of service. P&F employees are eligible at age 60 or age 53 with 25 years of service.

OPSRP also includes the Individual Account Program (IAP) for employee contributions. Beginning January 1, 2004 all Tier 1/Tier 2 plan non-retired members also established an account in the IAP. Prior to July 1, 2020 all employee contributions were deposited in the member's account along with earnings. Beginning July 1, 2020 employee's whose monthly salary exceeds established monthly thresholds have a portion of their contributions redirected to an Employee Pension Stability Account (EPSA) which will be used to pay for part of the future pension benefit. Employees have the option to make additional voluntary contributions to replace any redirected amounts. IAP accounts are reduced by administrative expenses and losses. At retirement, IAP account balances are distributed to employees through a choice of a lump-sum payment or annuity options. Tier 1/Tier 2 employee contributions prior to January 1, 2004 remain in the member's defined benefit account.

#### Death Benefit

Upon the death of a non-retired PERS Tier 1/Tier 2 member the beneficiary receives a lump-sum refund of the member's accumulated contributions and interest. The beneficiary also receives a lump-sum payment from employer funds equal to the account balance. Upon the death of a non-retired OPSRP member the spouse (or person constitutionally required to be treated as a spouse) receives a life pension at 50 percent of what would have been paid to the member.

### Disability Benefit

All members can receive non job-related disability benefits after 10 years of service. Job-related disability is available for any length of service. Tier 1/Tier 2 monthly benefits are calculated with service time to age 58 (55 for P&F). OPSRP members receive 45 percent of their salary during the last full month of service.

### Benefit Changes

After retiring, PERS plan members may choose to continue participation in a variable equities investment account and may experience benefit fluctuations due to changes in the market value of equity investments. Cost-of-living benefit adjustments (COLA) for both PERS and OPSRP members are required annually in current Oregon statutes. For service time before October 1, 2013 adjustments are tied to the Portland Consumer Price Index with a 2% annual cap. Service time on or after October 1 receives a 1.25% increase on the first \$60,000 of annual benefit and .15% for benefit over \$60,000. The Oregon legislature has authority to change benefits.

### Contributions

As required by Oregon statute, employer contribution rates are actuarially determined and allow accumulation of assets sufficient to pay defined pension benefits when due. Employer contribution rates are expressed as a percentage of covered payroll. The Board's practice is to implement new rates in each odd-numbered year based on the valuation of the previous odd-numbered year. Rates used in fiscal year 2022 were effective July 1, 2021 and based on the December 31, 2019 valuation. Lottery contributions in fiscal year 2022 were \$7,046,673.

Set by statute, Lottery employees contribute 6 percent of covered salary to their IAP account. However, beginning in July 2020 a portion of monthly employee contributions may be redirected to the employee's EPSA account and used to fund their pension benefit. Redirects are required when the PERS system is less than 90% funded and an employee's monthly salary exceeds the monthly salary threshold established by the legislature. The percentage of monthly contributions redirected is determined by plan. For Tier 1/Tier 2 members 2.5 percent of employee contribution is redirected and for OPSRP members .75 percent is redirected.

## **B. Net Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions**

The collective net pension liability, measured as of June 30, 2021, is based on the December 31, 2019 actuarial valuation rolled forward to the measurement date. IAP accounts are not included in the measurement of the total pension liability. Assumptions used for the measurement include the following table below and are continued on the next page:

Experience Study Report	2018, published July 2019
Actuarial Cost Method	Entry Age Normal
<b>Actuarial Assumptions:</b>	
Inflation Rate	2.40 percent
Investment Rate of Return	6.90 percent
Projected Salary Increases	3.40 percent
Cost of living adjustments (COLA)	Blend of 2.00 percent COLA and graded COLA (1.25/0.15) percent in accordance with Moro decision; blend based on service.
Mortality	<u>Healthy retirees and beneficiaries:</u> Pub-2010 Healthy Retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. <u>Active members:</u> Pub-2010 Employee, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. <u>Disabled Retirees:</u> Pub-2010 Disable Retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.



The discount rate used to measure the collective pension liability was 6.90 percent. The projection of cash flows used to determine the discount rate assumed contributions from contributing employers and plan members are made at the actuarially determined rates required to meet projected benefit payments. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments.

The long-term expected rate of return used in projecting the collective pension liability is based on a forward-looking capital market economic model. The assumed asset allocation is based on the Oregon Investment Council's (OIC) target allocation and actual investments in June 2021 based on the target. Using the OIC description of asset classes, investments were mapped to the asset classes and percentages below. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. The following assumptions were used:

Asset Class	Target Allocation	Annual Arithmetic Return	20-Year Annualized Geometric Mean	Annual Standard Deviation
Global Equity	30.62%	7.11%	5.85%	17.05%
Private Equity	25.50	11.35	7.71	30.00
Core Fixed Income	23.75	2.80	2.73	3.85
Real Estate	12.25	6.29	5.66	12.00
Master Limited Partnerships	0.75	7.65	5.71	21.30
Infrastructure	1.50	7.24	6.26	15.00
Commodities	0.63	4.68	3.10	18.85
Hedge Fund of Funds - Multistrategy	1.25	5.42	5.11	8.45
Hedge Fund Equity - Hedge	0.63	5.85	5.31	11.05
Hedge Fund - Macro	5.62	5.33	5.06	7.90
US Cash	-2.50	1.77	1.76	1.20
Assumed Inflation - Mean			2.40%	1.65%

PERS actuarially determined each employer's proportionate share by comparing each employer's projected long-term contribution effort to the plan with the total projected long-term contribution effort of all employers. The projected long-term contribution effort is estimated by combining the present value of projected future normal cost contributions with projected contributions required for past unfunded actuarial liabilities (UAL) and reducing those projections with any transition surpluses, lump sum payments from employers, and pre-State and Local Government Rate Pool (SLGRP) surpluses at the valuation date. Estimated future normal cost rate contributions represent future service contributions while UAL estimated contributions represent contributions for past service. PERS has determined employer transition liabilities to meet the definition of separately financed employer liabilities and are not included in the projected contribution effort. The State of Oregon's proportion was 26.29% as of the prior June 30, 2020 measurement date and increased to 27.24% as of the June 30, 2021 measurement date.

The State of Oregon's proportionate share of the net pension liability was allocated to individual funds based on actual fiscal year 2021 contributions. Lottery is .94 percent of the State's share, a decrease of .22 percent from the June 30, 2020 measurement date. Lottery's proportion of the State's share equates to .26 percent of the collective net pension liability. On June 30, 2022 Lottery reported a net pension liability of \$30,791,310. The following demonstrates Lottery's proportionate share of the net pension liability/(asset) sensitivity to a 1 percentage point change in the discount rate:

1% higher discount rate – 7.9%	\$ 5,963,723
1% lower discount rate – 5.9%	\$60,466,766

For the year ended June 30, 2022 Lottery recognized pension revenue of \$8,913,527. At June 30, 2022 Lottery reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources on the following page:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,882,268	\$ -
Changes in assumptions	7,707,992	(81,035)
Net difference between projected and actual earnings on investments	-	(22,794,568)
Changes in proportion and differences between fund contributions and proportionate share of contributions	2,441,152	(1,164,165)
Lottery contributions subsequent to the measurement date	7,046,673	-
	<u>\$ 20,078,085</u>	<u>\$ (24,039,768)</u>

Lottery contributions subsequent to the measurement date will reduce the net pension liability in the upcoming fiscal year. Other deferred amounts will be included in pension expense as shown in the following table:

Fiscal Year Ending June 30	Amount to Pension Expense
2023	\$ (1,643,085)
2024	(1,876,140)
2025	(2,967,703)
2026	(5,297,133)
2027	775,705
Thereafter	-
Total	<u>\$ (11,008,356)</u>

Detailed information about the PERS pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report on the PERS website at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2021-ACFR.pdf>

## 12. Other Postemployment Benefit Plans

Oregon Lottery employees may be eligible for post-retirement insurance coverage through three other postemployment benefit (OPEB) plans available. Two plans are administered by the Public Employees Retirement System (PERS) and the other is administered by the Public Employees Benefit Board (PEBB). Lottery, as an enterprise fund of the State of Oregon, recognizes a portion of each plan in the financial statements.

### A. Plans Administered by the Public Employees Retirement System

The Retirement Health Insurance Account (RHIA), administered by PERS, is a cost-sharing, multiple-employer OPEB plan. The plan authorizes a payment of up to \$60 towards the monthly cost of health insurance for eligible PERS members. To be eligible the PERS member must have eight or more years of qualifying service in PERS at the time of retirement, receive both Medicare Parts A and B coverage, and enroll in a PERS-sponsored health plan. The coverage also extends to members receiving a disability allowance, as if the member had at least eight years of creditable service. A surviving spouse or dependent of a deceased PERS retiree is eligible if he or she is receiving a retirement benefit or allowance from PERS or was insured at the time of the member's death and the member retired before May 1, 1991. The plan is closed to entrants hired on or after August 29, 2003.

The RHIA plan and benefit amount is established by ORS 238.420. There are no automatic or ad-hoc adjustments to the benefit amount in the statute.

The other plan administered by PERS is the Retiree Health Insurance Premium Account (RHIPA). This plan is a single employer plan with the State of Oregon as the single employer. As authorized by ORS 238.415 retirees receive payment for the average difference between the health insurance premiums paid by retired state employees and the premiums paid by active state employees. The average amount is determined by the PERS Board on or before January 1 of each year. This plan is closed to entrants hired on or after August 29, 2003.

Retirees are eligible for the RHIPA plan if they have eight or more years of qualifying service but are not eligible for federal Medicare coverage. Retirees receiving a disability pension are also eligible if the pension was calculated as if they had eight or more years qualifying service and are not receiving federal Medicare coverage. A surviving spouse or dependent of a retired state employee is eligible if he or she is receiving a retirement benefit from PERS or was insured at the time the member died and the member retired on or after September 29, 1991.

Both plans are required by statute to be funded through employer contributions actuarially necessary to fund the liabilities of the plans. Employer contribution levels must be established by the PERS Board using the same actuarial assumptions it uses to determine employer contribution rates for the Public Employees Retirement Fund. Contribution rates for the fiscal year ending June 30, 2022 were effective July 1, 2021 and based on the December 31, 2019 valuation. The rates are a percentage of covered payroll and vary by the retirement plan of the participant. The contribution rates and amounts contributed by Lottery during the year ended June 30, 2022 are shown in the following table:

	<b>RHIA</b>		<b>RHIPA</b>	
	PERS	OPSRP	PERS	OPSRP
	Tier 1/Tier 2		Tier 1/Tier 2	
Normal Cost	0.05%	0.00%	0.11%	0.00%
Unfunded Actuarial Liability	0.00%	0.00%	0.17%	0.17%
Total Required Rate	0.05%	0.00%	0.28%	0.17%
Amounts Contributed	\$ 6,965	\$ -	\$ 39,004	\$ 47,103

Both plans use assumptions and other inputs to measure the total OPEB liability. These assumptions and inputs are shown in the table on the following page:

	RHIA	RHIPA
Plan Type	Cost-Sharing Multiple Employer	Single Employer (State of Oregon)
Valuation date	December 31, 2019	December 31, 2019
Measurement date	June 30, 2021	June 30, 2021
Experience Study	2018, published July 24, 2019	2018, published July 24, 2019
Actuarial assumptions:		
Actuarial cost method	Entry Age Normal	Entry Age Normal
Inflation rate	2.40 percent	2.40 percent
Long-term expected rate of return	6.90 percent	6.90 percent
Discount rate	6.90 percent	6.90 percent
Projected salary increases	3.40 percent	3.40 percent
Retiree healthcare participation	Healthy retirees: 32%, Disabled retirees: 20%	8-14 years of service: 10% 15-19 years of service: 15% 20-24 years of service: 19% 25-29 years of service: 26% 30+ years of service: 34%
Healthcare cost trend rate	Not Applicable	Applied at beginning of plan year, starting with 7.1% for 2019, decreasing to 4.9% for 2025, increasing to 5.0% for 2030, and decreasing to an ultimate rate of 4.0% for 2074 and beyond
Mortality	<b>Healthy retirees and beneficiaries:</b> Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. <b>Active members:</b> Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. <b>Disabled retirees:</b> Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.	<b>Healthy retirees and beneficiaries:</b> Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.  <b>Active members:</b> Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.  <b>Disabled retirees:</b> Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

For both plans, the projections of cash flows used to determine the discount rate assumes that employer(s) contributions are made at the contractually required rates, as actuarially determined.

The long-term expected rate of return for both plans is the same as that used for pension benefit projections. A description of how this rate is determined and information on the assumed asset allocation of the portfolio is included in Note 11(B). This long-term rate was applied to all periods of projected benefit payments to determine the total OPEB liability for both plans.

For the RHIA cost-sharing multiple-employer plan, employer proportionate share was determined by comparing the employer's actual, legally required contributions made during the measurement date fiscal year to the total actual contributions made during that period by all employers. For both plans, the State of Oregon's internal allocation among funds was based on fiscal year 2021 actual contributions from each fund. Lottery's share of both plans is shown below. The amounts are measured as of June 30, 2021 based on a December 31, 2019 actuarial valuation rolled forward. Effects of a 1 percentage point change in the healthcare cost trend rate and the discount rate are also shown in the table on the following page:

	RHIA	RHIPA
State of Oregon Share of Plan	39.50%	100.00%
Lottery Percent of State of Oregon Share	1.04%	.94%
Lottery Share of Net OPEB Liability/(Asset)	\$ (1,416,104)	\$ (145,040)
Lottery Share with:		
1% increase in healthcare cost trend rate	N/A	\$ (90,201)
1% decrease in healthcare cost trend rate	N/A	\$ (194,103)
1% increase in the discount rate – 7.9%	\$ (1,556,001)	\$ (179,339)
1% decrease in the discount rate – 5.9%	\$ (1,252,336)	\$ (108,423)

In the fiscal year ending June 30, 2021, Lottery recognized expense for the RHIA and RHIPa plans in the following amounts respectively; \$117,397 and \$(80,663). The following table shows the balances of Lottery's deferred outflows and inflows for the two plans:

	RHIA		RHIPa	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ (39,399)	\$ -	\$ (64,055)
Changes in assumptions	27,863	(21,066)	10,512	(51,138)
Net difference between projected and actual earnings on investments	-	(336,541)	-	(73,796)
Changes in proportion and differences between fund contributions and proportionate share of contributions	68,917	(294,815)	-	-
Contributions Subject to Measurement Date	6,965	-	86,107	-
	<u>\$ 103,745</u>	<u>\$ (691,821)</u>	<u>\$ 96,619</u>	<u>\$ (188,989)</u>

Contributions subsequent to the measurement date will reduce the liability in the upcoming fiscal year. The other deferred amounts will increase/(reduce) OPEB expense as follows:

Fiscal Year Ending June 30	RHIA	RHIPA
2022	\$ (222,673)	\$ (41,215)
2023	(189,226)	(40,741)
2024	(76,833)	(41,119)
2025	(106,309)	(43,092)
2026	-	(11,248)
Thereafter	-	(1,063)
Total	<u>\$ (595,041)</u>	<u>\$ (178,478)</u>

Detailed information about the PERS other postemployment benefit plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report on the PERS website at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2021-ACFR.pdf>

## B. Plan Administered by the Public Employees Benefit Board

The Public Employees Benefit Board (PEBB), through the authority of Oregon Revised Statutes Chapter 243, offers healthcare assistance to eligible retired employees and their beneficiaries. The PEBB plan is a single-employer plan (State of Oregon) that allows retired employees to continue their health insurance coverage on a self-pay basis until they are eligible for Medicare. The premium rate for retired employees is determined by pooling the retirees with active employees and thus creates an implicit rate subsidy. Employees are eligible if they retire and are immediately eligible for a pension benefit from PERS. In addition, the retiree must have been enrolled in a PEBB medical or dental plan immediately prior to retirement. Retirees must apply for retiree coverage within 60 days of the end of their active coverage.

The total OPEB liability for the PEBB plan was actuarially measured as of July 1, 2021 and projected forward to June 30, 2022. In projecting the future benefits the discount rate used is based on the Bond Buyer 20-Year General Obligation Bond Index as of June 30, 2022. There are no assets accumulated for payment of the liability. The following table shows significant assumptions used:

Valuation Date	July 1, 2021
Measurement Date	June 30, 2022
Discount Rate	3.54%
Health Care Cost Trend	Pursuant to ORS 243.135(8), growth in per-member expenditures under self-insured plans and premium amounts is assumed to be 3.4% per year
General Inflation	2.0% per year
Annual Salary Increases	3.0% per year
Mortality	General Service and Beneficiary table: Pub-2010 General Employees table, separate Employee/Healthy Annuitant, sex distinct, generational, set back 12 months for males, no setback for females. Mortality rates for active male participants are 115% of the above rates, and for active female participants are 125% of the above rates. Police & Fire table: Pub-2010 Public Safety table, Employee/Healthy Annuitant, sex distinct, generational, no setback for males, set back 12 months for females. Mortality rates for active male participants are 100% of the above rates, and for active female participants are 100% of the above rates. Improvement Scale: Unisex Social Security Data Scale (60-year average), with data through 2015.
Participation and Lapse Rates	30% of active members are assumed to elect medical coverage. Of those, 85% are assumed to elect dental coverage. 7% are assumed to drop coverage each year.
Actuarial Cost Method	Entry Age Normal, level percent of salary

Lottery, as a fund of the State of Oregon, recognizes a portion of the total liability. Fund proportions are based on each fund's fiscal year 2022 actual contributions. Lottery's share of the liability at June 30, 2022 is \$955,560 which is 0.77 percent of the State of Oregon's liability. The sensitivity of the liability to changes in the discount rate and healthcare cost trend rate are shown in the table on the following page:

Lottery Share with:

1% increase in healthcare cost trend rate – 4.4%	\$ 1,081,011
1% decrease in healthcare cost trend rate – 2.4%	\$ 849,543
1% increase in the discount rate – 4.54%	\$ 890,867
1% decrease in the discount rate – 2.54%	\$ 1,024,641

For the fiscal year ended June 30, 2022 Lottery recognized \$80,766 of expense for the PEBB plan. The following table shows the balances of Lottery's deferred outflows and inflows for the plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (118,674)
Changes in assumptions	22,907	(224,655)
Total	<u>\$ 22,907</u>	<u>\$ (343,329)</u>

The amounts will reduce Lottery's proportion of OPEB expense in future years as follows:

Fiscal Year Ending June 30,	
2023	\$ (50,736)
2024	(50,736)
2025	(50,736)
2026	(47,947)
2027	(51,005)
Years thereafter	(69,262)
Total	<u>\$ (320,422)</u>

### 13. Risk Financing

The State of Oregon administers property and casualty insurance programs covering State government through its Insurance Fund (included in the Central Services Fund). The Insurance Fund services claims for direct physical loss or damage to state property; tort liability claims brought against the State, its officers, employees, or agents; workers' compensation; cyber security liability, employee dishonesty; and faithful performance coverage for certain positions required by law to be covered and other key positions.

As a state agency, the Lottery participates in the Insurance Fund. The cost of servicing insurance claims and payments is covered by charging an assessment to each state agency based on its share of services provided in a prior period. The total statewide assessment for each coverage type is based on independent biennial actuarial forecasts and administrative costs, less any available equity in the Insurance Fund from the prior biennium. Lottery's fiscal year 2022 share of the 2021-2023 biennial assessment was \$920,199. The Fund also charged \$202,994 for Lottery specific cyber security policies. For the Lottery, the amount of claim settlements did not exceed insurance coverage for each of the past three fiscal years.

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# **Required Supplementary Information**

**Schedule of Lottery Proportionate Share of the Net Pension Liability/(Asset)**  
**Oregon Public Employees Retirement System Plan (PERS)**  
**Last Ten Measurement Dates\***  
(Dollars in Millions)

As of June 30,	Oregon State Lottery				PERS Fiduciary Net Position as a Percent of Total Pension Liability
	Percent of Collective Net Pension Liability/(Asset)	Share of Collective Net Pension Liability/(Asset)	Covered Payroll	Share of Collective Net Pension Liability/ (Asset) as a Percentage of Covered Payroll	
2021	0.3%	\$ 30.8	\$ 34.7	88.8%	87.6%
2020	0.3%	72.1	43.5	165.8%	75.8%
2019	0.3%	43.5	31.9	136.4%	80.2%
2018	0.3%	38.2	32.1	119.0%	82.1%
2017	0.2%	29.8	30.7	97.1%	83.1%
2016	0.2%	34.4	30.1	114.1%	80.5%
2015	0.2%	11.4	28.1	40.6%	91.9%
2014	0.2%	(4.5)	23.7	-19.0%	103.6%
2013	0.2%	10.1	23.8	42.6%	92.0%

\*Additional years will be presented as they become available.  
(See Notes to Required Supplementary Information)

**Schedule of Lottery Pension Contributions**  
**Oregon Public Employees Retirement System Plan (PERS)**  
**Last Ten Fiscal Years\***  
(Dollars in Millions)

Fiscal Year Ending June 30,	Actuarially Required Contributions	PERS Recognized Contributions	Contribution Deficiency/ (Excess)	Covered Payroll	Contributions as a Percentage of Covered Employee Payroll
2022	\$ 7.0	\$ 7.0	\$ -	\$ 41.6	16.93%
2021	5.2	5.2	-	34.7	14.94%
2020	6.5	6.5	-	43.5	14.87%
2019	3.5	3.5	-	31.9	10.97%
2018	3.5	3.5	-	32.1	10.90%
2017	2.3	2.0	0.3	30.7	6.48%
2016	2.3	2.0	0.3	30.1	6.75%
2015	1.5	1.9	(0.4)	28.1	6.60%
2014	2.0	1.9	0.1	23.7	8.07%

\*Additional years will be presented as they become available.  
(See Notes to Required Supplementary Information)

**Schedule of Lottery Proportionate Share of the Net OPEB Liability/(Asset)**  
**Oregon Public Employees Retirement System Retiree Health Insurance Account (RHIA)**  
**Last Ten Measurement Dates\***  
(Dollars in Thousands)

<b>Oregon State Lottery</b>					RHIA Fiduciary Net Position as a Percent of Total OPEB Asset
As of June 30,	Percent of Collective Net OPEB Liability/(Asset)	Share of Collective Net OPEB Liability/(Asset)	Covered Employee Payroll	Share of Collective Net OPEB Liability/ (Asset) as a Percentage of Covered Payroll	
2021	0.41%	\$ (1,416)	\$ 34,678	-4.08%	183.90%
2020	0.33%	(681)	43,498	-1.57%	150.10%
2019	0.31%	(593)	31,945	-1.86%	144.40%
2018	0.30%	(334)	32,099	-1.04%	124.00%
2017	0.25%	(104)	30,651	-0.34%	108.90%

\*Additional years will be presented as they become available.  
(See Notes to Required Supplementary Information)

**Schedule of Lottery OPEB Contributions**  
**Oregon Public Employees Retirement System RHIA**  
**Last Ten Fiscal Years\***  
(Dollars in Thousands)

Fiscal Year Ending June 30,	Actuarially Required Contributions	PERS Recognized Contributions	Contribution Deficiency/ (Excess)	Covered Payroll	Contributions as a Percentage of Covered Employee Payroll
2022	\$ 7	\$ 7	\$ -	\$ 41,617	0.02%
2021	7	7	-	34,678	0.02%
2020	23	23	-	43,498	0.05%
2019	147	147	-	31,945	0.46%
2018	149	149	-	32,099	0.46%

\*Additional years will be presented as they become available.  
(See Notes to Required Supplementary Information)

**Schedule of Lottery Proportionate Share of Net OPEB Liability/(Asset)**  
**Oregon Public Employees Retirement System Retiree Health Insurance Premium Account (RHIPA)**  
**Last Ten Measurement Dates\***  
(Dollars in Thousands)

Fiscal Year Ending June 30,	Oregon State Lottery				PERS Fiduciary Net Position as a Percent of Total OPEB Liability
	Percent of State of Oregon Net OPEB Liability/(Asset)	Share of State of Oregon Net OPEB Liability/ (Asset)	Covered Employee Payroll	Share of State of Oregon Net OPEB Liability/(Asset) as a Percentage of Covered Payroll	
2021	0.94%	\$ (145)	\$ 34,678	-0.42%	124.6%
2020	1.24%	124	43,498	0.28%	84.5%
2019	0.99%	250	31,945	0.78%	64.9%
2018	1.02%	359	32,099	1.12%	49.8%
2017	0.81%	377	30,651	1.23%	34.3%

\*Additional years will be presented as they become available.  
(See Notes to Required Supplementary Information)

**Schedule of Lottery OPEB Contributions**  
**Oregon Public Employees Retirement System RHIPA**  
**Last Ten Fiscal Years\***  
(Dollars in Thousands)

Fiscal Year Ending June 30,	Actuarially Required Contributions	PERS Recognized Contributions	Contribution Deficiency/ (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2022	\$ 86	\$ 86	\$ -	\$ 41,617	0.21%
2021	108	108	-	34,678	0.31%
2020	141	141	-	43,498	0.32%
2019	136	136	-	31,945	0.43%
2018	137	137	-	32,099	0.43%

\*Additional years will be presented as they become available.  
(See Notes to Required Supplementary Information)

**Schedule of Lottery Proportionate Share of OPEB Liability**  
**Public Employees Benefit Board (PEBB)**  
**Last Ten Measurement Dates\***  
(Dollars in Millions)

As of June 30,	Percentage of OPEB Liability	Share of OPEB Liability	Covered Employee Payroll	Share of Liability as a Percent of Covered Payroll
2022	0.77%	1.0	\$ 42.2	2.3%
2021	0.76%	1.1	36.0	3.2%
2020	0.86%	1.3	40.5	3.2%
2019	0.83%	1.3	37.0	3.5%
2018	0.92%	1.4	33.5	4.2%

\*Additional years will be presented as they become available.  
(See Notes to Required Supplementary Information)

**Notes to Required Supplementary Information**

Pension Schedules

- In 2013 the Oregon Legislature adopted changes reducing future cost of living adjustments. This reduced the liability as of June 30, 2014. The reduction to benefits was challenged and a significant portion of the legislation was reversed by the Oregon Supreme Court in April 2015. Consequently, the liability at June 30, 2015 increased.
- The PERS Board adopted assumption changes that were used to measure the June 30, 2016 pension liability. Included in the changes was a reduction of the long-term expected rate of return to 7.5 percent, a lowering of the assumed inflation rate to 2.5 percent, as well as changes in the assumptions for mortality, merit increases and other wage benefits affecting retiree benefits.
- For the June 30, 2018 measurement of the pension liability, the PERS Board adopted assumptions that lowered the long-term expected rate of return to 7.2 percent as well as updated healthy retiree and healthy mortality assumptions that reflected updated trends and mortality improvement scale for all groups.
- Senate Bill 1049, signed into law in June 2019, imposed a limit of \$195,000 of annual salary included in the calculation of benefits. This limit is effective in 2020 and is indexed in future years.
- Assumption changes for the June 30, 2021 measurement date included a reduced long-term expected rate of return of 6.9 percent and an inflation rate which was lowered to 2.4 percent from 2.5 percent. The healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups and assumptions for merit increases, unused sick leave and vacation pay were updated.
- The Public Employees Retirement System (PERS) issues a publicly available financial report that includes financial statements and required supplementary information. The report can be obtained at <http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

Other Post Employment Plan (OPEB) Schedules

- The Public Employees Retirement System (PERS) issues a publicly available financial report that includes financial statements and required supplementary information for the RHIA and RHIPA plans. The report can be obtained at <http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>
- For the June 30, 2018 measurement, the PERS Board adopted assumptions that lowered the long-term expected rate of return to 7.2 percent as well as updated healthy retiree and healthy mortality assumptions that reflected updated trends and mortality improvement scale for all groups.

- The June 30, 2021 RHIA and RHIPA measurement includes an assumed long-term expected rate of return of 6.9 percent (reduced from 7.2 percent). Additionally, the healthcare participation and healthy mortality assumptions were changed to reflect updated trends and mortality improvement scale for all groups.
- The PEBB plan does not accumulate assets to pay benefits and does not issue a financial report.



# Supplementary Information

**Oregon State Lottery**  
**An Enterprise Fund of the State of Oregon**  
**Budgetary (Non-GAAP) Basis Comparison Schedule**  
For the Fiscal Year Ended June 30, 2022

	<u>Actual</u>	<u>Budget</u> <sup>(1)</sup>	Variance Favorable/ (Unfavorable)
Revenue			
Video Lottery <sup>SM</sup> (Gross Receipts)	\$16,619,112,553	\$16,550,010,946	\$69,101,607
Sports Wagering (Gross Receipts)	399,734,423	413,209,094	(13,474,671)
Scratch-its <sup>SM</sup> Instant Tickets	163,404,873	169,160,436	(5,755,563)
Keno	112,010,235	110,286,873	1,723,362
Powerball <sup>®</sup>	57,488,112	56,558,499	929,613
Megabucks <sup>SM</sup>	29,404,998	30,653,990	(1,248,992)
Mega Millions <sup>®</sup>	24,614,302	24,089,292	525,010
Raffle <sup>SM</sup>	2,499,710	2,500,000	(290)
Win For Life <sup>SM</sup>	3,821,104	3,825,709	(4,605)
Lucky Lines <sup>SM</sup>	1,932,814	1,916,846	15,968
Pick 4 <sup>SM</sup>	1,971,791	1,994,273	(22,482)
Total Revenue	17,415,994,915	17,364,205,958	51,788,957
Prize Expense	15,994,347,611	15,956,583,742	(37,763,869)
Net Revenue	1,421,647,304	1,407,622,216	14,025,088
Direct Expenses			
Retailer Commissions	313,576,943	324,055,841	10,478,898
Game Vendor Charges	24,871,577	20,505,877	(4,365,700)
Tickets	3,111,560	3,380,110	268,550
Advertising	5,785,505	8,078,000	2,292,495
Sales Support	542,447	665,749	123,302
Game Equipment/Parts & Maintenance	5,681,596	10,345,766	4,664,170
Depreciation	19,644,086	20,436,911	792,825
Total Direct Expenses	373,213,714	387,468,254	14,254,540
Gross Profit	1,048,433,590	1,020,153,962	28,279,628
Indirect Revenue			
Other Income (Loss)	(9,464,203)	3,167,000	(12,631,203)
Indirect Expenses			
Public Information	902,247	1,134,500	232,253
Research	277,623	767,769	490,146
Personal Services	47,383,525	66,975,928	19,592,403
Services and Supplies	19,598,400	42,652,922	23,054,522
Depreciation	3,127,120	3,141,006	13,886
Interest Expense	168,369	164,133	(4,236)
Total Indirect Expenses	71,457,284	114,836,258	43,378,974
Net Profit	\$967,512,103	\$908,484,704	\$59,027,399

(1) Budget adopted by the Lottery Commission and adjusted by the Economic and Revenue Forecasts published by the Department of Administrative Services throughout the year.





# Statistical Section

## Statistical Section

### Index

This part of the Oregon State Lottery's annual comprehensive financial report presents detailed information to provide context for understanding what the information in the financial statements and note disclosures say about the Lottery's overall financial health.

#### Financial Trends

These schedules contain trend information to help the reader understand how the Lottery's financial performance has changed over time. Prior to fiscal year 2013, net position was referred to as net assets and net investment in capital assets was referred to as invested in capital assets. Prior year terminology has been renamed in these schedules for comparability.

- Net Position by Component
- Changes in Net Position

#### Revenue Capacity

These schedules contain information to help the reader assess the Lottery's most significant revenue source, Lottery game sales income. The sales amounts reported for the top ten retailers and sales by county are based on Lottery's business year, which is slightly different than its fiscal year of July 1 through June 30. The business year begins on the Sunday following the last Saturday in June and ends on the last Saturday in the following June.

- Sales by Product
- Product Percent of Total Sales
- Top Ten Retailers
- Number of Lottery Retailers and Sales by County

#### Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Lottery's financial activities take place.

- Demographic and Economic Data – State of Oregon
- Employment by Industry – State of Oregon
- Demographic Profile of Oregon Lottery Players

#### Operating Information

These schedules contain data to help the reader understand how the information in Lottery's financial report relates to the products it provides and the activities it performs. There are many factors that impact the level of demand for Lottery products. Game themes, play styles, price points, and prize payouts typically impact the sales of instant ticket games. For Video Lottery<sup>SM</sup>, the level of demand is generally impacted by variety of game choices, entertaining and sophisticated graphics, and convenience of available retailer locations.

- Number of Employees
- Operating Indicators and Capital Asset Information

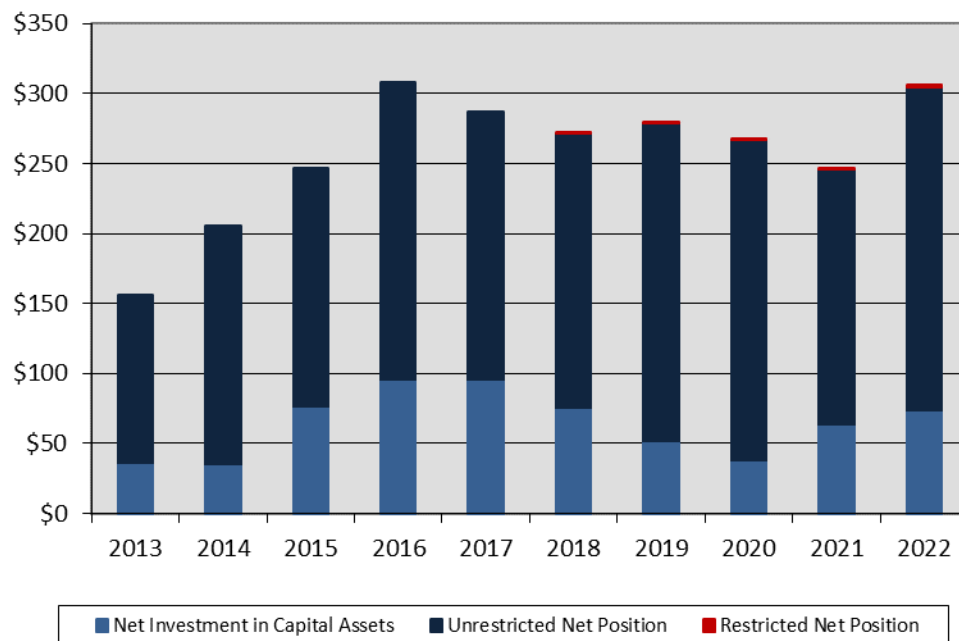
Note: The Lottery does not issue long-term debt; thus, information on debt capacity is not relevant.

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial report or the audited financial statements for the applicable year.

**Oregon State Lottery**  
**Net Position by Component**  
 Last Ten Fiscal Years

Fiscal Year	Net Investment in Capital Assets	Unrestricted Net Position	Restricted Net Position	Total Net Position
2013	\$ 36,047,854	\$ 119,849,568		\$ 155,897,422
2014	35,206,297	170,106,781		205,313,078
2015	76,354,491	169,997,090		246,351,581
2016	95,316,854	212,344,474		307,661,328
2017	95,749,372	190,972,061		286,721,433
2018	75,952,509	195,453,450	\$ 104,211	271,510,170
2019	52,108,890	226,297,385	333,846	278,740,121
2020	38,040,215	228,592,534	592,770	267,225,519
2021	63,784,030	182,482,620	680,959	246,947,609
2022	73,362,750	231,234,876	1,561,144	306,158,770

**Net Position**  
 (In Millions)



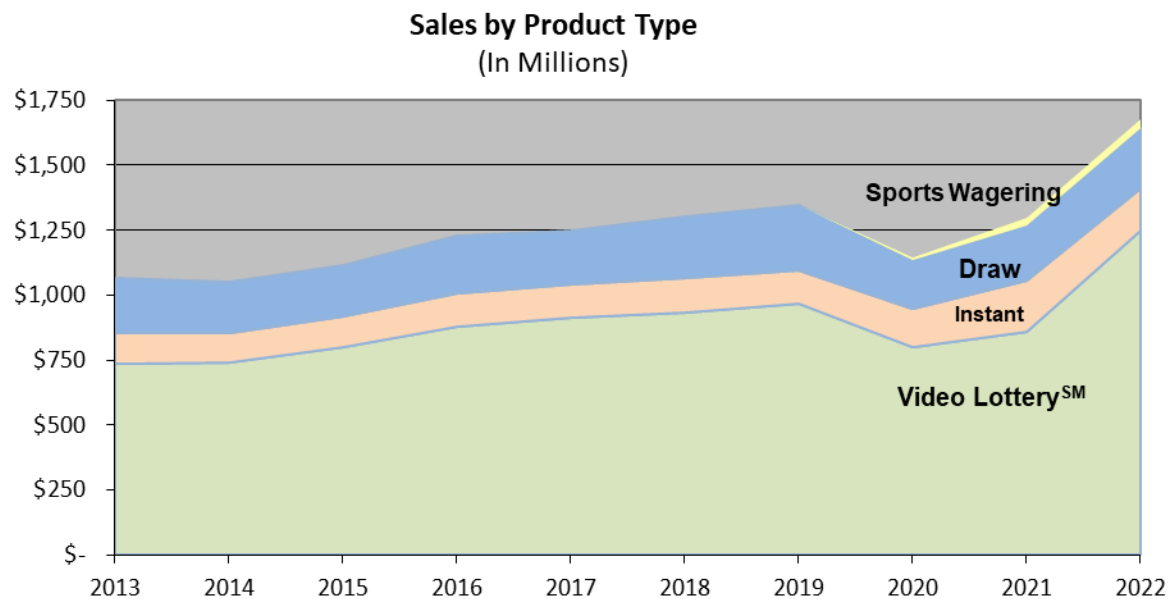
**Oregon State Lottery**  
**Changes in Net Position**  
Last Ten Fiscal Years

	2013	2014	2015	2016
<b>Operating Revenues</b>				
Sales:				
Video Lottery <sup>SM</sup> (Net Receipts)	\$ 720,510,190	\$ 727,124,878	\$ 737,370,280	\$ 742,730,503
Sports Wagering (Net Receipts)				
Scratch-its <sup>SM</sup> Instant Tickets	117,079,308	109,034,321	119,578,108	131,599,460
Keno	91,636,954	92,443,482	93,035,050	95,826,162
Powerball®	58,322,876	45,049,124	37,091,247	63,821,261
Megabucks <sup>SM</sup>	38,084,764	28,372,873	33,329,803	33,031,579
Mega Millions®	11,823,070	22,333,065	20,468,872	18,823,156
Raffle <sup>SM</sup>	4,998,300	4,997,060	7,488,730	2,499,840
Win For Life <sup>SM</sup>	4,845,906	4,532,922	4,082,661	3,854,189
Lucky Lines <sup>SM</sup>	2,317,312	1,918,288	1,771,994	2,001,358
Pick 4 <sup>SM</sup>	1,351,260	1,397,158	1,435,284	1,566,384
Recovery of (Provision for)	(44,280)	971	(4,594)	18,485
Uncollectibles				
Other Income	1,410,594	177,786	382,438	672,544
<b>Total Operating Revenues</b>	<b>1,069,196,344</b>	<b>1,052,987,553</b>	<b>1,117,237,776</b>	<b>1,230,189,728</b>
<b>Operating Expenses</b>				
Prizes	206,836,815	206,571,490	211,444,280	239,317,411
Retailer Commissions	204,921,077	203,727,883	215,514,570	234,963,289
Salaries and Wages	36,504,315	39,443,617	37,055,741	54,427,617
Depreciation and Amortization	12,982,414	13,542,859	20,134,347	23,863,609
Services and Supplies	10,787,865	11,278,132	11,829,146	15,876,801
Game Vendor Charges	8,777,088	8,638,986	8,931,443	9,891,910
Advertising and Market Research	5,483,097	7,610,400	9,549,598	9,705,469
Public Information	2,718,648	2,633,736	4,246,421	5,759,053
Tickets	3,363,077	2,956,834	3,213,208	3,138,033
Game Equipment Parts and Maintenance	1,496,442	2,265,927	1,885,491	1,734,280
Sales Support	1,067,653	1,674,670	1,263,959	633,721
<b>Total Operating Expenses</b>	<b>494,938,491</b>	<b>500,344,534</b>	<b>525,068,204</b>	<b>599,311,193</b>
<b>Operating Income</b>	<b>574,257,853</b>	<b>552,643,019</b>	<b>592,169,572</b>	<b>630,878,535</b>
<b>Nonoperating Revenues (Expenses)</b>				
Interest and Investment Income (Loss)	(2,982,432)	6,330,595	6,783,754	16,217,601
Insurance Recoveries	11,263	3,482	12,067	2,005
Gain (Loss) on Disposition of Assets	(969,699)	(257,250)	(1,473,869)	(98,971)
Investment Expenses - Securities Lending	(143,462)	(45,956)	(74,757)	(212,675)
Investment Expenses	-	-	(4,185)	(71,522)
Interest Expense	(330,386)	(315,269)	(325,227)	(316,029)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(4,414,716)</b>	<b>5,715,602</b>	<b>4,917,783</b>	<b>15,520,409</b>
<b>Income Before Transfers</b>	<b>569,843,137</b>	<b>558,358,621</b>	<b>597,087,355</b>	<b>646,398,944</b>
Transfers to Economic Development Fund	(546,923,919)	(507,250,297)	(545,948,950)	(583,179,120)
Transfers to General Obligation Bond Fund	(1,506,648)	(1,692,668)	(1,883,433)	(1,910,077)
<b>Change in Net Position</b>	<b>\$ 21,412,570</b>	<b>\$ 49,415,656</b>	<b>\$ 49,254,972</b>	<b>\$ 61,309,747</b>

2017	2018	2019	2020	2021	2022
\$ 914,071,290	\$ 933,980,026	\$ 966,474,906	\$ 797,498,371	\$ 860,326,742	\$ 1,246,146,763
			8,620,945	29,147,647	32,052,189
126,498,948	130,389,967	131,236,973	149,831,274	196,029,843	163,404,873
101,501,142	102,023,352	102,665,467	93,417,823	98,927,011	112,010,235
44,856,176	60,088,322	49,829,088	31,196,079	40,541,274	57,488,112
31,768,618	36,525,999	36,418,393	29,041,472	29,242,902	29,404,998
17,913,809	30,089,400	50,210,700	23,770,095	33,631,835	24,614,302
2,499,750	2,499,910	2,307,370	2,499,890	2,499,850	2,499,710
3,569,776	3,608,392	3,766,700	3,637,752	3,820,432	3,821,104
2,147,834	1,523,926	1,850,874	2,013,468	2,282,856	1,932,814
1,475,180	1,605,368	1,765,534	1,730,474	1,996,712	1,971,791
(10,109)	82,152	(54,947)	(253,303)	(39,809)	(35,471)
593,089	441,691	1,265,527	2,306,865	420,775	3,435,060
1,246,885,503	1,302,858,505	1,347,736,585	1,145,311,205	1,298,828,070	1,678,746,480
217,150,249	231,670,894	239,044,444	223,500,660	266,065,927	257,168,546
239,551,975	245,681,221	254,277,458	217,920,495	239,197,863	313,576,943
51,608,241	51,906,145	61,731,587	63,045,069	74,189,390	44,867,842
29,733,663	33,888,584	34,763,881	24,967,865	22,561,417	22,771,207
13,818,139	13,738,901	17,747,590	27,382,826	25,490,902	19,986,158
8,170,995	8,439,800	8,557,771	12,496,247	19,233,957	24,871,577
11,071,161	11,106,857	8,350,536	8,052,269	5,458,147	6,063,128
6,572,101	6,541,769	9,026,042	4,368,793	837,416	902,247
3,328,614	3,042,684	2,923,348	3,398,500	3,497,439	3,111,560
1,572,029	6,766,475	5,912,370	8,383,835	4,849,767	5,681,596
726,436	965,786	1,221,244	606,130	373,821	542,447
583,303,603	613,749,116	643,556,271	594,122,689	661,756,046	699,543,251
663,581,900	689,109,389	704,180,314	551,188,516	637,072,024	979,203,229
(481,760)	5,789,388	20,482,336	24,122,456	(2,561,203)	(8,970,219)
15,221	16,908	1,049	4,053	9,932	9,946
(12,653)	85,582	107,516	35,650	172,067	6,945
(369,908)	(334,504)	(118,278)	(529,448)	(32,558)	(40,107)
(13,939)	(12,012)	(168,928)	(14,028)	(14,083)	(13,640)
(639,028)	(713,548)	(643,275)	(585,429)	(484,467)	(484,102)
(1,502,067)	4,831,814	19,660,420	23,033,253	(2,910,312)	(9,491,177)
662,079,833	693,941,203	723,840,734	574,221,769	634,161,712	969,712,052
(695,750,970)	(706,350,736)	(714,417,052)	(583,442,933)	(652,457,782)	(908,300,942)
(1,835,887)	(1,981,793)	(2,193,731)	(2,293,438)	(1,981,840)	(2,199,949)
\$ (35,507,024)	\$ (14,391,326)	\$ 7,229,951	\$ (11,514,602)	\$ (20,277,910)	\$ 59,211,161

**Oregon State Lottery**  
**Sales by Product**  
 Last Ten Fiscal Years

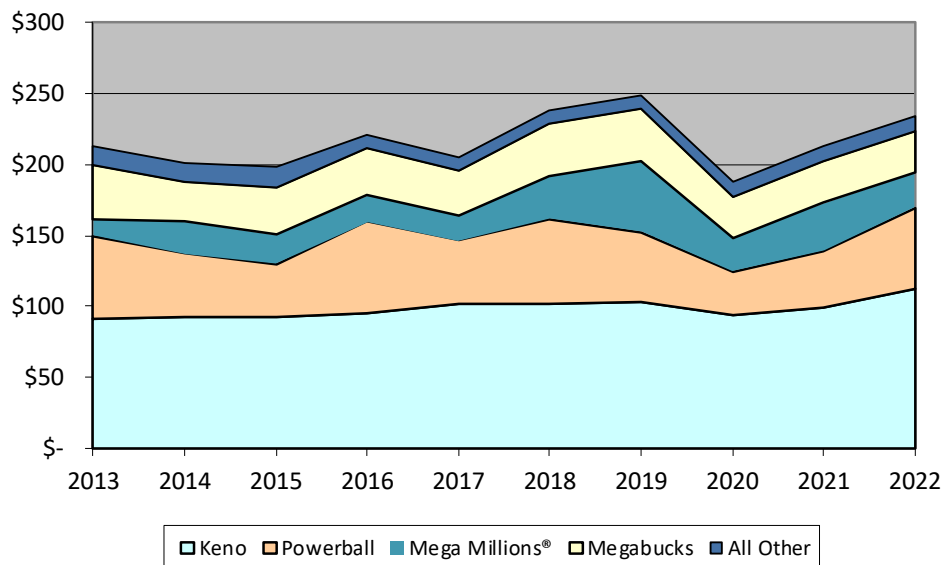
Fiscal Year	Video Lottery <sup>SM</sup>	Sports Wagering	Instant Products	Draw Games					Total
				Keno	Powerball *	Mega Millions *	Oregon's Game Megabucks <sup>SM</sup>	All Other Games	
2013	\$ 737,370,280		\$ 117,079,308	\$ 91,636,954	\$ 58,322,876	\$ 11,823,070	\$ 38,084,764	\$ 13,512,778	\$ 1,067,830,030
2014	742,730,503		109,034,321	92,443,482	45,049,124	22,333,065	28,372,873	12,845,428	1,052,808,796
2015	798,578,183		119,578,108	93,035,050	37,091,247	20,468,872	33,329,803	14,778,669	1,116,859,932
2016	876,475,310		131,599,460	95,826,162	63,821,261	18,823,156	33,031,579	9,921,771	1,229,498,699
2017	914,071,290		126,498,948	101,501,142	44,856,176	17,913,809	31,768,618	9,692,540	1,246,302,523
2018	933,980,026		130,389,967	102,023,352	60,088,322	30,089,400	36,525,999	9,237,596	1,302,334,662
2019	966,474,906		131,236,973	102,665,467	49,829,088	50,210,700	36,418,393	9,690,478	1,346,526,005
2020	797,498,371	\$ 8,620,945	149,831,274	93,417,823	31,196,079	23,770,095	29,041,472	9,881,584	1,143,257,642
2021	860,326,742	29,147,647	196,029,843	98,927,011	40,541,274	33,631,835	29,242,902	10,599,850	1,298,447,104
2022	1,246,146,763	32,052,189	163,404,873	112,010,235	57,488,112	24,614,302	29,404,998	10,225,419	1,675,346,891



**Oregon State Lottery**  
**Product Percent of Total Sales**  
 Last Ten Fiscal Years

Fiscal Year	Video Lottery <sup>SM</sup>	Sports Wagering <sup>1</sup>	Instant Products	Draw Games				
				Keno	Powerball ®	Mega Millions ®	Oregon's Game Megabucks <sup>SM</sup>	All Other Draw Games
2013	69.1%		11.0%	8.6%	5.5%	1.1%	3.6%	1.1%
2014	70.5%		10.4%	8.8%	4.3%	2.1%	2.7%	1.2%
2015	71.5%		10.7%	8.3%	3.3%	1.8%	3.0%	1.4%
2016	71.3%		10.7%	7.8%	5.2%	1.5%	2.7%	0.8%
2017	73.3%		10.1%	8.1%	3.6%	1.4%	2.5%	1.0%
2018	71.7%		10.0%	7.8%	4.6%	2.3%	2.8%	0.8%
2019	71.8%		9.7%	7.6%	3.7%	3.7%	2.7%	0.8%
2020	69.8%	0.8%	13.1%	8.2%	2.7%	2.1%	2.5%	0.8%
2021	66.3%	2.2%	15.1%	7.6%	3.1%	2.6%	2.3%	0.8%
2022	74.4%	1.9%	9.8%	6.7%	3.4%	1.5%	1.8%	0.5%

**Draw Game Sales by Product**  
 (In Millions)



<sup>1</sup> Starting in 2022, Sports Wagering is no longer included in All Other Draw Sales and historical values have been restated.

## Oregon State Lottery

### Top Ten Retailers

Current Year and Nine Business Years Prior

Rank	Retailer	2022		
		Sales	Percent of Total Sales	County
1	Produce Row Café	\$ 5,175,789	0.46%	Multnomah
2	Independent Sports Bar & Grill	4,983,736	0.44%	Multnomah
3	The Pit Stop Sports Bar & BBQ Grill	3,313,614	0.29%	Washington
4	Winners Corner	2,643,411	0.23%	Multnomah
5	Foxy's #2	2,352,563	0.21%	Clackamas
6	Jonny's	2,253,401	0.20%	Clackamas
7	Tik Tok Restaurant & Bar	2,221,312	0.20%	Multnomah
8	Richards Deli and Pub	2,215,829	0.20%	Washington
9	Dotty's #24	2,194,388	0.19%	Multnomah
10	Dotty's #9	2,163,220	0.19%	Washington
	Totals	\$ 29,517,263	1.31%	

Total Lottery Sales (FY) \$ 1,678,746,480

Rank	Retailer	2013		
		Sales	Percent of Total Sales	County
1	Deli Store	\$ 1,592,535	0.15%	Columbia
2	Dotty's #9	1,563,527	0.15%	Washington
3	Smokehouse Cafe #4	1,550,214	0.15%	Linn
4	Shari's-Airport Way #218	1,530,684	0.14%	Multnomah
5	Elmer's Pancake-Delta Park	1,478,136	0.14%	Multnomah
6	Original Joe's	1,449,595	0.14%	Multnomah
7	Elmer's	1,405,585	0.13%	Multnomah
8	Glass House Tavern	1,387,743	0.13%	Multnomah
9	Dotty's #27	1,377,895	0.13%	Multnomah
10	Dotty's #11	1,337,736	0.13%	Multnomah
	Totals	\$ 14,673,650	1.39%	

Total Lottery Sales \$ 1,067,830,030

Source: Oregon State Lottery Business Analytics and Insights Department



**Oregon State Lottery**  
**Number of Lottery Retailers and Sales by County**  
For Business Year 2022

County	Sales		Retailers	
	Business Year Sales	Percent of Total Sales	Number of Lottery Retailers	Percent of Total Retailers
Multnomah	\$ 393,958,725	24.03%	858	21.06%
Washington	188,515,818	11.50%	350	8.59%
Clackamas	152,784,741	9.32%	363	8.91%
Marion	152,147,405	9.28%	363	8.91%
Lane	139,003,386	8.48%	371	9.11%
Jackson	83,162,881	5.07%	220	5.40%
Deschutes	67,819,945	4.14%	140	3.44%
Linn	52,692,845	3.21%	130	3.19%
Douglas	42,166,174	2.57%	148	3.63%
Josephine	36,610,766	2.23%	101	2.48%
Columbia	32,768,554	2.00%	74	1.82%
Yamhill	29,564,913	1.80%	96	2.36%
Klamath	28,052,310	1.71%	82	2.01%
Clatsop	26,798,881	1.63%	81	1.99%
Malheur	25,764,124	1.57%	46	1.13%
Umatilla	25,638,163	1.56%	85	2.09%
Lincoln	22,544,632	1.38%	80	1.96%
Polk	20,160,721	1.23%	59	1.45%
Coos	17,457,096	1.06%	64	1.57%
Benton	16,014,075	0.98%	56	1.37%
Tillamook	13,966,545	0.85%	56	1.37%
Wasco	12,224,840	0.75%	34	0.83%
Crook	10,909,395	0.67%	28	0.69%
Hood River	8,444,389	0.52%	25	0.61%
Union	7,434,201	0.45%	31	0.76%
Baker	6,820,426	0.42%	24	0.59%
Jefferson	6,584,692	0.40%	19	0.47%
Curry	6,334,817	0.39%	25	0.61%
Morrow	2,714,321	0.17%	10	0.25%
Grant	2,558,624	0.16%	11	0.27%
Lake	2,266,259	0.14%	11	0.27%
Harney	2,153,134	0.13%	12	0.29%
Wallowa	1,414,284	0.09%	9	0.22%
Sherman	1,366,358	0.08%	5	0.12%
Gilliam	558,337	0.03%	5	0.12%
Wheeler	117,650	0.01%	2	0.05%
	<b>\$ 1,639,494,427</b>	<b>100.00%</b>	<b>4,074</b>	<b>100.00%</b>

Source: Oregon State Lottery Business Analytics and Insights Department

**Oregon State Lottery**  
**Demographic and Economic Data - State of Oregon**  
 Last Ten Calendar Years

Calendar Year	Population <sup>1</sup>	Personal Income <sup>1</sup>	Per Capita Personal Income <sup>1</sup>	Annual Unemployment Rate <sup>2</sup>
2012	3,899,353	\$ 152,721,624	\$ 39,166	8.8%
2013	3,930,065	158,116,922	40,233	7.7%
2014	3,970,239	163,652,836	41,220	6.9%
2015	4,028,977	176,401,260	43,783	5.7%
2016	4,093,465	185,839,645	45,399	4.9%
2017	4,142,776	199,422,200	48,137	4.1%
2018	4,190,713	213,070,100	50,843	4.2%
2019	4,217,737	224,346,400	53,191	3.7%
2020	4,241,544	241,790,300	57,005	7.6%
2021	4,246,155	261,546,500	61,596	5.2%

<sup>1</sup>Source: U.S. Department of Commerce, Bureau of Economic Analysis

<sup>2</sup>Source: Oregon Employment Department

**Oregon State Lottery**  
**Employment by Industry - State of Oregon**  
Calendar Year 2021 - and Nine-Years Prior

	2021		2012	
	Number of Employees	Percent of Total	Number of Employees	Percent of Total
Health care and social assistance	308,939	12.07%	259,115	11.51%
Retail trade	259,680	10.15%	233,898	10.38%
Local government	205,482	8.03%	177,354	7.85%
Manufacturing	201,963	7.89%	186,301	8.25%
Professional, scientific, and technical services	176,991	6.92%	138,882	6.22%
Accommodation and food services	173,376	6.77%	163,068	7.30%
Construction	150,262	5.87%	102,917	4.61%
Administrative and waste services	129,993	5.08%	118,365	5.30%
Real estate, rental, and leasing	125,673	4.91%	102,272	4.58%
Other services	125,429	4.90%	119,374	5.34%
Transportation and warehousing	123,175	4.81%	64,148	2.87%
Finance and insurance	101,551	3.97%	96,808	4.33%
Wholesale trade	81,845	3.20%	83,925	3.76%
Farm employment	69,840	2.73%	65,613	2.94%
Arts, entertainment, and recreation	57,662	2.25%	54,549	2.44%
Management of companies	50,637	1.98%	31,604	1.41%
Educational services	49,509	1.93%	54,267	2.43%
Information	43,247	1.69%	41,379	1.85%
State government	42,770	1.67%	62,005	2.77%
Forestry, fishing, and related activities	32,073	1.25%	28,812	1.29%
Federal government, civilian	28,561	1.12%	28,141	1.26%
Military	11,155	0.44%	12,246	0.55%
Utilities	5,199	0.20%	4,809	0.55%
Mining	4,442	0.17%	4,651	0.21%
Total employment	2,559,454	100.00%	2,234,503	100.00%

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Note: Due to confidentiality issues, the names of the ten principal employers are not available.  
The categories presented are intended to provide alternative information regarding the concentration of employment in various business sectors.

**Oregon State Lottery**  
**Demographic Profile of Oregon Lottery Players**  
Last Ten Calendar Years

	2012	2013	2014	2015	2016
Number Surveyed	1,000	1,000	1,000	2,000	2,000
Player Percentage	52.0%	47.8%	46.1%	54.1%	48.1%
	Players	Players	Players	Players	Players
<u>Gender</u>					
Male	52%	55%	50%	51%	49%
Female	48%	45%	50%	49%	51%
Other (New starting in 2019)					
<u>Age</u>					
18 - 24	12%	10%	9%	9%	9%
25 - 34	18%	17%	19%	20%	20%
35 - 44 ( <i>35 - 54 starting in 2018</i> )	15%	16%	16%	16%	15%
45 - 54	23%	23%	21%	21%	22%
55 - 64	13%	19%	16%	14%	10%
65 +	18%	15%	19%	21%	24%
<u>Education (not asked in 2020)</u>					
Some High School	6%	3%	4%	5%	5%
High School Graduate	22%	18%	20%	22%	25%
College/Tech School	30%	32%	33%	27%	25%
College Graduate	21%	23%	21%	32%	32%
Graduate School/Degree	19%	17%	16%	12%	11%
<u>Marital Status (no longer asked as of 2020)</u>					
Single	23%	26%	25%	24%	24%
Married	54%	51%	48%	52%	51%
Co-habiting	5%	5%	6%	7%	8%
Divorced or Separated	9%	7%	9%	10%	9%
Widowed	5%	4%	5%	6%	6%
Civil Union/Domestic Partnership		1%	1%	1%	1%
<u>Income</u>					
Less than \$15,000 ( <i>\$25,000 Beginning in 2018</i> )	10%	9%	8%	9%	8%
\$15,000 - \$49,999 ( <i>\$25,000 - \$49,999 Beginning in 2018</i> )	27%	27%	31%	29%	25%
\$50,000 - \$74,999	14%	15%	12%	13%	12%
\$75,000 - \$99,999	9%	10%	6%	10%	10%
\$100,000 +	11%	15%	12%	16%	15%
Refused/Don't Know	30%	24%	31%	23%	30%

Sources:

Player information from Oregon State Lottery's Tracking Study 2012 to 2019, 2021. Study for 2018 performed Summer 2019.

Player information from Oregon State Lottery's Brand Promise Study 2020

State information from U.S. Census Bureau, 2018 American Community Survey Tables - <https://data.census.gov>

2017	2018	2019	2020	2021	2021 State Population 18+
2,000 54.3%	2,023 55.0%	2,023 54.5%	800 47.6%	1,500 47.9%	
Players	Players	Players	Players	Players	
49%	50%	50%	49%	51%	50.0%
51%	50%	49%	50%	48%	50.0%
		1%	1%	1%	
9%	8%	8%	7%	10%	8.5%
16%	19%	19%	20%	18%	14.0%
20%	38%	37%	38%	37%	26.3%
20%	n/a	n/a	n/a	n/a	n/a
16%	16%	16%	17%	12%	12.4%
19%	19%	19%	19%	23%	18.6%
3%	3%	3%	n/a	3%	8.1%
18%	18%	18%	n/a	20%	21.9%
45%	46%	45%	n/a	39%	33.6%
23%	22%	22%	n/a	24%	22.4%
11%	11%	11%	n/a	13%	13.9%
16%	27%	27%	n/a	n/a	32.5%
65%	42%	42%	n/a	n/a	48.8%
6%	13%	13%	n/a	n/a	n/a
7%	12%	12%	n/a	n/a	14.0%
4%	6%	6%	n/a	n/a	4.9%
2%	n/a	n/a	n/a	n/a	n/a
6%	14%	14%	n/a	16%	9.4%
31%	26%	26%	n/a	23%	32.6%
19%	18%	18%	n/a	17%	24.6%
13%	15%	15%	n/a	15%	13.2%
13%	21%	21%	n/a	25%	20.2%
18%	6%	6%	n/a	5%	n/a

**Oregon State Lottery**  
**Number of Employees**  
Last Ten Fiscal Years

	2013	2014 <sup>2</sup>	2015	2016	2017	2018	2019	2020	2021	2022
Sales, Marketing & Retail Services	232	236	239	217	226	237	217	207	192	189
Support Services	154	157	152	163	142	135	143	131	125	145
Director's Office <sup>3,4,5</sup>	30	33	35	52	63	66	95	66	63	66
Security <sup>1,5</sup>	13	15	19	16	18	17	20	16	26	34
Total	429	441	445	448	449	455	475	420	406	434

Source: Oregon State Payroll System for FY 2010 - FY 2013; Lottery Payroll System for FY 2014-2022.

Note: Beginning in fiscal year 2013, the Marketing and Retail Operations business units were combined into one unit Sales, Marketing & Retail Services; prior years were restated for comparability.

<sup>1</sup>Security employees excludes employees of the Oregon State Police.

<sup>2</sup>There were a number of vacant positions filled during the year as the economy strengthened and hiring freeze was removed.

<sup>3</sup>Includes Corporate Affairs division in fiscal years starting in 2018.

<sup>4</sup>Includes Product Management, Lottery Products Portfolio & Gaming Products Portfolio in fiscal years starting in 2021.

<sup>5</sup>2021 Retail Contracts positions split between Director's Office and Security, 3 and 11 respectively. 2022 Retail Contracts positions, 15, entirely in Security.

**Oregon State Lottery**  
**Operating Indicators and Capital Asset Information**  
 Last Ten Fiscal Years

Fiscal Year	Number of Lottery Retailers <sup>1</sup>	Number of Video Lottery Terminals Deployed <sup>1</sup>	Per Capita Sales <sup>2</sup>
2013	3,848	12,037	\$ 273.85
2014	3,843	11,951	268.12
2015	3,939	11,925	281.31
2016	3,920	11,909	304.50
2017	3,932	11,817	304.41
2018	3,923	11,742	314.36
2019	3,975	11,586	321.60
2020	3,919	11,567	271.06
2021	3,896	10,851	310.91
2022	3,829	10,999	394.56

<sup>1</sup>Source: Oregon State Lottery Business Analytics & Insights Department. (2020) Based on the week prior to the COVID-19 shutdown

<sup>2</sup>Source: Calculated based on calendar year population data from US Census Bureau.

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# Other Reports



Shemia Fagan Secretary of State  
Cheryl Myers Deputy Secretary of State, Tribal Liaison  
Kip Memmott Audits Director

## Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Honorable Governor of Oregon  
Chair, Oregon State Lottery Commission  
Director, Oregon State Lottery

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Oregon State Lottery, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Oregon State Lottery's basic financial statements, and have issued our report thereon dated December 29, 2022.

### Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Oregon State Lottery's (department) internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. Accordingly, we do not express an opinion on the effectiveness of the department's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any

deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Office of the Secretary of State, Audits Division*

State of Oregon  
December 29, 2022

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Exhibit B:

Commercial Gaming Agreement between  
Crown OR Gaming LLC (wholly owned by Draft Kings) and  
Oregon State Lottery Commission

## COMMERCIAL GAMING AGREEMENT

This Commercial Gaming Agreement (the “**Agreement**”) is entered into by and between Crown OR Gaming LLC, a Delaware limited liability company (“**Crown OR**”), and the State of Oregon, acting by and through its Oregon State Lottery Commission, an instrumentality of the State of Oregon existing pursuant to ORS 461.100, with its principal office at 500 Airport Road SE, Salem, OR 97301 (“**OSL**”), effective as of December 20<sup>th</sup>, 2021, (the “**Effective Date**”). Crown OR and OSL are each referred to in this Agreement, individually, as a “**Party**” and, together, as the “**Parties**”.

### Recitals

A. WHEREAS, OSL seeks a provider to provide online/mobile sportsbook betting services, including accepting wagers and paying prizes on behalf of OSL to individuals located within the Permitted Territory;

B. WHEREAS, Crown OR would like to offer an online/mobile sportsbook within the Permitted Territory, and OSL would like to engage and authorize Crown OR to operate an online/mobile sportsbook product on behalf of OSL (such authorization the “**Skin**”), co-branded in Crown OR’s and OSL’s respective brand names, subject to the rights, obligations, licenses, and authorities set forth in this Agreement;

C. WHEREAS, in accordance with Oregon law and regulation, OSL intends to engage Crown OR to provide an online web and mobile sports betting platform within the State of Oregon (the “**Crown OR Online Sportsbook Offering**”).

D. WHEREAS, Crown OR desires, subject to the terms and conditions of this Agreement, to provide the Crown OR Online Sportsbook Offering via the Skin pursuant to the terms and conditions of this Agreement;

E. WHEREAS, OSL desires that Crown OR will operate, on OSL’s behalf, a Skin along with the other aspects of an Internet Sports Betting Operation;

F. WHEREAS, OSL previously entered into that certain Software Access and Services Agreement dated May 22, 2019, by and between SBTech Malta Limited (“**SBTech Malta**”) and the State of Oregon, acting by and through its Oregon State Lottery Commission, including the respective statement(s) of work (collectively, the “**SBTech Agreement**”) under which SBTech Malta operated on OSL’s behalf SBTech Malta’s sports betting software and online/mobile sportsbook betting services (the “**SBTech Platform**”);

G. WHEREAS, SBTech Malta assigned to its Affiliate, SBTech US Inc. (“**SBTech US**” and, collectively with SBTech Malta, “**SBTech**”) all rights, title and interest in which SBTech

Malta had to the “Managed Services” and “Managed Services Fees”, as defined in the SBTech Agreement, and SBTech US assumed and agreed to perform and discharge any and all obligations of SBTech Malta relative to such managed services and managed services fees;

H. WHEREAS, SBTech was subsequently acquired by DraftKings Inc., the parent company of Crown OR, and is, accordingly, an Affiliate of Crown OR; and

I. WHEREAS, the Parties and SBTech wish to wind down the relationship between SBTech and OSL and facilitate the smooth and orderly transition from the SBTech Platform to the Crown OR Online Sportsbook Offering as described herein.

NOW, THEREFORE, based upon the mutual promises and covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, OSL and Crown OR, intending to be bound, hereby agree as follows:

### **Agreement**

#### **1. Structure and Purpose of Agreement.**

(a) **General.** This Agreement together with each mutually agreed upon Statement of Work specify the terms and conditions applicable to the Parties' ongoing relationship related to the implementation and operation of the Crown OR Online Sportsbook Offering. In addition, this Agreement describes the process and form to be used to negotiate and execute separate additional Statements of Work for specific implementation services, maintenance, support services, and other services related to the ongoing operations of the Crown OR Online Sportsbook Offering, and other offerings and services as may set forth in one or more Statements of Work (collectively, "**Services**") and the deliverables, to the extent any, associated with such Services ("**Deliverables**").

(b) **Statements of Work.** As required by this Agreement, or otherwise upon OSL's request and Crown OR's agreement, OSL and Crown OR will negotiate and enter into mutually agreed upon individual binding and enforceable Statements of Work that provide for Crown OR's delivery of specific Services and Deliverables, each of which will become effective as specified therein (each, including the Initial Statement of Work a "**Statement of Work**"). Simultaneously with the execution of this Agreement the Parties shall execute the initial Statement of Work for the implementation, provision and operation by Crown OR on behalf of OSL of the Crown OR Online Sportsbook Offering (the "**Initial Statement of Work**"). Each Statement of Work will include a description of the Services and Deliverables to be provided, specifications, requirements, time frames, additional compensation (in the event any), additional service level agreements (in the event any), and any other considerations related to the specific Services and Deliverables that are the subject of the Statement of Work.

(c) **Statement of Work Terms.** Each Statement of Work will incorporate by reference, and will be subject to, the terms and conditions of this Agreement. Each Statement of Work must specify its effective date (the "***Statement of Work Effective Date***") and expiration date (the "***Statement of Work Expiration Date***") and must clearly specify all required Services and Deliverables. Each Statement of Work may also include other terms and conditions negotiated by the Parties specific to the Services and Deliverables described in the Statement of Work. Each duly executed Statement of Work shall be sequentially numbered, the Initial Statement of Work, as Statement of Work 1, followed by Statement of Work 2, 3, etc.

(d) **Order of Precedence.** In the event of a conflict between this Agreement and any Statement of Work, the order of precedence will be as follows (items with a lower number having priority over, and controlling in the event of a conflict with, items having a higher number): (1) the applicable Statement of Work, including its Exhibits, Schedules and attachments (but only in respect of Services to be performed and Deliverables to be delivered under such Statement of Work); (2) this Agreement, less its Exhibits and Schedules; and (3) the Exhibits and Schedules to this Agreement.

## 2. **The Skin.**

(a) OSL hereby provides the Skin to Crown OR during the Term for the purposes set forth herein. Subject to OSL's approval (not to be unreasonably withheld, conditioned, or delayed), Crown OR shall, in consultation with OSL, design, develop, implement and maintain the Crown OR Online Sportsbook Offering that Crown OR will provide to OSL via the Skin.

(b) Crown OR's right to design, develop, implement, operate, manage, provide, service and maintain the Crown OR Online Sportsbook Offering hereunder shall be personal, non-transferable, non-assignable (except as provided for in and subject to the terms and conditions of Section 19), royalty-bearing (solely as set forth in this Agreement) and exclusive, and shall be valid only during the Term.

(c) Crown OR is responsible to provide, at Crown OR's sole cost and expense, all hardware, software and other tangible assets, customer service, marketing services (subject to Section 7), technology and personnel, required to operate the Crown OR Online Sportsbook Offering via the Skin.

(d) Crown OR shall use commercially reasonable good faith efforts to: (i) launch the Crown OR Online Sportsbook Offering in accordance with a mutually agreed upon launch plan that considers licensing requirements, technical set-up and development time, and an allowance for quality assurance testing; (ii) subject to Section 7, market, advertise and promote the Crown OR Online Sportsbook Offering; and (iii) generate Online Sportsbook Gross Gaming Revenue, Vendor Online Gross Gaming Revenue, and Online Sportsbook Net Gaming Revenue in accordance with this Agreement. The mutually agreed upon launch plan and details regarding



the design (including branding), implementation, and testing of the Crown OR Online Sportsbook Offering will be set forth in the Initial Statement of Work.

(e) Crown OR shall design, offer and operate the Crown OR Online Sportsbook Offering in the State of Oregon, in compliance with the terms and conditions of this Agreement and all applicable Laws and in a professional manner that is no less professional and customer-engaging than the then-existing industry standards, and Crown OR shall devote all commercially reasonable necessary resources in furtherance of the foregoing. The official consumer-facing title, logo usage, and branding of the Crown OR Online Sportsbook Offering shall be “*DraftKings Sportsbook – Official Provider of the Oregon Lottery*” co-branded, unless otherwise agreed to in writing by the Parties. Subject to the foregoing and OSL’s rights as set forth in Section 7, Crown OR shall be entitled to all final branding decisions in its sole discretion, unless otherwise required by applicable Law.

### 3. **Term and Termination; Term Extension.**

(a) **Term.** This Agreement commences on the Effective Date and shall continue in effect for seven (7) years after the Skin Launch Date (the “***Initial Term***”) unless earlier terminated as provided in this Agreement.

(b) **Extension.** The Initial Term of this Agreement may be extended for additional periods (each such period, an “***Extension Term***”) upon mutual, written agreement of the Parties. The Parties shall begin a good faith negotiation to discuss the details of a possible extension of this Agreement eighteen (18) months prior to the end of the Initial Term. Before and during the six (6) month period that begins on the date that is eighteen (18) months prior to end of the Initial Term, OSL shall not, directly, or indirectly through any representative, Affiliate or otherwise, solicit or entertain offers from, engage in any discussions with, negotiate with or in any manner encourage, discuss with third parties, or accept any proposal of any Person other than Crown OR relating to the provision of a replacement for the Crown OR Online Sportsbook Offering. The period from the Effective Date to the date of expiration or termination of this Agreement, including any Extension Terms, is referred to in this Agreement as the “***Term***”.

(c) **Termination.** This Agreement may be terminated prior to the scheduled expiration of the Term under the following circumstances:

(i) OSL may terminate this Agreement in the event of the Bankruptcy of Crown OR or an Affiliate of Crown OR.

(ii) Either Party may terminate this Agreement upon the expiration, revocation or suspension of OSL’s authority to operate online or mobile sportsbooks in the event such expiration, revocation or suspension continues for sixty (60) consecutive days (or such longer period as may be agreed by the Parties) without renewal, replacement or reinstatement.

(iii) Either Party may terminate this Agreement in the event any license or permit required for the other Party to perform its obligations under this Agreement expires or is terminated, suspended or revoked, and such expiration, termination, suspension or revocation continues for sixty (60) consecutive days (or such longer period as may be agreed by the Parties) without renewal, replacement or reinstatement.

(iv) Either Party may terminate this Agreement in the event that (x) OSL's authority to operate an online or mobile sports book is overturned, repealed, or amended, or (y) OSL receives a legal opinion from the Oregon Department of Justice or other counsel authorized by the Oregon Attorney General to provide such an opinion in response to a specific request from OSL or the Oregon Department of Justice, that OSL does not have authority to operate an online or mobile sportsbook.

(v) Either Party may terminate this Agreement in the event the other Party has committed a material breach of any of its representations, warranties, covenants, duties, or obligations under this Agreement and has failed to cure such material breach within thirty (30) days after having received a written notice of the breach from the other Party; *provided, however*, that in the event a breach is curable and cannot be cured within such thirty (30) day period, then the defaulting Party shall be entitled to such additional time (not to exceed thirty (30) days of additional time, for a total of sixty (60) days) as is reasonably required to effectuate a cure as long as the Party has commenced and proceeds with due diligence to effectuate such a cure.

(vi) OSL may terminate this Agreement immediately in the following circumstances:

1. Crown OR's repeated failure to comply, or the repeated failure of any Crown OR Personnel to comply, with the gaming prohibition set forth in Section 4(c), and OSL reasonably determines that such failure negatively and materially impacts the fairness, integrity, security or honesty of OSL's operations;
2. OSL determines, in its sole discretion, that Crown OR has operated the Crown OR Online Sportsbook Offering in a manner that has a material negative impact on the fairness, integrity, security or honesty of the OSL or any OSL game;
3. Crown OR or any Affiliate of Crown OR, as determined by the director of OSL based on legal advice provided by the Oregon Department of Justice, or in response to a decision of a state or federal court, engages in the conduct of illegal gambling in the State of Oregon in violation of ORS 167.122 or ORS 167.127; or

4. As set forth in Section 4(b)(iii) and (iv).

(vii) Either Party may terminate this Agreement pursuant to any other provision of this Agreement that provides the Party with the right to terminate this Agreement.

(d) The right to terminate this Agreement under Section 3(c) does not limit any other right or remedy (whether at law or in equity) in respect of the breach or other event giving rise to such termination.

#### 4. **Personnel and Security**

(a) **Key Personnel.** A Statement of Work may identify specific Crown OR personnel providing Services under the Statement of Work as “Key Persons.” Crown OR agrees to use reasonable efforts to ensure that the Key Persons continue performing the Services set forth in the Statement of Work, and Crown OR shall not re-assign or change the duties of a Key Person such that they are no longer available to perform their duties under the Statement of Work without OSL’s approval of the replacement Key Person, which OSL will not unreasonably withhold, condition or delay.

#### (b) **Background Investigations; Continuing Disclosure Obligations; Effect Of Background Investigation Results.**

(i) **Background Investigations.** Crown OR, its Affiliates, any control person as defined in ORS 461.410(a)(i), and their employees, officers, agents and subcontractors, and any other personnel identified by OSL at any time during the Term (each a “**Subject Person**”), are subject to a background investigation performed by OSL’s security section and may be subject to additional background investigations throughout the Term. Any such background investigation conducted by OSL will be limited to the scope of such inquiries required for “major procurements” established by ORS 461.410 and OAR Chapter 177, Division 037. Crown OR shall complete and return a major procurement vendor disclosure form and shall ensure that each Subject Person identified by OSL promptly completes and returns a personal disclosure form. OSL will provide copies of these forms to Crown OR as requested. OSL may at any time require a Subject Person to submit fingerprints for criminal background investigation, or a mutually agreed upon substitute. In the event any Subject Person is approved by OSL as of the Effective Date because of a prior background investigation performed by OSL’s security section, such Subject Person is not subject to an initial background investigation for purposes of this Agreement but may be subject to additional background investigations throughout the Term, as determined by OSL.

(ii) **Continuing disclosure obligations.** Crown OR shall comply with the continuing disclosure requirement under OAR 177-037-0030(3). Crown OR shall report, and shall cause all Subject Persons to report, any change in, addition to, or deletion from, the information disclosed to OSL for purposes of any background investigation conducted by OSL’s

security section or by Crown OR pursuant to Section 4(b)(v) below. Crown OR shall deliver, and shall cause all Subject Persons to deliver, such report in the form of a letter addressed to OSL and to the attention of OSL's Assistant Director of Security within thirty (30) days following the effective date of the change, addition, or deletion. In particular, Crown OR shall report the arrest or investigation of any Subject Person or of Crown OR's employees performing Services in connection with this Agreement (exclusive of arrests or investigations for minor traffic violations or other misdemeanors not involving dishonesty, theft or fraud). OSL may provide, and Crown OR and each Subject Person shall complete and return to OSL, additional forms that OSL, through its security section, may require for ongoing background investigations and information updates.

(iii) **Crown OR's Background Investigation.** In the event at any time OSL obtains information about Crown OR and concludes that the fairness, integrity, security or honesty of OSL and its operations may be adversely affected due to the substance of the information, OSL shall notify Crown OR and give Crown OR seventy-two (72) hours to deliver to OSL in writing a proposed cure or remedy to cure the violation, including a timeline to implement such cure. OSL may either (a) accept such cure and timeline, in which case Crown OR shall proceed as described in the written cure proposal, or (b) immediately terminate this Agreement in the event OSL still determines termination is essential to materially protect OSL's fairness, integrity, security or honesty. In the event OSL accepts the proposed cure, but Crown OR fails to implement the cure within the timeline accepted by OSL (which may be modified upon written agreement of the Parties), then OSL may terminate this Agreement immediately by providing written notice to Crown OR. In the event at any time OSL obtains material information about Crown OR and concludes that OSL's fairness, integrity, security or honesty is in imminent harm directly due to the substance of the information, and Crown OR would be unable within a time period acceptable to OSL to take steps to remove or resolve the conditions that cause OSL to make that conclusion, OSL may immediately terminate this Agreement for cause.

(iv) **Subject Person Background Investigation.** In the event at any time OSL obtains information about any Subject Person and concludes that OSL's fairness, integrity, security or honesty may be adversely affected due to the substance of the information, OSL shall notify Crown OR and give Crown OR seventy-two (72) hours to deliver to OSL in writing a proposed cure or remedy to cure the violation, including a timeline to implement such cure. OSL may either (a) accept such cure and timeline, in which case Crown OR shall proceed as described in the written cure proposal, or (b) immediately terminate this Agreement in the event OSL still determines termination is essential to materially protect OSL's fairness, integrity, security or honesty. In the event OSL accepts the proposed cure, but Crown OR fails to implement the cure within the timeline accepted by OSL (which may be modified upon written agreement of the Parties), then OSL may terminate this Agreement immediately by providing written notice to Crown OR. In the event at any time OSL obtains material information about a Subject Person and concludes that OSL's fairness, integrity, security or honesty is in imminent harm directly due to the substance of the information, and Crown OR would be unable within a

time period acceptable to OSL to take steps to remove or resolve the conditions that cause OSL to make that conclusion, OSL may immediately terminate this Agreement for cause.

(v) **Delegation of Crown OR Background Investigations.** With OSL's consent, which may be withdrawn at any time, Crown OR may satisfy the requirements of Section 4(b)(i) through (iv) above by providing to OSL (x) documentation satisfactory to OSL that Crown OR or an Affiliate of Crown OR has conducted background checks of Subject Persons substantially similar to those required by Sections 4(b)(i) through (iv) above, and (y) the results of those background checks.

(c) **Gaming Prohibition at Retail Locations; Annual Certification; Amicable Resolution.**

(i) **Gaming Prohibition at Retail Locations.** Crown OR shall ensure that Crown OR's or its Affiliates' employees, whether permanent or temporary, and Crown OR's agents and subcontractors (altogether, "**Crown OR Personnel**"), who are providing services in the State of Oregon related to this Agreement, while providing such services, do not purchase or play OSL games from any business or other establishment or location that makes OSL games available for purchase or play. Crown OR shall periodically notify all Crown OR Personnel of this prohibition.

(ii) **Annual Certification.** No later than February 28 of each year during the Term commencing in 2023, Crown OR shall certify in writing to OSL that Crown OR continues to satisfy the requirements of Section 4(c)(i). Crown OR shall include in each written certification a description of Crown OR's actions to monitor and enforce this prohibition. In the event Crown OR cannot provide the required certification, Crown OR shall instead provide a detailed written explanation of the circumstances causing Crown OR's inability to certify as required.

(iii) **Amicable Resolution.** The Parties shall work together in good faith to resolve any issues arising under this Section 4(c). In the event the Parties are unable to resolve the issue, either Party may request resolution in accordance with the informal dispute resolution procedures set forth in Section 24(a) and (b).

(d) **Information Security.**

(i) **Information Security Standards.** At locations where or from which Crown OR performs its obligations hereunder, Crown OR shall implement administrative, physical, environmental and technical safeguards (including with respect to the Gaming Platform) designed to protect OSL Data and Crown OR Customer Data that (x) are no less rigorous than the International Organization for Standardization's standards: ISO/IEC 27001:2005 – Information Security Management Systems – Requirements, and ISO-IEC 27002:2005 – Code of Practice for

International Security Management, and (y) comply with the requirements of the Oregon Consumer Information Protection Act (ORS 646A.600-646A.628). Crown OR shall require that all such safeguards, including the manner in which OSL Data and Crown OR Customer Data is collected, accessed, used, stored, processed, disposed of and disclosed, comply with OSL's directions, which shall be in accordance with applicable Law. Crown OR shall notify OSL of any material change in its procedures related to information security. In the event and to the extent applicable, Crown OR will comply with all the rules and regulations established by OSL and provided to Crown OR in writing for access to and activities in and around premises controlled by OSL, and for access to OSL's information systems.

(ii) **Compliance; Gap Analysis.** Within thirty (30) days of the Effective Date and no less than annually during the Term, Crown OR shall deliver to OSL either (a) a third-party attestation of Crown OR's compliance with the security standards set forth in Section 4(d)(i), or (b) a gap analysis that describes any deviation of Crown OR's information security practices from the standards set forth in Section 4(d)(i), and the schedule for addressing any such deviations.

(iii) **Hosting Standards.** Crown OR shall use [REDACTED] (or a mutually agreed upon replacement) in its provision of the Crown OR Online Sportsbook Offering.

(iv) **Vulnerability Testing.** Crown OR shall conduct annual penetration testing and vulnerability scanning and testing of the software in accordance with industry standards and provide OSL a report evidencing same on an annual basis. Notwithstanding the foregoing, OSL may require Crown OR to conduct such scanning or testing as described in this Section following the unauthorized access to or disclosure of OSL Data or Crown OR Customer Data through the Gaming Platform regardless of the date of the most recent scanning and testing conducted under this Section.

(v) Crown OR shall maintain throughout the Term and provide to OSL upon OSL's request security logs with respect to the Services and Gaming Platform. Crown OR shall maintain such logs for the duration of the Term plus one (1) year following the expiration or termination of this Agreement.

(vi) In the event and to the extent applicable, Crown OR will, and will require each member of the Crown OR staff to, comply with the information security standards set forth in Section 4(d).

(e) **SSAE 18 SOC 1 Type Reports.**

(i) **Audit and Timing.** Crown OR, at its own expense, shall contract with an independent certified accounting firm that is an American Institute of Certified Public Accountants member firm to conduct a routine, annual SSAE 18 SOC 1 Type II audit of Crown OR's internal controls related to the Services and the operation of the Gaming Platform. The audit

shall cover mutually agreed upon time periods, and Crown OR shall deliver a copy of the annual audit report to OSL within a reasonable time following the end of each such period covered by the audit, but in no event later than November 15 of each year, provided that time is of the essence with regards to such delivery. In the event the agreed upon audit periods end on a date other than June 30 of each calendar year, then Crown OR will provide to OSL an annual bridge letter (delivered in a timely fashion, but in no event later than November 15 of each year and provided that time is of the essence with regards to such delivery, to cover any applicable gaps in applicable fiscal years) attesting that the controls that are the subject of each SOC 1, Type II audit report continued to be effective for the period beginning on the last date of the period covered by the most recent audit and the following June 30. The first SOC 1, Type II, audit report due under this Section 4(e) shall include the period that begins no later than July 1, 2022.

(ii) **Audit Objectives.** Crown OR shall provide to OSL the audit objectives that the independent certified accounting firm shall examine and the time frames for the independent certified accounting firm's performance of this audit work for review. Such audit objectives shall meet the requirements of OSL's financial auditors that are utilized during the annual financial audit conducted by Oregon's Secretary of State; provided that OSL provides Crown OR with written notice of such requirements as soon as they become available so that Crown OR has sufficient time to prepare such audit objectives. Crown OR shall use reasonable efforts to ensure OSL's ability to attend entrance and exit conferences with the independent certified accounting firm and shall forward a copy of the final report promptly following Crown OR's receipt of same. For clarity, any reports generated by any such audit are Crown OR's Confidential Information.

(f) **Notification of Breach.** Crown OR must disclose to OSL no later than the following business day (but in no event more than forty-eight (48) hours) after confirmation by Crown OR of the occurrence of a Security Incident. Crown OR will provide, and will use commercially reasonable efforts to have its subcontractors provide, detailed information as to the nature and extent of the Security Incident, including mitigation and remediation efforts, and allow OSL access to any/all non-privileged mitigation/remediation final reports associated with the incident. Or. Rev. Stat. §§ 646A.600-.604, 646A.624-.626 may in certain circumstances require data breach notification to affected persons, the Oregon Attorney General, and/or nationwide consumer reporting agencies. All breach notifications that may be required by Oregon law in the event of a Security Incident affecting the Personal Information of Online Sportsbook Crown OR Players, OSL employees, or other relevant Oregon residents will be promptly coordinated with OSL, and the Parties shall cooperate in good faith to determine (i) whether breach notification is required and, in the event so, (ii) what the scope, content, timing, and method of the breach notification will be. In the event the Parties acting in good faith are unable to agree upon said determinations, the Parties will use commercially reasonable efforts to resolve their disagreement(s) expeditiously and without unreasonable delay utilizing the dispute resolution process set forth in Section 24(a) of this Agreement. In the event the Parties are unable to resolve their disagreement(s) within twenty (20) calendar days following Crown OR's disclosure to OSL

of the occurrence of a Security Incident, OSL will have sole control over the notification scope, content, timing, and method, subject to Crown OR's obligations under applicable Law.

(g) Without limiting Crown OR's reporting obligations set forth elsewhere in this Agreement, Crown OR shall notify OSL within no more than forty-eight (48) hours following the occurrence of any of the following:

(i) Crown OR identifies ongoing fraud or potential ongoing fraud occurring on or by use of the Crown OR Online Sportsbook Offering. For clarity, Crown OR will report any abnormal wagering activity or patterns that may indicate a concern about the integrity of an authorized sporting event or events and any other conduct with the bona fide potential to corrupt a wagering outcome of an authorized sporting event for purposes of financial gain, including but not limited to match fixing, and suspicious or illegal wagering activities, including the use of funds derived from illegal activity, wagers to conceal or launder funds derived from illegal activity, use of agents to place wagers, or use of false identification;

(ii) Crown OR detects anomalous increase in player betting limits by an Online Sportsbook Crown OR Player; or

(iii) Any adverse event of which Crown OR becomes aware by virtue of the systems and controls it implements pursuant to Section 5(d)(iv) below.

(h) At all times during the Term of this Agreement Crown OR shall provide OSL access to Crown OR Customer Data, and provide OSL electronic copies of such data in a format agreed to by the Parties.

## **5. Sportsbook Operations.**

(a) Crown OR shall, subject to OSL's rights set forth in this Agreement, develop, host, manage, control, operate, maintain, support, and administer the Crown OR Online Sportsbook Offering, in each case at a standard no less than prevailing industry standards. Crown OR shall bear all costs in connection with the foregoing, except as set forth in subsections (b) and (c) below. Crown OR shall consult with OSL and shall consider in good faith any recommendations that OSL may offer from time to time with respect to such prevailing industry standards; provided, however, that Crown OR shall have final decision-making authority as to development, strategic direction and implementation with respect to the Crown OR Online Sportsbook Offering made available to individuals in the Permitted Territory, subject to Section 5(d) below. Crown OR shall develop, host, manage, control, operate, maintain, support and



administer the Crown OR Online Sportsbook Offering at all times in compliance with applicable Law, including ORS Chapter 461 and Administrative Rules found in OAR Chapter 177.

(b) Crown OR shall manage and administer, and be responsible for all costs of, all aspects of developing, operating and maintaining the Gaming Platform, except that, to the extent additionally incurred costs result due to the requests or additional requirements of OSL and such requests and/or additional requirements are not otherwise required to be fulfilled or implemented by Crown OR under the terms and conditions of this Agreement or any Statement of Work previously entered into hereunder and OSL shall be responsible for such costs as provided for herein. The Parties will set forth the costs to OSL and schedule for implementing such requests in a Statement of Work negotiated in good faith by the Parties, and OSL shall have no obligation to pay any such costs, and Crown OR shall have no obligation to fulfill such requests or fulfill such additional requirements, other than as set forth in a Statement of Work.

(c) In the event OSL is required to incur any costs associated with Crown OR's provision and operation of the Crown OR Online Sportsbook Offering, then any such additional costs incurred by OSL for which Crown OR is not otherwise responsible under the terms and conditions of this Agreement or any Statement of Work entered into hereunder shall be borne solely by OSL.

(d) Crown OR shall provide only gaming and betting experiences within the Permitted Territory that are approved in writing by OSL, such approval not to be unreasonably withheld, conditioned, or delayed. Crown OR shall provide any such approved gaming and betting experiences in accordance with generally recognized industry standards and applicable Law, and through reasonably appropriate means, including, but not limited to:

(i) diligent development, operation, enhancement, upgrading and updating the Crown OR Online Sportsbook Offering;

(ii) updating, replacing, and maintaining the infrastructure that Crown OR requires to operate the Crown OR Online Sportsbook Offering as reasonably needed, as determined by Crown OR;

(iii) maintaining any websites and domain names (sportsbook.draftkings.com) to be owned and used by Crown OR in connection with this Agreement; provided that Crown OR may not use any domain name for the Skin without first obtaining OSL's approval, which OSL shall not unreasonably withhold, condition, or delay. Notwithstanding the foregoing, within thirty (30) days following the end of the Term, Crown OR shall transfer to OSL ownership of any domain name then owned by Crown OR or an Affiliate of Crown OR that is or is a derivative of any OSL brand name, or trademark or service mark owned by OSL, including any such brand name, trademark or service mark that includes the term "Scoreboard" in reference to OSL's sports betting product. Notwithstanding the foregoing, OSL

shall not be entitled to own, and Crown OR shall remain sole owner of, any and all domain names that utilize Crown OR or “DraftKings” intellectual property, provided that Crown OR agrees not to utilize such domain names in Oregon after the Term in the event Crown OR is not authorized to operate an online web and mobile sports betting platform within the State of Oregon.

(iv) day-to-day management of the Online Sportsbook Crown OR Player network including industry-standard verification checks, fraud and collusion monitoring and control, “know-your-customer” and problem-gaming functionality, and responsible gaming controls, each of which must be approved by OSL (such approval not to be unreasonably withheld, conditioned, or delayed);

(v) management of Online Sportsbook Player Incentives, loyalty programs, and payment of all Online Sportsbook Player Costs;

(vi) customer service; provided that this provision shall not limit OSL’s right or ability to engage in its own customer service activities based on guidance provided by Crown OR, and that are designed to direct individuals to the Crown OR customer service system; but further provided that OSL shall have the right to resolve material disputes, including those involving OSL’s other service providers or retailers, or with respect to issues for which OSL has authority to resolve under applicable Law; and

(vii) payment processing and banking services in accordance with Sections 8 and 9 below.

(e) In response to a request from OSL made for purposes of its compliance with ORS 461.410(1)(a)(H), Crown OR shall notify OSL of any party to which Crown OR subcontracts any of its material obligations under this Agreement, including in regard to designing, developing, implementing, hosting, managing, controlling, operating, maintaining, supporting, and administering the Crown OR Online Sportsbook Offering. Crown OR will remain responsible to OSL for the performance of its obligations under this Agreement regardless of the fact that Crown OR has engaged subcontractor(s) to provide or assist in providing goods or services to Crown OR related to this Agreement. Without limiting the generality of the foregoing, all Crown OR subcontractors are subject to the provisions of Section 4(b), and OSL shall have sole discretion to determine the extent of any required background checks required of Crown OR subcontractors.

(f) Crown OR shall implement commercially reasonable verification checks in order to verify the age and identity, as well as the physical location of, any potential Online Sportsbook Crown OR Player. Such verification checks shall be implemented prior to the acceptance of an Online Sportsbook Crown OR Player and shall meet industry standards and the standards agreed to by OSL, to ensure, among other things:

(i) that Persons under the permitted age or on the exclusion or self-exclusion list maintained in accordance with standards approved by OSL are excluded from establishing player accounts, or making bets or wagers via the Crown OR Online Sportsbook Offering; provided that Crown OR will not be in breach of this provision based on the initial establishment of a player account for a person who is later determined to be under the permitted age, provided that determination is made before the under-age player places any wagers;

(ii) that Online Sportsbook Crown OR Players do not place wagers from outside of the Permitted Territory; provided that, subject to all applicable Laws, individuals located outside the Permitted Territory may register for accounts and make deposits and withdrawals but shall only be permitted to place wagers on the Crown OR Online Sportsbook Offering (whether with real money or using Online Sportsbook Player Incentives) while in the Permitted Territory; and

(iii) that where an Online Sportsbook Crown OR Player self-identifies as a problem gambler, that such Online Sportsbook Crown OR Player is directed to Crown OR's and OSL's resources made available to Online Sportsbook Crown OR Players, as applicable, with respect to help with problem gambling.

(g) Crown OR acknowledges that it is responsible for compliance under applicable anti-money laundering Laws in connection with the operation of the Crown OR Online Sportsbook Offering. Crown OR shall implement legally compliant processes and procedures to comply with Laws pertaining to anti-money laundering. Crown OR shall be responsible for all anti-money laundering compliance measures, including preparing and submitting all reports and information required to be submitted to Governmental Entities in connection therewith, and shall provide to OSL copies of any such reports and information within two (2) business days of submitting them to Governmental Entities, except in each instance in which providing such copies is prohibited by applicable Law. In addition, Crown OR acknowledges that OSL will also implement its own processes and procedures related to anti-money laundering, and Crown OR shall provide reasonable cooperation with respect to such activities and submit any information, including information required by Law to be filed or remitted by OSL, reasonably requested by OSL.

(h) Crown OR shall configure the Crown OR Online Sportsbook Offering to permit Online Sportsbook Crown OR Players to set deposit or betting limits, or limits on play duration, or time out from play in accordance with applicable Law and terms and conditions established by OSL. In the event an Online Sportsbook Crown OR Player has set deposit or betting limits, or limits on play duration, or time out from play, Crown OR shall ensure that such limits are enforced in accordance applicable Law and terms and conditions established by OSL. Crown OR shall implement any additional administrative measures to monitor game play in accordance with industry standards and as may be required by applicable Laws, or reasonably requested by

OSL, subject to the Party's agreement on the costs of implementing those administrative measures as set forth in Section 5(b).

(i) In the event any Governmental Entity makes a bona fide request to OSL for information or any investigation of OSL in relation to the Crown OR Online Sportsbook Offering, Crown OR shall cooperate with and provide information to OSL as requested by OSL to assist in OSL's response to the request or investigation. In the event of such bona fide request for information or investigation, OSL shall promptly give written notice to Crown OR of such request or investigation, with reasonable details, providing OSL is not bound by a duty of confidentiality towards the Governmental Entity making such request or conducting such investigation or is not otherwise prohibited by applicable Law from providing such written notice.

(j) Crown OR shall prohibit further wagering on the Crown OR Online Sportsbook Offering promptly upon OSL's request upon the occurrence of any of the following, or a combination thereof:

(i) any event reasonably determined by OSL to materially endanger OSL's fairness, integrity, security, or honesty;

(ii) any event that, in OSL's reasonable determination, is detrimental to the brand or brands of OSL; and

(iii) in response to a lawful law enforcement request, provided that OSL will, unless prohibited by law, disclose to Crown OR the nature of the request.

(k) **Service Levels.** Crown OR shall operate the Gaming Platform and otherwise provide the services described in this Agreement in accordance with the Service Levels set forth in Exhibit B.

(l) For clarity, during the Term, Crown OR shall be the exclusive service provider to OSL of an online/mobile sportsbook and retail sports books, and OSL shall grant to no other third party the right to operate online/mobile sports betting or retail sports books in the Permitted Territory on behalf of OSL. This section shall not be interpreted or construed to prohibit OSL from entering into reasonable commercial relationships with third parties that provide retail or video gaming platforms to OSL in the event such relationships are necessary to provide to the public any future agreed-upon Crown OR-operated retail sports book.

## 6. Customer Data

(a) **General Grant of Rights.** Each Party shall be free to use Crown OR Customer Data during and after the Term, subject to the restrictions set forth in Sections 6(b) and 6(c) below:

(b) **OSL Restrictions.** OSL's use of Crown OR Customer Data is subject to the following limitations:

(i) OSL may use Crown OR Customer Data only in compliance with applicable Law, and, with respect to Crown OR Customer Data that is not also OSL Customer Data, in compliance with terms and conditions agreed to by Online Sportsbook Crown OR Players.

(ii) OSL may not use Crown OR Customer Data in any manner detrimental to the brand or brands of Crown OR, including, without limitation, in any manner that is disparaging or that otherwise portrays Crown OR or its Affiliates in a negative light.

(iii) OSL may not use Crown OR Customer Data in violation of any term or condition of this Agreement; provided that the foregoing shall not apply to OSL Customer Data.

(iv) Following the end of the Term, OSL may not use Personal Information included in New Player Customer Data to contact or advertise directly to individuals using their Personal Information for purposes of providing information about any replacement online/mobile sports betting platform provided by a third party under contract with OSL that replaces the Crown OR Online Sportsbook Offering. The foregoing restriction will not prevent OSL from (i) engaging in general marketing activities related to any such replacement system, or to provide generally available and accessible information or instructions (including by posting on a generally accessible web site or web sites) to enable Online Sportsbook Crown OR Players to establish user accounts on such replacement system, or (ii) engage in marketing activities, including direct marketing directed at individuals, related OSL's products or services other than its online/mobile sports book.

(c) **Crown OR Restrictions.** Crown OR's use of Crown OR Customer Data is subject to the following limitations:

(i) Crown OR may use Crown OR Customer Data only in compliance with applicable law, and in compliance with terms and conditions agreed to by Online Sportsbook Crown OR Players.

(ii) Crown OR may not use Crown OR Customer Data in any manner detrimental to the brand or brands of OSL, including, without limitation, in any manner that is disparaging or that otherwise portrays OSL, the State of Oregon, or any of its agencies, departments, or commissions, in a negative light.

(iii) Crown OR may not use Crown OR Customer Data in violation of any term of this Agreement.

(d) **General.**

(i) Nothing herein shall limit either Party's right to use and disclose Crown OR Customer Data, either during or after the Term, as required by applicable Law;

(ii) Each Party's use of Crown OR Customer Data is subject to the obligations of confidentiality set forth in Section 13.

(iii) The Parties acknowledge that Crown OR Customers shall first be required to accept the OSL terms of use and privacy policy referenced therein before subsequently being directed to the Crown OR Game Offering, whereupon such Crown OR Customers shall then be required to accept the Crown OR terms of use and privacy policy before being granted access to the Crown OR Game Offering.

(iv) The Parties agree in the event of a conflict between the OSL terms of use and the Crown OR terms of use or privacy policy (as applicable), the Crown OR terms of use or privacy policy (as applicable) shall control with respect to the Crown OR Online Sportsbook Offering except to the extent that:

1. The conflicting provisions of the Crown OR terms of use or privacy policy are contrary to Law, or would require the State of Oregon to waive any form of defense or immunity available to it, whether sovereign immunity, governmental immunity, immunity based on the Eleventh Amendment to the Constitution of the United States, or otherwise;
2. The conflicting provisions of the Crown OR terms of use or privacy policy would require OSL to act contrary to Law, or prevent OSL from acting as required by Law; or
3. The conflicting provisions of the Crown OR terms of use or privacy policy limit the ability of the Director of the Oregon Lottery or the State of Oregon Lottery Commission from making decisions or determinations that are explicitly reserved the Director or the Commission under Oregon Law; provided, however, that in the event such discretionary decision made by the Director of the Oregon Lottery or the State of Oregon Lottery Commission is not approved by Crown OR and results in a direct negative financial impact to Crown OR (e.g., Director of the Oregon Lottery or the State of Oregon Lottery Commission decides to grade a bet a "win" when Crown OR's applicable rules would have graded such bet a "loss"), such decision shall be made at OSL's sole cost and expense.

(v) In no event shall either Party publish, display or adopt terms of use or any privacy policy (as applicable) applicable to the Crown OR Online Sportsbook Offering that modifies or purports to modify the other Party's terms of use or privacy policy (as applicable) in any way or that would negate the obligations or conditions set forth in Section 6(d)(iv).

## 7. **Marketing and Branding**

(a) **Marketing Plans.** Crown OR shall consult with OSL and meet periodically with OSL, at OSL's request, in each instance, with respect to the marketing plan for the Crown OR Online Sportsbook Offering and shall consider any recommendations that OSL may offer from time to time with respect to the marketing plan; provided, however, that any development, strategic direction and implementation of all marketing plans made by Crown OR with respect to the Crown OR Online Sportsbook Offering, including combination of any such marketing plan with Crown OR's or its Affiliates' other products and services, is subject to all requirements under applicable Law. Crown OR agrees that no marketing as contemplated under this Agreement shall tarnish or materially degrade the public image of OSL. The Parties will cooperate to develop a marketing and promotional plan for the Crown OR Online Sportsbook Offering and will actively collaborate with each other to develop positive local media relationships by making each of their representatives reasonably available for interviews, to record audio or video commercials, and to participate periodically in other newsworthy events, all as reasonably agreed upon by the Parties. The Parties agree to co-promote loyalty and VIP programs, and, where appropriate, to use their existing user databases and marketing resources (including OSL's existing lottery marketing channels and Crown OR's other existing products in the event such products are legal in the State of Oregon) to cross promote the Crown OR Online Sportsbook Offering, as mutually agreed upon between the Parties, provided that, except as otherwise provided herein, (i) each Party shall maintain express control of their respective databases and shall send promotional offers on behalf of the other Party only as mutually agreed upon, and (ii) Crown OR may not include any OSL Materials (as defined in Section 7(e) below) in conjunction with Crown OR's or its Affiliates' other services (including without limitation, daily fantasy sports contests) unless approved in advance by OSL in each particular instance.

(b) **Compliance with Laws.** Crown OR, in the conduct of marketing activities contemplated by this Agreement, shall comply with applicable Law governing OSL's marketing of OSL games, including the prohibitions set forth in ORS 461.820(h) that prohibit advertising and marking designed to appeal specifically to vulnerable groups, including individuals under 18 years of age, and the requirements of ORS 461.220(5) through (10).

(c) **Cessation of Use.** Notwithstanding OSL's approval of any marketing or promotional plan, in the event such advertising (i) threatens, in OSL's reasonable opinion, the fairness, integrity, security or honesty of OSL's operations, or (ii) is, in OSL's reasonable business judgment, materially detrimental to the brand or brands of OSL, including, without limitation, in any manner that is disparaging or that otherwise portrays OSL in a negative light, then at OSL's request Crown OR shall promptly cease use of any specific marketing material or promotion that mentions OSL or implies OSL's endorsement, regardless of medium in which it is presented to the public.

(d) **Crown OR License to OSL.** Crown OR grants to OSL a non-exclusive, non-transferable, non-sublicensable, revocable, limited license to use its Marks and any Crown OR-approved Marks provided by Crown OR to OSL (together the “*Licensed Materials*”) solely for use in OSL’s advertising and promoting of the Gaming Platform on the terms and conditions set forth herein. “Licensed Materials” does not include any materials in which Crown OR or an Affiliate of Crown OR does not either own the underlying Intellectual Property, or have the right to sub-license the underlying Intellectual Property, and Crown OR shall have no obligation to deliver any such materials to OSL for any purpose. All uses of the Licensed Materials by OSL must be approved in advance by Crown OR. OSL shall not use the Licensed Materials in conjunction with, or to promote any activity that is, in Crown OR’s reasonable business discretion, detrimental to the brand or brands of Crown OR, including, without limitation, in any manner that is disparaging or that otherwise portrays Crown OR or its Affiliates in a negative light. Crown OR reserves all rights in the Licensed Materials and any other proprietary rights not expressly granted in this Section 7(d) or elsewhere in this Agreement or a Statement of Work. Crown OR represents and warrants to OSL that it has the authority to grant the rights as set forth in this Agreement in and to the Licensed Materials, and that OSL’s use of the Licensed Material in compliance with the terms of this Agreement and any Statement of Work does not and will not violate, infringe or misappropriate copyrights, right of publicity, trademark rights or other rights of any third party. Except as permitted under this Agreement, OSL shall not alter, modify, or change the Licensed Materials in any way without Crown OR’s prior written approval, which approval shall not be unreasonably withheld, conditioned or delayed. OSL shall not make any use of any Licensed Materials for purposes other than those expressly permitted under this Section 7(d) or otherwise agreed to by the Parties in writing, including in a Statement of Work. OSL shall not present the Licensed Materials in combination with any third-party name or mark in any manner that may suggest or imply that the third party’s goods or services are supplied by, sponsored by, endorsed by, or otherwise affiliated with Crown OR without first obtaining Crown OR’s prior written approval in each instance, except as otherwise permitted under this Agreement. OSL shall not use the Licensed Materials in conjunction with, or to promote any activity that is, in Crown OR’s reasonable business discretion, detrimental to the brand or brands of Crown OR or its Affiliates, including, without limitation, in any manner that is disparaging or that otherwise portrays Crown OR or its Affiliates in a negative light. Crown OR reserves all rights in the Licensed Materials and any other proprietary rights not expressly granted in this Section. OSL’s use of Crown OR’s Licensed Materials does not give OSL any rights in those materials other than as described in this Agreement. OSL agrees that, upon termination or expiration of this Agreement, OSL shall cease using the Licensed Materials within thirty (30) days from the effective date of such termination or expiration. For clarity, OSL shall obtain Crown OR’s written consent to use any of Crown OR’s Intellectual Property prior to using such Intellectual Property in any way other than as contemplated by this Agreement.

(e) **OSL License to Crown OR.** Subject to OSL’s prior written approval of Crown OR’s use of any OSL Materials (as defined below), OSL grants to Crown OR a non-exclusive, non-transferable, non-sublicensable, revocable license to use OSL’s trademarks and any



approved intellectual property provided to Crown OR by OSL (collectively, the “**OSL Materials**”) throughout the Term to promote OSL and the Crown OR Online Sportsbook Offering, subject to the restrictions set forth elsewhere in this Agreement. OSL reserves all rights in the OSL Materials and any other proprietary rights not expressly granted in this Section 7(e). OSL represents and warrants to Crown OR that the OSL Materials do not violate, infringe or misappropriate copyrights, right of publicity, trademark rights or other rights of any third party. Except as permitted under this Agreement, Crown OR shall not alter, modify, or change the OSL Materials in any way without OSL’s prior written approval, which approval shall not be unreasonably withheld, conditioned or delayed. Crown OR shall not make any use of any OSL Materials for purposes other than those expressly permitted under this Section 7(e) or otherwise agreed to by the Parties in writing, and Crown OR shall only use the OSL Materials in compliance with written branding guidelines provided to Crown OR by OSL, unless OSL approves in writing the specific use of OSL Materials other than in compliance with OSL’s written branding guidelines. Crown OR shall not present the OSL Materials in combination with any third-party name or mark in any manner that may suggest or imply that the third party’s goods or services are supplied by, sponsored by, endorsed by or otherwise affiliated with OSL without first obtaining OSL’s prior written approval in each instance. OSL reserves all rights in the OSL Materials and any other proprietary rights not expressly granted in this Section 7(e). Crown OR’s use of the OSL Materials does not give Crown OR any rights in those materials other than as described in this Agreement. The rights granted to Crown OR in this Section 7(e) expire upon the expiration or termination of this Agreement. Crown OR agrees that, upon termination or expiration of this Agreement, Crown OR will cease using the OSL Materials within thirty (30) days from the effective date of such termination or expiration. For clarity, Crown OR shall obtain OSL’s consent to use any of the OSL’s intellectual property prior to using such intellectual property in any way other than as contemplated by this Agreement.

(f) **Ownership.** Subject to the limited licenses above, as between Crown OR and OSL, each Party exclusively owns and controls its respective intellectual property. All goodwill that accrues from the licensed use of a Party’s trade names, trademarks, service marks, logos and designs hereunder shall inure exclusively to the Party that owns the respective trade name, trademark, service mark, logo or design.

(g) **Limitations on Activities.** Nothing herein shall be considered or understood to be a transfer by one Party to the other Party of (x) any rights whatsoever other than the rights granted under this Agreement in the Licensed Materials or OSL Materials, as applicable, or (y) any other intellectual property rights whatsoever related to the Licensed Materials or OSL Materials. Neither Party may, without the prior, written consent of the other, use such other Party’s materials to:

- (i) Submit a trademark application in any jurisdiction;
- (ii) Register a domain name;

(iii) Use any sub-domains; or

(iv) Bid on any internet search engine for a search term.

(h) **Additional Limitations.** Neither Party may bid on any search term or utilize any of the other Party's trade names, trademarks, service marks, logos or designs within the Apple Store or the Google Play Store or any other mobile application distribution outlet or platform, which in each case includes, incorporates or consists of any intellectual property of the other Party (including, as applicable, the Licensed Materials and the OSL Materials) or any domain name that is confusingly similar to the Licensed Materials or OSL Materials, as applicable, or any other intellectual property of the other Party.

#### 8. **Player Funds Account.**

(a) Crown OR shall be responsible for establishing at an FDIC insured bank licensed to operate in Oregon (i) separate FDIC insured custodial bank accounts for the benefit of (or "f/b/o") Online Sportsbook Crown OR Players, to hold and ensure the security and availability of funds deposited by players in order to use the Crown OR Online Sportsbook Offering (such account, the "***Player Funds Account***"); (ii) settlement accounts necessary in connection with the payment of prizes and other liabilities in connection with the operation of the Crown OR Online Sportsbook Offering; and (iii) such other accounts as may be required by OSL, in connection with the operation of the Crown OR Online Sportsbook Offering. In any event, Crown OR shall be responsible for establishing all bank accounts required in connection with the operation of the Crown OR Online Sportsbook Offering. Such accounts shall comply with all applicable Laws at all times. The Player Funds Account shall be separate and independent from all other operating accounts of Crown OR. Funds shall be held in the Player Funds Account solely on behalf of the corresponding Online Sportsbook Crown OR Players. Neither Crown OR nor OSL shall grant any security interest, lien or encumbrance in the Player Funds Account or funds on deposit in the Player Funds Account. Crown OR may not charge either OSL or any Online Sportsbook Crown OR Player fees for the establishment or maintenance of any bank accounts required to be established or maintained under this Section 8(a).

(b) Crown OR shall ensure, including through the provision of funds on an interest-free basis, that the account balance of the Player Funds Account never falls below the outstanding player liability on a given day of operations of the Crown OR Online Sportsbook Offering (i.e., the period of time on any given calendar day determined by the Parties to be the gaming day for purposes of its operations, hereinafter, the "***Gaming Day***"). In the event, notwithstanding the foregoing, there is a shortfall in the balance of the Player Funds Account, Crown OR shall transfer an amount equal to or greater than the amount of such shortfall to the Player Funds Account as soon as reasonably possible and not later than the next Business Day.

(c) For clarity, the Player Funds Account shall not include any funds, money, property, or other assets relating to DraftKings Inc.'s fantasy sports contests operations.

(d) OSL hereby acknowledges and agrees that certain Affiliates and subsidiaries of Crown OR have, and will in the future, establish similar player funds accounts in other jurisdictions to facilitate sportsbook and gaming operations in such jurisdictions. OSL hereby further acknowledges and agrees that to the extent the purpose of such player funds accounts is to hold customer deposits and player winnings with respect to sportsbooks and gaming operations in such other jurisdictions and not in Oregon, funds in such player funds accounts are the property of the applicable players and do not belong to Crown OR or an Affiliate or subsidiary of Crown OR and shall not be available to pay any of OSL's claims under this Agreement or otherwise. OSL further covenants and agrees that to the extent the purpose of such player funds accounts is to hold customer deposits and player winnings with respect to sportsbooks and gaming operations in such jurisdictions and not in Oregon, it shall under no circumstances sue or otherwise assert a claim against these player funds accounts or the funds in those accounts and hereby waives any and all of such claims, which may now or hereafter exist under applicable Law with respect to those player funds accounts or the funds in those accounts.

(e) OSL acknowledges that Crown OR or its Affiliate has established DK Player Reserve LLC as a legally separate and independent entity for the sole purpose of holding and managing a segregated account (within the meaning of 940 C.M.R. 34.00) restricted to funds owned by Crown OR or its Affiliate daily fantasy sports contest players (the "***Segregated Account***"). The sole purpose of the Segregated Account shall be to hold customer deposits and player winnings with respect to daily fantasy sports contests. OSL hereby acknowledges and agrees that funds in the Segregated Account are properties of DK Player Reserve LLC, do not belong to Crown OR and shall not be available to pay any of OSL's claims. OSL further covenants and agrees that it shall under no circumstances sue or otherwise assert a claim against DK Player Reserve LLC or the funds in the Segregated Account and hereby waives any and all of such claims that may now or hereafter exist under applicable Law.

## 9. **Gaming Taxes, Tax and other Withholding and Tax Filings.**

(a) **Tax Withholding and Reporting.** OSL shall be responsible for determining the circumstances that require, and the amount of, any State of Oregon or United States Federal tax reporting and withholding of winnings from an Online Sportsbook Crown OR Player ("***Player Tax Withholdings***"), and Crown OR shall withhold and forward to OSL, as set forth in Section 11, Player Tax Withholdings, and provide to OSL completed federal forms W-2G with respect such Player Tax Withholdings in accordance with instructions provided by OSL. OSL shall be responsible for remitting all such Player Tax Withholdings and forms W-2G to the proper Governmental Entities as applicable.

### (b) **Additional Statutory Withholdings.**

(i) OSL shall provide to Crown OR, and periodically update:

A. A list, in an electronic format agreed to by the Parties, of persons who have received an overpayment of assistance for which the Oregon Department of Human Services or the Oregon Health Authority has issued a final order for overpayment under ORS chapter 183; and

B. A list, in an electronic format agreed to by the Parties, of obligors who are delinquent in paying child support obligations in Oregon.

(ii) Before paying any portion of a winning wager to any Online Sportsbook Crown OR Player who appears on the most recent version of either of the lists described in Section 9(b)(i), Crown OR shall notify OSL. Crown OR shall release such winnings to Online Sportsbook Crown OR Players or otherwise distribute such winnings only pursuant to written instructions (email being sufficient) provided by OSL.

(c) **Payment of Regulatory Tax Liability.** OSL shall be responsible, and shall reimburse Crown OR, for any penalties (including associated interest thereon imposed by the IRS) assessed by the federal Internal Revenue Service against Crown OR or any Affiliate of Crown OR and actually paid by Crown OR or any Affiliate of Crown OR based on Crown OR's compliance with this Agreement or instructions provided by OSL pursuant to Section 9(a) ("**Regulatory Tax Liability**"). OSL shall reimburse Crown OR for any Regulatory Tax Liability by increasing the Online Sportsbook Fee as follows:

(i) OSL shall pay to Crown OR ONE HUNDRED PERCENT (100%) of Vendor Online Gross Gaming Revenue less TWENTY ONE PERCENT (21%) of Online Sportsbook Net Gaming Revenue for the applicable week.

(d) **Payment Upon Termination.** In the event this Agreement terminates or expires prior to Crown OR being fully made whole for such Regulatory Tax Liabilities, then OSL shall reimburse Crown OR for the unpaid Regulatory Tax Liability within thirty (30) days of the termination or expiration date of this Agreement.

(e) **Duration of Recovery.** The fee structure set forth in Section 9(c)(i) shall remain in effect until the difference between (x) the Online Sportsbook Fees paid as set forth in Section 9(c)(i), and (y) the Online Sportsbook Fees that OSL would have paid had the Online Sportsbook Fee been calculated as set forth in Section 11(a), is equal to the Regulatory Tax Liability for which OSL is responsible under Section 9(c).

(f) **Lump Sum Payments.** OSL may at its sole discretion choose to pay the Regulatory Tax Liability in one or more lump sums that collectively equal the Regulatory Tax Liability; provided that the accumulated amount of such lump sum payments on any date shall be

greater than or equal to the amount OSL would have paid Crown OR by the same date in the event it had paid the Regulatory Tax Liability pursuant to Section 9(c).

(g) **Basis for Recovery.** The foregoing Sections 9(c) through 9(f) set forth OSL's sole monetary liability for Regulatory Tax Liability, provided, however, nothing in this Agreement shall be construed to limit Crown OR or an Affiliate of Crown OR from seeking any non-monetary remedies related to the Regulatory Tax Liability to which it may be entitled either under this Agreement or applicable Law. Nothing in Sections 9(c) through 9(g) shall be construed to limit any right of indemnity to which Crown OR is otherwise entitled under this Agreement relating to the Regulatory Tax Liability (as applicable) provided such indemnity right shall be capped at ONE MILLION DOLLARS (\$1,000,000) for any such Claim.

(h) **Coordination.** Neither Party shall request a letter ruling, determination letter, or other declaratory opinion or statement from the IRS with respect to Player Tax Withholdings without first providing the other Party the opportunity to submit a coordinated request to the IRS pursuant to then-current IRS revenue procedures. In the event the Party given that opportunity requests that the Parties submit a coordinated request, then the Parties will work together to prepare separate requests pursuant to the applicable Revenue Procedures governing coordinated requests and submit the required information and underlying documents and any additional information required by then-current IRS Revenue Procedures required to be submitted in conjunction with a coordinated request. In the event the Party given the opportunity to submit a coordinated request chooses not to participate in the submission of a coordinated request to the IRS, then the Party submitting a request will, before it submits such a request to the IRS, give the other Party an opportunity to review the information and underlying documents the requesting Party proposes to submit to the IRS, and offer any suggested amendments, deletions, or additions, which the requesting Party will consider in good faith for incorporation into its request. In the event the IRS issues a letter ruling to either Party, whether as part of a coordinated request or a single request, each Party will share such letter rulings issued to it with the other Party, discuss in good faith whether the guidance provided therein requires an amendment to this Agreement to align the provisions of this Agreement with such guidance and, in the event the Parties determine that such an amendment is necessary or advisable, promptly engage in good faith negotiations to amend this Agreement to align the Player Tax Withholding obligations with the guidance provided by the IRS. In the event the Parties cannot mutually agree upon such amendments, either Party may terminate this Agreement upon thirty (30) days' written notice to the other Party; provided, however, that no such termination right will exist under the terms of this Agreement in the event the Party seeking termination under this Section was the Party that initially sought the ruling but refused to incorporate any amendments, deletions, or additions reasonably requested by the other Party. Each Party will be responsible for its own costs associated with any request it submits to the IRS pursuant to this Section 9(h), including any fees imposed by the IRS related to such request.

(i) **Periodic Review.** The Parties agree to meet and discuss in good faith the tax reporting and withholding obligations set forth in Sections 9(c) through 9(f) in good faith on a regular basis.

10. **Migration, Computer Warranty.**

(a) The Parties agree to work diligently, using all commercially reasonable standards and in accordance with the Initial Statement of Work to transition OSL from the SBTech Platform to the Gaming Platform of Crown OR (the “**Migration**”) with as little disruption as commercially reasonable to OSL’s existing customers, including the facilitation of the transfer of end users of the SBTech Platform who choose to establish player accounts on the Gaming Platform of Crown OR.

(b) OSL agrees to cooperate with Crown OR, using all commercially reasonable efforts, to assist Crown OR, through SBTech, in terminating or otherwise winding down SBTech’s agreements with third parties relating to OSL’s offering of the SBTech-provided sports betting software and online/mobile sportsbook betting services.

(c) OSL and SBTech agree that after the Effective Date and through the SBTech Platform Termination Date, and except as otherwise provided in this Agreement, the SBTech Agreement shall continue to govern the relationship between OSL and SBTech with respect to the subject matter of the SBTech Agreement.

(d) **Wind Down of SBTech Platform.** On and for the period beginning on the Skin Launch Date until the date that is the earlier of : (i) three hundred sixty six (366) calendar days following the Skin Launch Date or (ii) the date that the last bet outstanding on the SBTech Platform as of the Skin Launch Date is settled and there remain no player funds in player accounts existing on or managed by the SBTech Platform (the “**SBTech Platform Termination Date**”), SBTech shall continue to operate the SBTech Platform solely for purposes of (i) settling any wagers made on the SBTech Platform on or prior to the Skin Launch Date; (ii) enabling users with player accounts on the SBTech Platform to transfer their user accounts, including player funds, to the Gaming Platform; (iii) enabling users of the SBTech Platform to withdraw funds held in player accounts managed under the SBTech Platform; (iv) providing OSL continued access to the administrative and accounting functions and data available through the SBTech Platform; (iv) managing payments from OSL to SBTech and from SBTech to OSL under the SBTech Agreement; and (v) facilitating other activities relevant to the management and wind down of the SBTech Platform.

(e) **Status of Third Party Providers and Third Party Products.**

(i) Except to the extent already expired, the following agreements shall be deemed terminated effective as of the Skin Launch Date: (A) that certain Sportradar Services

Agreement by and between OSL and SBTech Malta dated October 16, 2019; (B) that certain NFL Betting Agreement by and between OSL and SBTech Malta dated October 16, 2019; (C) that certain Official Betting Data Agreement by and between OSL and SBTech Malta dated November 8, 2019; and (D) that certain Authorized Gaming Operator Agreement (Oregon) by and between OSL and SBTech Malta dated November 8, 2019. Any terms or conditions of the agreements enumerated in subsections A through D of this Section 10(e)(i) that expressly contemplate survival, or that by their nature are intended to survive beyond the termination or expiration of the respective agreement, shall survive the termination or expiration of the respective agreement. In the event any section of any such agreement requires or provides for reporting, retention of records, audit rights, or payment after the termination or expiration of the respective agreement such reporting, retention, audit and payment obligations shall also survive until fulfilled. Following the Skin Launch Date SBTech shall be relieved of any obligation under the SBTech Agreement the performance of which is dependent on the services provided under any of the agreements described in this Section 10(e)(i).

(ii) To the extent such agreements are terminable, SBTech shall provide notice of termination for the agreements with the following Third Party Providers (as that term is defined in the SBTech Agreement) on or about the SBTech Platform Termination Date, or as soon as permitted by its terms and as practicable thereafter, or at such earlier time to which the Parties may mutually agree in writing (email being sufficient):

[REDACTED]

and, subject to Section 10(f)(iii) below, OSL shall remain responsible for Pass Through Expenses (as defined in the SBTech Agreement) in accordance with the terms and conditions of the SBTech Agreement with respect to the agreements described in this Section 10(e)(ii). SBTech may provide notice of termination for the agreements described in this Section 10(e)(ii) before the SBTech Platform Termination Date after receiving OSL's consent to provide such notice. In addition, SBTech may terminate any other agreements not described in this Section 10(e)(ii) or elsewhere in this Section 10 for services that are not necessary to SBTech's performance of its obligations under this Agreement or the SBTech Agreement following the Skin Launch Date.

(iii) The SBTech Agreement shall be deemed terminated as of the SBTech Platform Termination Date. Any terms or conditions of the SBTech Agreement that expressly contemplate survival, or that by their nature are intended to survive beyond the termination or expiration of the SBTech Agreement, shall survive the termination or expiration of the SBTech Agreement. In the event any section of the SBTech Agreement requires or provides for reporting, retention of records, audit rights, or payment after termination, such reporting, retention, audit and payment obligations shall also survive until fulfilled.

(iv) **Other Agreements.** Promptly following the SBTech Platform Termination Date, SBTech and its Affiliates shall terminate any other agreements with Third Party Providers not identified in Sections 10(e)(i), (ii), or (iii), as of the SBTech Platform Termination Date.

(f) **Continuing Financial Obligations under SBTech Agreement.** Following the Skin Launch Date through the SBTech Platform Termination Date, OSL's payment obligations under the SBTech Agreement shall be limited to:

(i) Payment of Access Fees (as defined in the SBTech Agreement) pursuant to Section 3 of Schedule 4 to the SBTech Agreement;

(ii) Payment of Managed Services Fees (as defined in the SBTech Agreement) pursuant to Section 4 of Schedule 4 to the SBTech Agreement; provided that OSL shall have no liability for the Minimum Managed Services Fees Payment (as defined in the SBTech Agreement) under Section 4.1.1 of Schedule 4 to the SBTech Agreement, including for any partial month in which the Skin Launch Date occurs; and

(iii) Payment of Pass-Through Expenses (as defined in the SBTech Agreement) in accordance with Section 6 of Schedule 4 to the SBTech Agreement, provided that OSL's responsibility for Pass-Through Expenses shall be limited to: (A) those Pass-Through Expenses associated with the agreements listed in Section 10(e)(ii); and (B) with respect to services provided by [REDACTED] necessary to support the SBTech Platform through the SBTech Platform Termination Date. Notwithstanding the foregoing, OSL's obligation to pay Pass Through Expenses that are termination fees associated with termination of the [REDACTED] shall be in the amount of three hundred seventy-five thousand dollars and no cents (\$375,000.000) (the [REDACTED]), which amount includes any such termination fees payable to [REDACTED]. On or after the Effective Date, SBTech may invoice OSL for the [REDACTED] and OSL shall pay such invoice within thirty (30) days of receipt of such invoice.

(iv) Notwithstanding any provision of this Agreement to the contrary, OSL's indemnification obligations under the SBTech Agreement shall survive the expiration or termination of the SBTech Agreement. In the event of any conflict between such surviving terms and the terms of this Agreement, the terms of this Agreement shall govern.

(g) **Termination Fees and Wind Down Costs.** Notwithstanding any provision set forth in this Agreement or in the SBTech Agreement, following the SBTech Platform Termination Date OSL shall have no liability for, and neither SBTech, Crown OR, nor any Affiliate of either shall claim the right for payment of, any Termination Fee or Wind Down Costs under the SBTech Agreement (as the terms "Termination Fee" and "Wind Down Costs" are



defined in the SBTech Agreement), except that OSL shall remain responsible for the [REDACTED] until paid.

(h) **Wind Down of Banking Relationships.** Beginning promptly following the Skin Launch Date, SBTech or its Affiliate will regularly communicate with Bankcard Services, LLC, and the Bank of George regarding OSL's maximum potential liability for payouts of winning wagers placed on the SBTech Platform that are dependent on events occurring on or after the Skin Launch Date, and will otherwise reasonably assist OSL in facilitating the release to OSL of either funds held by the Bank of George or that OSL is obligated to maintain in separate OSL-owned accounts for the benefit of the Bank of George to cover OSL's outstanding financial obligations under the SBTech Agreement. Without limiting the generality of the foregoing, SBTech or its Affiliates will provide information to the Bank of George that demonstrates the maximum potential liability for the payout of winning bets on or promptly following the Skin Launch Date and monthly thereafter, and promptly following the settling of all wagers associated with the NFL Super Bowl that is scheduled to occur on February 13, 2022.

#### 11. **Fees and Expense Reimbursements.**

(a) Following the Skin Launch Date, with respect to the Crown OR Online Sportsbook Offering during the Term, OSL shall pay Crown OR a fee (the ***"Online Sportsbook Fee"***) for each calendar week (Monday-Sunday). The Online Sportsbook Fee shall equal the following percentages of Online Sportsbook Net Gaming Revenue:

(i) In the event the Crown OR Online Sportsbook Offering is the only platform by which individuals located within the Permitted Territory can place an online bet or wager on a live sporting event for which OSL has the legal authority to offer wagering opportunities, OSL shall pay to Crown OR ONE HUNDRED PERCENT (100%) of Vendor Online Gross Gaming Revenue less FIFTY ONE PERCENT (51%) of Online Sportsbook Net Gaming Revenue for the applicable week.

(ii) In the event the Crown OR Online Sportsbook Offering is one of two (2) total platforms by which individuals located within the Permitted Territory can place an online bet or wager on a live sporting event for which OSL has the legal authority to offer wagering opportunities, OSL shall pay to Crown OR ONE HUNDRED PERCENT (100%) of Vendor Online Gross Gaming Revenue less FIFTEEN PERCENT (15%) of Online Sportsbook Net Gaming Revenue for the applicable week.

(iii) In the event the Crown OR Online Sportsbook Offering is one of three (3) total platforms by which individuals located within the Permitted Territory can place an online bet or wager on a live sporting event for which OSL has the legal authority to offer wagering opportunities, OSL shall pay to Crown OR ONE HUNDRED PERCENT (100%) of Vendor

Online Gross Gaming Revenue less SEVEN AND ONE HALF PERCENT (7.5%) of Online Sportsbook Net Gaming Revenue for the applicable week.

(iv) In the event the Crown OR Online Sportsbook Offering is one of four (4) total platforms by which individuals located within the Permitted Territory can place an online bet or wager on a live sporting event for which OSL has the legal authority to offer wagering opportunities, OSL shall pay to Crown OR ONE HUNDRED PERCENT (100%) of Vendor Online Gross Gaming Revenue less SIX PERCENT (6%) of Online Sportsbook Net Gaming Revenue for the applicable week.

(v) In the event the Crown OR Online Sportsbook Offering is one of five (5) or more total platforms by which individuals located within the Permitted Territory can place an online bet or wager on a live sporting event for which OSL has the legal authority to offer wagering opportunities, OSL shall pay to Crown OR ONE HUNDRED PERCENT (100%) of Vendor Online Gross Gaming Revenue less FIVE PERCENT (5%) of Online Sportsbook Net Gaming Revenue for the applicable week.

For clarity, tribal operators within the State of Oregon that operate mobile/online sportsbooks that permit individuals to place wagers while within the Permitted Territory shall be considered “legal” operators for purposes of this Section 11(a), however tribal operators within the State of Oregon that operate either mobile/online sportsbooks limited to wagering by individuals located on Tribal Lands, or that operate a physical sports book at casinos or retail locations on Tribal Lands shall not be considered “legal operators” for purposes of this subsection.

(b) Unless otherwise described herein, Crown OR shall make a weekly deposit into an account owned and designated by OSL, of the following amounts:

(i) Vendor Online Gross Gaming Revenue less the Online Sportsbook Fee due Crown OR for the preceding week

(ii) Player Tax Withholdings made pursuant to Section 9(a);

(iii) The statutory withholdings described and withheld pursuant to Section 9(b); and

(iv) Any additional amounts owed to OSL pursuant to this Agreement.

Each such weekly deposit shall be accompanied by a written report by Crown OR to OSL detailing the calculation of such payments and withholdings during the applicable period (including, as applicable, calculations of Online Sportsbook Net Gaming Revenue, Vendor Online Gross Gaming Revenue, and Online Sportsbook Gross Gaming Revenue (and additions thereto and subtractions therefrom) with respect to the applicable period of determination). For clarity, in the event the Crown OR Online Sportsbook Offering operates for a partial calendar week as a result of a mid-

week Skin Launch Date, termination, or expiration of this Agreement, OSL shall pay the Online Sportsbook Fee based on Online Sportsbook Net Gaming Revenue for the partial week.

(c) **Funds Available and Authorized Payments.** Crown OR understands that pursuant to Article XV, Section 4(4)(d) of the Oregon Constitution, OSL is a self-supporting, revenue-raising instrumentality and that no appropriations, loans, or other transfers of state funds shall be made to it. Accordingly, all amounts payable by OSL under this Agreement are the sole responsibility of OSL, and are payable only from: (a) revenues received by OSL from OSL games; and (b) other miscellaneous revenues generated by OSL. OSL certifies that, as of the Effective Date, sufficient funds are available and authorized for expenditure to finance the costs of this Agreement in OSL's current financial plan. Notwithstanding this certification, OSL's payments under this Agreement, together with all of OSL's other obligations incurred under ORS 461.510(4), are limited by Article XV, Section 4(4)(d) of the Oregon Constitution and ORS 461.500(2). In the event OSL's authority or ability to conduct OSL games is removed or diminished, or in the event OSL reasonably determines that expending the amounts payable by OSL under this Agreement would be in violation of the sixteen-percent (16%) limitation under ORS 461.500(2), then OSL shall promptly notify Crown OR thereof, and Crown OR shall suspend the operation of the Crown OR Online Sportsbook Offering for a period of time necessary to satisfy OSL's obligations under ORS 461.500(2). In the event such period of suspension exceeds one (1) year, either Party shall have a ninety (90) day period within which it may terminate this Agreement by sending written notice to OSL. Moreover, in the event OSL desires to end such a suspension, OSL shall provide Crown OR with commercially reasonable notice to ensure Crown OR may coordinate resources to ensure a timely re-activation of the Crown OR Online Sportsbook Offering. In the event either Party terminates this Agreement pursuant to this Section 11(c) and OSL later determines to resume offering sports betting games within the Territory on a date that would occur during the Term of this Agreement in the event it had not been terminated pursuant to this Section 11(c), then, subject to any limitations set forth in applicable Law, OSL will give Crown OR, or an Affiliate of Crown OR, an exclusive opportunity (with a sixty (60) day exclusive negotiation window) to negotiate and enter into an agreement to provide a sports betting platform, on substantially the same terms as set forth herein, before OSL either offers such an opportunity to any third party, or publishes a solicitation inviting proposals to provide a platform for sports betting games.

## 12. **Operating Records.**

(a) **Records Generally.** Each Party shall prepare and maintain complete, accurate and auditable books of account relating to the operation of the Crown OR Online Sportsbook Offering. Crown OR shall adopt accounting practices consistent with GAAP, except

as otherwise required by applicable Law, and shall establish and maintain an industry-standard system of internal accounting controls.

(b) **Record Retention.** Each Party shall maintain its records relating to this Agreement for at least seven (7) years following the end of the calendar year to which they pertain, or such longer period as may be required from time to time by applicable Law.

(c) **Financial Audits.** During the Term, and for a period of twelve (12) months thereafter, a Party may initiate, at the initiating Party's expense, once in any twelve (12) month period (but provided that in the event an audit is performed and no underpayments are revealed, the auditing Party may not initiate another audit until twelve (12) months following the conclusion of such audit), an independent audit of the books and records of the other Party, to be performed by an accredited third-party auditor in order to verify compliance with this Agreement. The auditing Party shall provide not less than thirty (30) days' prior written notice of a request for an audit, setting forth the specific kinds of relevant practices, time period, procedures and documentation desired to be audited. Such audit shall be conducted during normal business hours at the audited Party's place of business (or such other location to which the Parties may mutually agree) at a mutually agreed upon time period and date. In the event necessary, the Parties shall meet at least one (1) time following an audit to attempt to resolve any discrepancies discovered during such audit. Any third party performing an audit must execute a confidentiality agreement in a form that is reasonably acceptable to the Parties prior to providing any such audit services.

### 13. **Confidential Information.**

(a) Crown OR shall maintain the Crown OR Customer Data and OSL Data in compliance with applicable Law (including data protection Laws), any requirements related to the security of the Gaming Platform set forth in this Agreement or any Statement of Work entered into under this Agreement, and applicable payment card industry data security standards. In addition, pursuant to Section 25(j), during the Term of this Agreement and for a period of one (1) year thereafter, Crown OR shall, as mutually agreed upon in both cadence and content, send email marketing messages to promote OSL's non-competing products to potential customers. Requests for specific cadence or content shall not be unreasonably denied by Crown OR.

(b) **"Confidential Information"** means information disclosed by each Party to the other Party or materials made available to or developed by outside organizations or individuals for the use of a disclosing Party, whether orally, visually, or in written form, including but not limited to trade secrets of each Party, any information relating to each Party's product plans, designs, ideas, concepts, costs, prices, finances, marketing plans, business opportunities, personnel, research, development or know-how, technology, documentation, processes, algorithms, proprietary information, and any other technical or business information of each Party. Confidential Information includes OSL Data. Each Party agrees that it will not, without the prior

written consent of the other Party, disclose the Confidential Information of the other Party, except (x) as otherwise agreed to in writing by such other Party (including as necessary to procure the Governmental Approvals contemplated by this Agreement) or (y) to its Affiliates, commissioners, officers, managers, members, general partners, employees, directors, agents, lenders, advisors and contractors who need to know such information in connection with the transactions contemplated by this Agreement and who are instructed as to the confidential nature thereof. Further, each Party shall use such Confidential Information of the other Party solely in furtherance of the transactions contemplated by this Agreement and for no other purpose whatsoever. The Party receiving the Confidential Information shall use at least the same degree of care used by it to protect the unauthorized use, disclosure, publication or dissemination of its own confidential information, but in any case, no less than a reasonable degree of care. Notwithstanding anything herein to the contrary, (i) Crown OR may disclose the terms and conditions of this Agreement and such non-public, confidential or proprietary information as it reasonably deems necessary or advisable to any Governmental Entity pursuant to applicable Laws (including any court order) to which it is subject, as well as any other applicable judicial or governmental order, investigation, or inquiry, and (ii) OSL may disclose Crown OR's Confidential Information in its possession only in accordance with the Oregon Public Records Law (as defined below).

In the event disclosure of one Party's Confidential Information is required by the other Party pursuant to applicable Law (including any court order) to which it is subject, the Party subject to the applicable Law shall, in the event legally permitted to do so, promptly notify the other Party of the disclosure requirement (in the event allowed under applicable Law) and provide the Party whose Confidential Information is subject to the disclosure required by applicable Law an opportunity to object to any proposed disclosure and to seek an order or other reliable assurance that confidential treatment will be accorded to such information. A Party compelled by applicable Law to disclose the Confidential Information of the other Party shall disclose only such portion of such Confidential Information required to be disclosed by applicable Law, or, with respect to such a request made under the Oregon Public Records Law, as set forth in the previous paragraph and the remainder of this paragraph. Notwithstanding anything herein to the contrary, OSL's disclosure and destruction obligations under this Agreement are subject to Oregon's record retention and Public Records Laws, including ORS 192.005 through 192.170 and 192.311 through 192.478 ("***Oregon Public Records Law***"), which may prohibit OSL's destruction of, or other disposition of, Confidential Information. Non-disclosure of documents or any portion of a document submitted by Crown OR to OSL may depend upon official or judicial determinations made pursuant to the Oregon Public Records Law. In the event OSL receives a request from a third party under the Oregon Public Records Law for the disclosure of this Agreement or any documents relating to this Agreement or the underlying procurement, then OSL shall notify Crown OR within a reasonable period of time of the request and permit Crown OR the opportunity to suggest redactions and take any other actions to protect Crown OR's Confidential Information consistent with the Oregon Public Records Law to any such documents sought by a third party under the Oregon Public Records Law before OSL responds to any such request. OSL will only disclose such documents in accordance with the Oregon Public Records Law.

Notwithstanding anything herein, this section does not protect, and the term “Confidential Information” shall not include information that (i) is already known by or available to the public through no fault of the receiving Party; (ii) was already in the possession of the receiving Party on a non-confidential basis; (iii) is independently developed by the receiving Party without the use of any Confidential Information provided by the disclosing Party; or (iv) the receiving Party rightfully obtains from a third party who, to the receiving Party’s reasonable belief, has the right, without obligation to the disclosing Party, to transfer or disclose such information. Each Party agrees that, in the event of any breach of any provision of this Section 13(b), the Party disclosing Confidential Information may or will not have an adequate remedy at law for money or damages. The Parties therefore agree that, in such event and without limiting any other remedies, the Party disclosing Confidential Information shall be entitled to seek preliminary and/or permanent injunctive relief against such breach in any court of competent jurisdiction, with the requirement of posting a bond hereby waived to the extent permitted by applicable Law. The obligations under this Section 13(b) shall survive the expiration or earlier termination of this Agreement for a period of five (5) years.

14. **Representations and Warranties of OSL.** OSL hereby represents and warrants to Crown OR as follows:

(a) OSL is instrumentality of the State of Oregon existing pursuant to ORS 461.100.

(b) As of the Effective Date, OSL has the requisite power and authority to execute and deliver this Agreement, and to perform its obligations under this Agreement, and to grant to Crown OR the rights and authorizations granted in accordance with the terms and conditions hereunder. The execution and delivery by OSL of, and the performance by OSL of its obligations under, this Agreement, have been duly authorized by the requisite action on its part. This Agreement is the valid and binding obligation of OSL, enforceable against OSL in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors’ rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(c) The execution, delivery and performance by OSL of this Agreement does not, at the time of OSL’s execution of the Agreement, (i) conflict with or violate any provision of OSL’s organizational documents or authorizing legislation; (ii) result in any violation of or breach or default under or loss of rights under any material contract or material agreement to which OSL is a party or by which it is bound; (iii) violate any Law to which OSL is subject as of the Effective Date; or (iv) violate, conflict with or result in a default, right to accelerate or loss of rights under any order, judgment or decree to which OSL is a party or by which it is bound or affected.

(d) OSL is not an Unsuitable Person or a Federally Prohibited Person and has no reason to believe that it will be unable to fulfill OSL’s obligations as described in this Agreement.

(e) OSL has the express right and authorities to bind itself as needed to perform the duties and obligations set forth herein.

(f) EXCEPT AS EXPRESSLY STATED IN THIS SECTION 14, OSL MAKES NO OTHER REPRESENTATIONS OR WARRANTIES AND EXPLICITLY DISCLAIMS ALL OTHER REPRESENTATIONS AND WARRANTIES, WHETHER EXPRESS, IMPLIED, WRITTEN, ORAL OR STATUTORY, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, AND WARRANTIES OTHERWISE ARISING FROM A COURSE OF DEALING, COURSE OF PERFORMANCE OR USAGE OF TRADE.

15. **Representations and Warranties of Crown OR.** Crown OR hereby represents and warrants to OSL as follows:

(a) Crown OR is a limited liability company duly organized and validly existing under the Laws of the State of Delaware and has taken all actions necessary to be authorized to conduct business in the State of Oregon.

(b) Crown OR has the requisite power and authority to execute, deliver and perform its obligations under this Agreement. The execution and delivery by Crown OR of, and the performance by Crown OR of its obligations under, this Agreement, have been duly authorized by the requisite corporate action on its part, including in the event necessary, approval of the members of Crown OR and any Affiliate of Crown OR. This Agreement is the valid and binding obligation of Crown OR, enforceable against Crown OR in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(c) The execution, delivery and performance by Crown OR of this Agreement does not and will not (i) conflict with or violate any provision of Crown OR's organizational documents; (ii) result in any violation of or breach or default under or loss of rights under any material contract or material agreement to which Crown OR is a party or by which it is bound; (iii) violate any material Law to which Crown OR is subject; or (iv) violate, conflict with or result in a default, right to accelerate or loss of rights under any order, judgment or decree to which Crown OR is a party or by which it is bound or affected.

(d) Crown OR is not an Unsuitable Person or a Federally Prohibited Person.

(e) EXCEPT AS EXPRESSLY STATED IN THIS SECTION 15 OR ELSEWHERE IN THIS AGREEMENT, CROWN OR MAKES NO OTHER REPRESENTATIONS OR WARRANTIES AND EXPLICITLY DISCLAIMS ALL OTHER

REPRESENTATIONS AND WARRANTIES, WHETHER EXPRESS, IMPLIED, WRITTEN, ORAL OR STATUTORY, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, AND WARRANTIES OTHERWISE ARISING FROM A COURSE OF DEALING, COURSE OF PERFORMANCE OR USAGE OF TRADE.

16. **Indemnification; Limitation of Liability.**

(a) Subject to the limitation of liability set forth below and, with respect to OSL, the limitations set forth in Sections 11(c), 16(c), and 16(d), each Party (the “***Indemnifying Party***”) shall indemnify, defend, and hold the other Party, the other Party’s Affiliates, the State of Oregon (when Crown OR is the Indemnifying Party), and the commissioners, managers, officers, directors, employees, agents, and successors and assigns of all the foregoing persons and entities (collectively, the “***Indemnified Party***”) harmless against all liability, obligations, losses, damages, injuries, penalties, fines, claims, suits, costs, actions, expenses, and disbursements (actual or contingent) (including reasonable outside attorneys’ fees, expenses, and costs) that the Indemnified Party may suffer or incur from third party claims to the extent arising as a result of:

(i) in the case of OSL as an Indemnifying Party only, any third-party claim that the OSL logos, emblems, insignia, designs, trade dress, trade names or trademarks violate the intellectual property rights of such third party;

(ii) in the case of Crown OR as an Indemnifying Party only, any third-party claim that (a) the Crown OR logos, emblems, insignia, designs, trade dress, trade names or trademarks, (b) the Gaming Platform, (c) any Licensed Materials, (d) the Services or Deliverables, or (d) any combination of the foregoing violate the Intellectual Property Rights of such third party;

(iii) in the case of Crown OR as an Indemnifying Party only, any violation of law, or the negligence or misconduct, of Crown OR, its Affiliates, or either of their respective authorized agents in connection with the operation of the Skin, the Crown OR Online Sportsbook Offering, or in connection with any other obligation of Crown OR under this Agreement or any Statement of Work entered into hereunder, including but not limited to incorrect calculation or payout of winning bets, and events involving damages to intangible personal property (provided that for clarity, Crown OR shall remain liable for, and shall promptly make OSL whole, for incorrect calculation or payouts made as a result of the Crown OR Online Sportsbook Offering unless such incorrect calculation or payouts resulted from the act or omission of OSL);

(iv) in the case of OSL as an Indemnifying Party only, any security incident involving Personal Information on the software, systems and/or other online services under the control of OSL or any subcontractor with which it has contracted in connection with its



obligations under this Agreement (provided that, for clarity, OSL shall pay for all remediation costs incurred by Crown OR which arise from this Section 16(a)(iv));

(v) in the case of Crown OR as an Indemnifying Party only, any Security Incident involving Personal Information on the software, systems and/or other online services under the control of Crown OR, an Affiliate of Crown OR, or any subcontractor with which Crown OR or any Affiliate of Crown OR has contracted in connection with its obligations under this Agreement (provided that, for clarity, Crown OR shall pay for all remediation costs incurred by OSL which arise from this Section 16(a)(v)); and

(vi) in the case of OSL as an Indemnifying Party only, any third party claims alleging the violation of law, or the negligence or misconduct, of OSL, its Affiliates, or either of their respective authorized agents in connection with the obligations of OSL under this Agreement or any Statement of Work entered into hereunder.

(b) With regard to indemnification, whenever the Indemnifying Party has an obligation to indemnify an Indemnified Party under this Agreement, the following procedures shall apply:

(i) upon obtaining knowledge of any claim or allegation that could give rise to indemnity, the Indemnified Party shall promptly notify the Indemnifying Party in writing of any such claim or allegation; *provided, however*, the failure or delay to provide such notice shall only limit the Indemnifying Party's obligations to the extent the Indemnifying Party was prejudiced thereby;

(ii) the Indemnified Party shall make no admissions or settlement agreements in relation to such claim or allegation without the Indemnifying Party's prior written consent (not to be unreasonably withheld, conditioned, or delayed), and so long as the Indemnifying Party has acknowledged its indemnification obligations with respect to such claim or allegation and has not refused to assume its indemnification obligations hereunder with respect to such claim or allegation, in the event an Indemnified Party violates this Subsection 16(b)(ii), the Indemnified Party shall have no further right to indemnification hereunder for such claim or allegation; and

(iii) the Indemnifying Party shall have the right to assume the defense of any such claim or allegation with respect to which the Indemnified Party is entitled to indemnification hereunder (a "*Claim*"). In the event the Indemnifying Party assumes such defense, (a) such defense shall be conducted by counsel selected by the Indemnifying Party and approved by the Indemnified Party and, in the event OSL is the Indemnified Party, the Oregon Attorney General, such approval not to be unreasonably withheld, conditioned or delayed; (b) so long as the Indemnifying Party is conducting such defense with reasonable diligence, the Indemnifying Party shall have the right to control said defense and shall not be required to pay the fees or

disbursements of any counsel engaged by the Indemnified Party except in the event a material conflict of interest exists between the Indemnified Party and the Indemnifying Party with respect to such Claim or defense; and (c) the Indemnifying Party shall have the right, without the consent of the Indemnified Party, to settle such Claim, but only in the event such settlement involves only the payment of money, the Indemnifying Party pays all amounts due in connection with or by reason of such settlement and, as part thereof, the Indemnified Party is unconditionally and fully released from all liability in respect of such Claim. The Indemnified Party shall have the right to participate in the defense of such Claim being defended by the Indemnifying Party at the expense of the Indemnified Party, but the Indemnifying Party shall have the right to control such defense. Notwithstanding the foregoing, in the event OSL is the Indemnified Party, OSL may, at its election and its sole cost and expense (including without limitation attorney's fees, costs, and expenses), assume its own defense and settlement in the event that the OSL determines that Crown OR is prohibited from defending the OSL, is not adequately defending OSL's interests, or that an important governmental principle is at issue and OSL desires to assume its own defense.

(c) **Limitation on Non-Direct Damages.** Absent fraud, gross negligence, and/or willful misconduct, and except for (a) violation of the confidentiality provisions set forth in Section 13(b) above; and (b) the indemnity obligations set forth above in this section, and except as may otherwise be provided herein, neither Party (nor any of either Party's Affiliates, agents, members, shareholders, directors, officers, employees, or representatives (together, the "**Representatives**")) shall be liable for any incidental, special, indirect, consequential, punitive or exemplary damages, or damages for lost profits or savings arising from any claim or action hereunder based on contract, tort, equity or other legal theory, even in the event previously advised of the possibility of such damages.

(d) **Cap on Liability.**

(i) **Standard Cap.** Expressly excluding OSL's Regulatory Tax Liability, and the indemnity obligations of each Party, the maximum aggregate cumulative liability of each Party and its Affiliates for any and all claims, losses, events or occurrences arising under or in connection with this Agreement, howsoever arising, including by way of contract, statute and/or under an indemnity and/or in tort (including negligence or any other theory of law), shall be limited to \$5,000,000.

(ii) **Enhanced Cap.** Notwithstanding 16(d)(i), and expressly excluding OSL's Regulatory Tax Liability, the maximum aggregate cumulative liability of each Party and its Affiliates for any and all Claims and losses in connection with (a) a Party's indemnification obligations hereunder, and (b) Crown OR's obligations under Section 4(d) is limited to \$10,000,000.

(e) OSL's liabilities under this Agreement and any OSL obligation under this Agreement to indemnify or hold Crown OR harmless against claims brought by third parties against Crown OR, including any payment of attorneys' fees, are subject to the limitations of Article XV, Section 4(4) of the Oregon Constitution and the Oregon Tort Claims Act, ORS 30.260 through 30.300.

**17. Insurance Coverages.**

(a) Crown OR shall, at its sole cost and expense, prior to taking any action in connection with performance of this Agreement, procure and thereafter maintain in full force and effect at least the following insurance coverages:

(i) workers' compensation insurance to cover obligations imposed by state statutes having jurisdiction over the Party's employees and employer's liability insurance with a minimum limit of the greater of \$1,000,000 and the statutory minimum;

(ii) commercial general liability insurance with a combined single limit of \$1,000,000, and a \$5,000,000 aggregate limit (including applicable umbrella policies except any that may be agreed pursuant to subclause (a)(iii) below), and covering bodily injury, broad form property damage, personal injury, blanket contractual liability, independent contractors, products and completed operations; and

(iii) technology errors and omissions / network security insurance and privacy liability insurance (including professional liability insurance or errors and omissions insurance) with a minimum limit of \$10,000,000 (provided such insurance may be provided through a combination of primary and excess coverages).

(b) All insurance policies described in subsection (a) above must be placed with AM Best, A VII rated companies that are legally permitted to conduct business in the State of Oregon.

(c) For the liability/casualty coverages above, the insurance coverage shall name OSL (in addition to Crown OR and its Affiliates) as an additional insured on a primary and non-contributory basis and include an endorsement denying to the insurer rights of subrogation against either Party and their respective Affiliates for the alleged negligence of that Party. All general liability insurance shall be written on an ISO "on occurrence" form. Crown OR shall deliver a certificate of insurance evidencing the required coverage and additional insured status required hereunder to OSL within thirty (30) days as reasonably requested by OSL. All required insurance policies required hereunder shall provide, and the corresponding certificate of insurance

shall reflect, that the insurance coverages shall not be canceled or not renewed without the giving of thirty (30) days' prior written notice to OSL.

18. **Performance Security; Parent Guarantee.**

(a) **Bond Amount and Delivery.** No later than five (5) Business Days following the Effective Date, Crown OR shall deliver to OSL and maintain in effect one (1) performance bond in favor of OSL as obligee, in the amount of three million dollars (\$3,000,000). Crown OR shall maintain a three million dollars (\$3,000,000) performance bond for the Term. Crown OR shall deliver to OSL a copy of the performance bond renewal or continuation document, in the event applicable, within forty-five (45) calendar days following the Effective Date of the renewal or continuation.

(b) **Performance Bond Form and Surety.** Each performance bond must be substantially in the form attached as Exhibit C, and must be written by a company that is financially rated A or better and is licensed to do business in Oregon.

(c) **Claims Against Performance Bonds.** In addition to any other conditions under which OSL is authorized to make claims against the performance bonds, OSL may make one or more claims against the performance bonds in the event Crown OR fails to comply with its obligation to indemnify OSL under Section 16.

(d) **Parent Guaranty.** DraftKings Inc. (hereinafter "***Guarantor***") hereby absolutely, unconditionally and irrevocably guarantees to OSL the full and punctual payment when due and performance of all obligations of Crown OR now or hereafter existing under or in respect of this Agreement, including any future Statements of Work, and amendments (such obligations, the "***Guaranteed Obligations***"). Without limiting the generality of the foregoing, Guarantor's liability shall extend to all amounts that constitute part of the Guaranteed Obligations and would be owed by Crown OR to OSL under or in respect of this Agreement but for the fact that they are unenforceable or not allowable in each case due to the existence of a bankruptcy, reorganization or similar proceeding involving Crown OR. Guarantor guarantees, to the extent permitted by applicable Law, that the Guaranteed Obligations will be performed and paid. Guarantor shall be entitled to all applicable rights and defenses of Crown OR that may be applicable under this Agreement.

19. **Assignment; Change of Control.**

(a) Neither Party shall assign any of its rights or obligations under this Agreement without the prior written consent of the other Party, such consent not to be unreasonably withheld, delayed or conditioned; provided, however, subject to the obtaining of any required Governmental Approvals, either Party may assign all or part of this Agreement without

such prior written consent (i) to an Affiliate of the Party or (ii) in the case of Crown OR, in the event of a merger, acquisition, Change of Control, corporate restructuring, sale of all or substantially all of its assets and/or stock, or similar transaction, and (iii) in the case of OSL, in the event that the Oregon Legislature authorizes another public entity, other than OSL, to exclusively conduct the activities that are the subject matter of this Agreement, provided that the assignee expressly agrees to assume all obligations, rights and duties of the assignor under this Agreement. Any assignment in violation of this Section 19 is null and void ab initio, and the obligations shall remain between the Parties hereto.

**20. Relationship of the Parties.**

(a) The relationship of the Parties established by this Agreement is that of independent contractors, and nothing in this Agreement, and no action taken by the Parties pursuant to this Agreement, shall be construed as creating a partnership, joint venture, agency, franchise, fiduciary relationship or a joint employer relationship of any kind between the Parties. No employee or contractor hired or engaged by a Party or, in the case of Crown OR, its Affiliates, will be deemed to be an employee or contractor of the other Party or, in the case of Crown OR, its Affiliates. With respect to each Party's employees, the Party is solely responsible for: (i) hiring, supervising and firing; (ii) controlling work schedules and conditions of employment; (iii) determining wage and salary payment schedules and methods; (iv) maintaining employment records; and (v) complying with all employment-related applicable Law including, without limitation, Laws relating to equal opportunity, non-discrimination, occupational safety and health and the payment of any salary, wages, bonuses, commissions, vacation pay, severance, separation pay or benefits and unlawful retaliation.

**21. Notices.** Any notice permitted or required to be given under this Agreement, in order to constitute valid notice under this Agreement, must be in writing and must be delivered personally or by overnight courier (e.g., FedEx, UPS, DHL) to the address of the respective Party provided below. A notice sent by hand delivery or overnight courier shall be deemed given when delivered.

If to Crown OR:

Mr. Jason Robins  
DraftKings Inc.  
222 Berkeley Street, 5th Floor  
Boston, Massachusetts 02116

With a copy (which shall not constitute notice) to:

Stanton Dodge - Chief Legal Officer  
DraftKings Inc.

222 Berkeley Street, 5th Floor  
Boston, Massachusetts 02116

If to OSL:

Oregon Lottery  
Attn: Kerry Hemphill, Contract Administrator  
500 Airport Rd. SE  
Salem, Oregon 97301

With a copy to:

Oregon Lottery  
Attn: Lottery Procurement Department  
500 Airport Road SE,  
Salem, Oregon 97301

22. **Regulatory Limitation.**

Each Party shall use commercially reasonable efforts (i) to obtain and maintain in good standing all Governmental Approvals necessary on the part of such Party to consummate and perform the transactions contemplated by this Agreement and (ii) to assist and cooperate with the other Party in regard to such Party's acquiring and maintaining in good standing all Governmental Approvals necessary on the part of such Party to consummate and perform the transactions contemplated by this Agreement.

23. **Rules of Interpretation.**

(a) In this Agreement, except to the extent otherwise provided herein: (i) when a reference is made in this Agreement to a section, such reference is to a section of this Agreement unless otherwise indicated; (ii) the headings to sections and clauses in this Agreement are for reference purposes only and do not affect in any way the meaning or interpretation of this Agreement; (iii) whenever the words "include," "includes" or "including" are used in this Agreement, they are deemed to be followed by the words "without being limited to"; (iv) the words "hereof," "herein" and "hereunder" and words of similar import, when used in this Agreement, refer to this Agreement as a whole and not to any particular provision of this Agreement; (v) all terms defined in this Agreement have the defined meanings when used in any certificate or other document made or delivered pursuant hereto, unless otherwise defined therein; (vi) the definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms; (vii) any reference to "days" means "calendar days" unless otherwise specified; (viii) in the event a notice is to be given on a specified day, unless otherwise specifically provided herein, it must be given prior to 5:00 p.m., Pacific prevailing time; (ix) references to a Person are also to such

Person's successors and permitted assigns; (x) the use of "or" is not intended to be exclusive unless indicated otherwise; (xi) any reference to "\$" and "dollars" is to the lawful money of the United States of America; and (xii) unless otherwise expressly provided herein, any agreement, instrument, statute, rule or regulation defined or referred to herein or in any agreement or instrument defined or referred to herein means such agreement, instrument, statute, rule or regulation as from time to time amended, modified or supplemented, including (in the case of agreements or instruments) by waiver or consent and (in the case of statutes, rules and regulations) by succession of comparable successor statutes, rules and regulations.

(b) Except where the context otherwise requires: (i) words denoting the singular include the plural and vice versa; (ii) words denoting any one gender include all genders; and (iii) words denoting persons include partnerships, corporations, and limited liability companies and vice versa.

(c) References to this Agreement shall include the preamble, all recitals and all exhibits, which are incorporated by reference into this Agreement.

(d) Except as otherwise expressly provided herein, capitalized terms used in this Agreement have the respective meanings ascribed to them on Exhibit A attached to this Agreement, or as otherwise defined herein.

## 24. **Dispute Resolution Process.**

(a) **Informal Dispute Resolution.** In the event of any dispute or claim arising from or relating to this Agreement (including a breach hereof) or the relationship of the Parties (each, a "**Dispute**"), the Parties shall first attempt to resolve the Dispute pursuant to the informal dispute resolution process described in this Section 24(a). A Party may initiate the informal dispute resolution process described in this Section by sending written notice to the other Party outlining the nature of the dispute and the proposed remedy. The Party's authorized representatives, which, for OSL is OSL's Chief Corporate Affairs Officer, and for Crown OR is Crown OR's Director of Regulatory Operations and Director of Gaming Relations (or his or her designee), shall meet (either in person or virtually) and engage in good faith discussions to resolve the dispute within five (5) days of receipt of a notice of dispute. In the event discussions between the authorized representatives are unsuccessful after fourteen (14) days of such meeting, one of the Parties may then request the Dispute be escalated to: (a) for Crown OR, the President of Global Technology and Product (or his or her designee), and (b) for OSL, its Director, for resolution. In the event after a period of twenty-eight (28) days, following good faith discussions Crown OR's President of Global Technology and Product (or his or her designee) and the OSL's Director are unable to resolve the Dispute, and those individuals jointly determine in writing that a negotiated resolution is not practical, either Party may then agree to settle the Dispute in accordance with Section 24(b) (Mediation).

(b) **Mediation.** In the event the Parties are unable to resolve a Dispute in accordance with the informal Dispute resolution process set forth above, the Parties may agree to try in good faith to settle the dispute by non-binding mediation administered by the American Arbitration Association or JAMS under their commercial mediation procedures before resorting to litigation. The mediation shall be conducted by one (1) mediator in Salem, Oregon within a period of not more than ninety (90) days following the filing of a request for mediation. In the event the Parties are unable to resolve the Dispute after mediation, a Party may then initiate litigation in accordance with Section 24(c) (Choice of Law, Jurisdiction, and Venue) below. In the event the Parties agree to mediation pursuant to this Section, the Parties covenant that they shall participate in the non-binding mediation in good faith. Each Party shall bear its own costs incurred in such mediation, including the fees and expenses of its attorneys, and the Parties shall share equally the other costs of the mediation, including mediators' fees and expenses and fees charged by the mediation organization. All offers, promises, conduct, and statements, whether oral or written, made in the course of the mediation by any of the Parties, their agents, employees, experts and attorneys, and by the mediator(s), are confidential, privileged, and inadmissible for any purpose, including impeachment, in any litigation or other proceeding involving the Parties; provided that evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the mediation. Either Party may refuse to enter mediation at its sole discretion.

(c) **Choice of Law, Jurisdiction and Venue.** This Agreement will be governed by the laws of the State of Oregon without regard to its conflicts of law provisions or any other provision of law that would allow for or mandate the application of the substantive laws of any jurisdiction other than those of the State of Oregon. All claims, suits, or actions related to this Agreement must be brought and conducted solely and exclusively within the Circuit Court of Marion County for the State of Oregon; provided, however, that in the event a claim may be brought in a federal forum, then it will be brought and adjudicated solely and exclusively within the United States District Court for the District of Oregon. This Section 24(c) shall not be construed as (i) a waiver by the State of Oregon of any form of defense or immunity, whether it is sovereign immunity, governmental immunity, immunity based on the Eleventh Amendment to the Constitution of the United States, or otherwise, from any claim or (ii) consent by the State of Oregon to the jurisdiction of any court. Crown OR consents to the in personam jurisdiction of the courts identified in this Section 24(c).

(d) **Legal Holds.**

(i) OSL will promptly inform Crown OR in writing when an actual or potential legal action relating to OSL occurs for which OSL will require Crown OR's assistance to comply with litigation holds or electronic discovery.

(ii) Subject to applicable Law, and as expressly and reasonably directed by OSL in writing (which direction will include the furnishing of detailed instructions contained



in any legal request), Crown OR will exclude from deletion activity under its control the data described in OSL's instructions that is subject to the litigation hold and will maintain and preserve such data until written authorization is received from OSL releasing the data from the litigation hold. Upon receipt of written authorization releasing data under a litigation hold, Crown OR will apply normal archiving and deletion activities to such data.

**25. Miscellaneous Additional Provisions.**

(a) No modification or amendment of any provision of this Agreement will be effective unless such modification or amendment is approved in a writing that is signed by each Party. No waiver of any term or condition hereof shall be effective unless in writing and signed by an authorized representative of the Party against whom such waiver is asserted. The failure of a Party to enforce any of the provisions of this Agreement will in no way be construed as a waiver of such provisions and will not affect the right of such Party thereafter to enforce each and every provision of this Agreement in accordance with its terms. All rights and remedies contained in this Agreement shall be cumulative and shall not limit any other right or remedy to which a Party may be entitled.

(b) This Agreement and each Statement of Work entered into hereunder constitute the entire agreement of the Parties with respect to its subject matter and supersedes and preempts any prior understandings, agreements, or representations by or between the Parties, written or oral, that may have related to the subject matter of this Agreement in any way, except any prior non-disclosure agreements or confidentiality provisions in prior agreements, which shall remain in full force and effect.

(c) This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. Each Party agrees to accept the facsimile (or other electronic) signature of the other Party and to be bound by its own facsimile (or other electronic) signature.

(d) Except as otherwise expressly provided in this Agreement, each Party will bear its own fees, costs and expenses incurred in connection with the preparation, negotiation, execution, and performance of this Agreement.

(e) The Parties and the Parties' respective counsel have participated jointly in the negotiation and drafting of this Agreement. Each of the Parties acknowledges that it is sophisticated in business matters of the type contemplated hereby and has been advised by experienced counsel and, to the extent it has deemed necessary, other advisers in connection with the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement will be construed as though drafted jointly by the Parties, and no presumption or burden of proof will arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement.

(f) In the event any term of this Agreement is to any extent illegal, otherwise invalid, or incapable of being enforced, such term shall be excluded to the extent of such invalidity or unenforceability; all other terms and conditions hereof shall remain in full force and effect; and, to the extent permitted and possible, the invalid or unenforceable term shall be deemed replaced by a term that is valid and enforceable and that comes closest to expressing the intention of such invalid or unenforceable term; provided that this Section 25(f) shall not be construed to limit any termination right set forth in Section 3(c).

(g) In the event any further action is necessary to carry out the purposes of this Agreement, each Party will take such further action (including the execution and delivery of further instruments and documents) as the other Party reasonably may request, all at the sole cost and expense of the requesting Party (unless the requesting Party is entitled to indemnification therefor under this Agreement).

(h) Neither Party shall be liable for any delay or failure to perform any material obligation under this Agreement, in the event the failure is due to an event beyond the reasonable control of one Party that prevents that Party from complying with any of its obligations under this Agreement, including, but not limited to, third party interventions, loss of or damage to hosting facilities, or an act of God or nature (such as, but not limited to fire, explosion, earthquake, drought, tidal wave and floods), pandemic, epidemic, war, hostilities, invasion, revolution, riots, civil war, and acts or threats of terrorism (but excluding regulatory policy and legislation) (each a “**Force Majeure Event**”). Moreover, in the event one Party is unable to act due to a Force Majeure Event, the other Party shall be similarly relieved of its obligations until the Force Majeure Event is resolved and both Parties can resume their activities pursuant to this Agreement.

(i) The provisions of Sections 1(d), 6(b)-(c), 7(f), 7(g), 7(h), 8(d), 8(e), 9(c)-(g), 10(f)-(g), 11(c), 12(b), 12(c), 13, 16, 18(d), 20, 21, 23, 24, 25(a)-(i), 25(k), 25(m), 25(n), and 25(p) will survive the termination or expiration of this Agreement as will any terms or conditions of this Agreement that expressly contemplate survival beyond the termination or expiration of this Agreement, and, with respect to any section that requires reporting, retention of records, audit rights, or payment after the end of the Term, those reporting, retention, audit and payment obligations shall also survive until fulfilled.

(j) Subject to the provisions of Section 7 (Marketing and Branding) Crown OR shall send marketing messages on behalf of the Parties to promote the Crown OR Online Sportsbook Offering to potential customers, including using the Crown OR Customer Data lists and any pre-Migration customer lists provided by OSL to Crown OR for such purposes. Crown OR shall also send, upon mutually agreed upon intervals, messaging to the individuals reflected on Crown OR Customer Data lists to promote OSL’s non-competing products and offerings within the State of Oregon.

(k) Subject to the limited licenses described in this Agreement, as between OSL and Crown OR, each Party will exclusively own and control its respective intellectual property. All goodwill that accrues from the licensed use of a Party's trademarks, service marks, copyrights, other intellectual property rights and rights of publicity hereunder will inure exclusively to the Party that owns the respective trademark, service mark, copyright, other intellectual property right or right of publicity. Each Party agrees not to (i) assert copyright, trademark or other intellectual property ownership or other proprietary rights in the intellectual property of the other Party; (ii) contest the validity of, or the other Party's ownership of, such other Party's intellectual property (excluding patents); or (iii) at any time, adopt or use, without the other Party's prior written consent, any confusingly similar variation of any of such other Party's trademarks, service marks, logos, trade dress or copyrights. Except as explicitly set forth herein, this Agreement does not confer upon either Party, by implication, operation of law or otherwise, any license or other right to the other Party's intellectual property. All rights not specifically granted herein are reserved.

(l) In the event any future Law, or amendment thereto, allows for OSL to offer real money virtual sports wagering to individuals located in the Permitted Territory using an online/mobile gaming platform, OSL and Crown OR shall discuss whether to add such offering to the Crown OR Online Sportsbook Offering.

(m) EACH PARTY'S SOFTWARE, COMPUTER SYSTEMS AND OTHER ONLINE SERVICES (INCLUDING, WITHOUT LIMITATION, THE CROWN OR WEBSITE AND MOBILE APPLICATIONS) ARE PROVIDED TO THE OTHER PARTY ON AN "AS-IS" BASIS AND, WITH THE EXCEPTION OF ANY WARRANTIES SET FORTH IN THIS AGREEMENT OR ANY STATEMENT OF WORK, WITHOUT WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY, NON-INFRINGEMENT, TITLE, OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE INTERNET OR USE OF INFORMATION IN CONNECTION WITH ANY SOFTWARE OR COMPUTER SERVICES PROVIDED HEREIN.

(n) Subject to (i) Crown OR's obligations as a subsidiary of a publicly-traded company, or as may otherwise be required by the Securities and Exchange Commission or as part of filings for gaming licenses or applications, or (ii) OSL's obligations as a public entity, including its obligations under the Oregon Public Records Law, the Oregon Public Meetings Laws (ORS 192.610 through ORS 192.695), or any other applicable Law that requires or permits OSL to disclose information related to this Agreement or the performance of the Crown OR Online Sportsbook Offering, neither Party shall issue any publicity, press release, or other marketing communication concerning this Agreement or the Parties' relationship or performance under this Agreement without the other Party's prior written consent (email being sufficient) with respect to content, timing and delivery. In addition, at Crown OR's request, OSL will provide Crown OR information about any upcoming disclosure by OSL, including periodic disclosures at meetings of

the Oregon State Lottery Commission, of any data related to the financial performance of the Crown OR Online Sportsbook Offering.

(o) The Parties agree to conduct annual meetings, at OSL's request, in each instance, to discuss generally the future of the sports wagering industry and additional opportunities for increased profitability.

(p) Neither Party will make any public statement disparaging the reputation, products or services of the other Party or its Affiliates.

26. **Tax Certification.**


By signature of this the Agreement for Crown OR, the undersigned certifies under penalty of perjury that the undersigned is authorized to act on behalf of Crown OR and that Crown OR is, to the best of the undersigned's knowledge, not in violation of any Oregon tax laws. For purposes of this certification, "**Oregon tax laws**" means a state Tax imposed by ORS 320.005 to 320.150 and 403.200 to 403.250 and ORS chapters 118, 314, 316, 317, 318, 321 and 323 and the elderly rental assistance program under ORS 310.630 to 310.706 and local Taxes administered by the department of revenue under ORS 305.620.

*{Signature page follows.}*

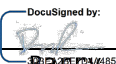
*{Remainder of page intentionally left blank.}*

IN WITNESS WHEREOF, the Parties have each, through their respective duly authorized representatives, caused this Agreement to be executed as of the date first set forth above.

**CROWN OR GAMING LLC, a Delaware limited liability company**

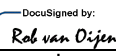
By:  PAUL LIBERMAN  
Name: PAUL LIBERMAN  
Title: President / CEO

**THE STATE OF OREGON, ACTING BY AND THROUGH ITS OREGON STATE LOTTERY COMMISSION**

By:  Barry G. Pack  
Name: Barry G. Pack  
Title: Director

With respect to Section 10 only (and to the relevant definitions set forth in the Agreement):

**SBTECH MALTA LIMITED, a Malta limited liability company**

By:  Rob van Oijen  
Name: Rob van Oijen  
Title: Non-executive Director

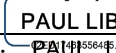
With respect to Section 10 only (and to the relevant definitions set forth in the Agreement):

**SBTECH US INC., a Delaware corporation**

By:  PAUL LIBERMAN  
Name: PAUL LIBERMAN  
Title: CEO

With respect to Section 18(d) only (and to the relevant definitions set forth in the Agreement):

**DRAFTKINGS INC., a Delaware corporation**

By:  PAUL LIBERMAN  
Name: PAUL LIBERMAN  
Title: COO

*{Signature Page to the Commercial Gaming Agreement dated as of December 20, 2021, by and between Crown OR Gaming LLC and the State of Oregon, acting by and through its Oregon State Lottery Commission}*

## Exhibit A

### Definitions

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“**Affiliate**” means, with respect to any Person, any Person directly or indirectly controlling, controlled by or under common control with such Person, including subsidiaries. For purposes of this definition, the term “control” means the possession, direct or indirect, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by reason of management authority, by contract, or otherwise. For purposes of this Agreement no Party shall be deemed an Affiliate of the other Party.

“**Agreement**” has the meaning set forth in the preamble of this Agreement.

“**Available**” has the meaning set forth in Exhibit B.

“**Availability**” has the meaning set forth in Exhibit B.

“**Bankrupt**” or “**Bankruptcy**” means with respect to any Person, that

(i) such Person (A) makes a general assignment for the benefit of creditors, (B) voluntarily commences any proceeding or files a voluntary petition seeking relief under any bankruptcy or similar law, (C) becomes the subject of an order for relief or is declared insolvent in any Governmental Entity bankruptcy or insolvency proceedings, (D) files a petition or answer seeking a reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any Law, (E) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against such Person in a proceeding of the type described in subclauses (A) through (D) of this clause (i), (F) seeks, consents to, or acquiesces in the appointment of a trustee, receiver, or liquidator of such Person or of all or any substantial part of such Person’s properties or (G) becomes unable, admits in writing its inability or fails generally to pay its debts as they become due, or

(ii) a proceeding seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any Law has been commenced against such Person and sixty (60) days have expired without dismissal thereof or with respect to which, without such Person’s consent or acquiescence, a trustee, receiver, or liquidator of such Person or of all or any substantial part of such Person’s properties has been appointed and sixty (60) days have expired without the appointment having been vacated or stayed, or sixty (60) days have expired after the date of expiration of a stay, in the event the appointment has not previously been vacated.

“**Business Day**” means any day other than a Saturday, Sunday or other day on which commercial banks in Oregon are authorized or required by law to close.

**“Business Hours”** has the meaning set forth in Exhibit B.

**“Change of Control”** means with respect to any Person, means (i) the sale or disposition, in one or a series of related transactions, of all or substantially all of the assets of the Person (other than an Affiliate of the Person), directly or indirectly, to any “person” or “group” (as such terms are defined in Sections 13(d)(3) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (**“Exchange Act”**)); (ii) any such person or group becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than fifty percent (50%) of the equity of such Person, including by way of merger, consolidation or otherwise (other than beneficial owners of the Company immediately before the relevant event or transaction); or (iii) any recapitalization or reorganization of the Person or any other transaction or series of related transactions (other than such transaction or transactions effected solely for purposes of changing the jurisdiction of organization or incorporation of the Person or changing the form of entity of the Person) in which the Persons who are equity holders immediately before such recapitalization, reorganization, other transaction or series of related transactions cease to hold, directly or indirectly, more than fifty percent (50%) of the equity of the Person or its successor (or its respective parent entity) immediately after such recapitalization, reorganization, other transaction or series of related transactions.

**“Claim”** has the meaning set forth in Section 16(b)(iii).

**“Confidential Information”** has the meaning set forth in Section 13(b).

**“Critical Incident”** has the meaning set forth in Exhibit B.

**“Crown OR”** has the meaning set forth in the preamble of this Agreement.

**“Crown OR Customer Data”** means both Existing Player Customer Data and New Player Customer Data. For clarity, Crown OR Customer Data shall not include any customer data or personal information with regards to Crown OR or DraftKings Inc.’s operations unrelated to this Agreement.

**“Crown OR Online Sportsbook Offering”** means the offering of Crown OR’s online/mobile sportsbook through the Skin on the Gaming Platform and pursuant to this Agreement within the Permitted Territory.

**“Crown OR Personnel”** has the meaning set forth in Section 4(c)(i).

**“Deliverables”** has the meaning set forth in Section 1(a).

**“Dispute”** has the meaning set forth in Section 24(a).

**“Downtime”** has the meaning set forth in Exhibit B.

**“Effective Date”** has the meaning set forth in the preamble of this Agreement.

**“Emergency Maintenance”** has the meaning set forth in Exhibit B.

**“Exchange Act”** has the meaning set forth in the definition of “Change of Control”.

**“Executive Order”** has the meaning set forth in the definition of “Federally Prohibited Person”.

**“Existing Player Customer Data”** means all player-related information acquired by OSL of Online Sportsbook Crown OR Players, including Personal Information, that was initially acquired by OSL through the operation of the SBTech Platform or otherwise under the SBTech Agreement.

**“Extension Term”** has the meaning set forth in Section 3(b).

**“Federally Prohibited Person”** means any Person: (a) listed in the Annex to, or otherwise subject to the provisions of, Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001, and relating to Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (the **“Executive Order”**) and/or a Person who is identified as or affiliated with a Person designated as a terrorist, or associated with terrorism or money laundering pursuant to regulations promulgated in connection with the USA PATRIOT Act; (b) that is owned or controlled by, or acting for or on behalf of, any Person that is listed in the Annex to, or is otherwise subject to the provisions of, the Executive Order; (c) with whom a regulated lender is prohibited from dealing or otherwise engaging in any transaction by any terrorism or money laundering law, including the Executive Order; (d) who commits, threatens or conspires to commit or supports “terrorism” as defined in the Executive Order; (e) that is named as a “specially designated national and blocked person” on the most current list published by the U.S. Treasury Department Office of Foreign Assets Control at its official website, <http://www.treas.gov/ofac/tlstdn.pdf> or at any replacement website or other replacement official publication of such list; or (f) who is an Affiliate of or affiliated with a Person listed in subsections (a) through (e) above.

**“Force Majeure Event”** has the meaning set forth in Section 25(h).

**“GAAP”** means generally accepted accounting principles in the United States then in effect.

**“Gaming Day”** has the meaning set forth in Section 8(b).

**“Gaming Platform”** means the online and mobile, interactive-software products to conduct, support and maintain the Crown OR Online Sportsbook Offering, including, (i) software games and applications, (ii) geo-location technology, (iii) anti-money laundering, “know-your-customer” and problem-gaming functionality, (iv) player account, back-end registration and



payment/cashier-system functions and components, (v) responsible gaming controls, (vi) back-office tools and (vii) affiliate, loyalty and bonus systems.

**“Governmental Approvals”** means, as applicable, all approvals, authorizations, licenses, permits, consents, findings of suitability, registrations, exemptions and waivers of or from any Governmental Entity, required of a Party in order to enter into and perform its obligations under this Agreement.

**“Governmental Entity”** means any federal, state, local or foreign government or any provincial, departmental or other political subdivision thereof, or any entity, body or authority having or asserting executive, legislative, judicial, regulatory, administrative or other governmental functions or any court, department, commission, board, bureau, agency, instrumentality or administrative body of any of the foregoing.

**“Guaranteed Obligations”** has the meaning set forth in Section 18(d).

**“Guarantor”** has the meaning set forth in Section 18(d).

**“Indemnified Party”** has the meaning set forth in Section 16(a).

**“Incident”** has the meaning set forth in Exhibit B below.

**“Indemnifying Party”** has the meaning set forth in Section 16(a).

**“Initial Response”** has the meaning set forth in Exhibit B below.

**“Initial Statement of Work”** has the meaning set forth in Section 1(b).

**“Initial Term”** has the meaning set forth in Section 3(a).

**“Integration”** has the meaning set forth in Exhibit B.

**“Intellectual Property”** means the Marks and all copyrights and other intellectual property rights created or owned by Crown OR or its respective personnel or Affiliates that relate to the advertising and making available the Gaming Platform to Online Sportsbook Crown OR Players and end users of the Gaming Platform, but specifically excluding any and all intellectual property composing the Gaming Platform itself.

**“Intellectual Property Rights”** means any patent, copyright, trade secret, trademark, trade dress, mask work, utility design, or other proprietary right.

**“Internet Sports Betting Operation”** means an online/mobile sportsbook that has received all Governmental Approvals to operate under applicable Laws.

**“IRS”** means the United States Internal Revenue Service.

**“Key Person(s)”** has the meaning set forth in Section 4(a).

**“Law”** means any applicable statute, law, regulation, ordinance, rule, judgment, rule of law, order, decree, permit, required approval, concession, grant, franchise, license, requirement or other governmental restriction or any similar form of decision of, or any provision or condition of any permit, license or other operating authorization (including any Governmental Approval) issued under any of the foregoing by, any Governmental Entity having jurisdiction over the matter or matters in question, whether now or hereafter in effect and in each case as amended (including all of the terms and provisions of the common law of such Governmental Entity), as interpreted and enforced at the time in question.

**“Licensed Materials”** has the meaning set forth in Section 7(d).

**“Lottery Platform Provider”** means International Game Technology PLC or its Affiliates and any additional, replacement or substitute provider that may provide OSL with services, systems, or products that are functionally equivalent or similar to the platform or system provided to OSL by International Game Technology PLC or its Affiliates as of the Effective Date for the offering of OSL’s non-sports betting products.

**“Major Incident”** has the meaning set forth in Exhibit B.

**“Marks”** means any trade names, trademarks, service marks, logos and designs created or owned by Crown OR or its respective personnel or Affiliates for use in connection with the Gaming Platform, including but not limited to, “DraftKings” and “DraftKings Sportsbook.”

**“Measurement Period”** has the meaning set forth in Exhibit B.

**“Migration”** has the meaning set forth in Section 10(a).

**“Minor Incident”** has the meaning set forth in Exhibit B.

**“New Player Customer Data”** means all player-related information about Online Sportsbook Crown OR Players acquired following the Skin Launch Date related to the Online Sportsbook Crown OR Players, including Personal Information, but excluding Existing Player Customer Data.

**“OAR”** means the Oregon Administrative Rules.

**“Off-Peak Hours”** has the meaning set forth in Exhibit B.

**“Online Sportsbook Crown OR Player”** means a Person who establishes a player account on the Crown OR Online Sportsbook Offering. A Person shall be an Online Sportsbook Crown OR Player in regard to wagers such Person places via the Crown OR Online Sportsbook Offering.

‘ **Online Sportsbook Fee**’ has the meaning set forth in Section 11(a).

‘ **Online Sportsbook Gaming Tax**’ means any federal taxes (including excise taxes) on internet sportsbook gaming revenues levied by a Governmental Entity as specified in applicable Laws.

‘ **Online Sportsbook Gross Gaming Revenue**’ means, for any period of determination, the total settled handle generated from the Crown OR Online Sportsbook Offering (excluding any wagers from Online Sportsbook Player Incentives) less the total of all sums actually paid out as winnings from such total settled handle to Online Sportsbook Crown OR Players (excluding any winnings from Online Sportsbook Player Incentives). For clarity, Online Sportsbook Gross Gaming Revenue shall not be taken from, and shall explicitly exclude, any of Crown OR’s other business models not contemplated under this Agreement, including but not limited to horse racing and daily fantasy sports contests.

‘ **Online Sportsbook Net Gaming Revenue**’ means, for any period of determination, Online Sportsbook Gross Gaming Revenue generated from the Crown OR Online Sportsbook Offering for such period minus

For clarity, Online Sportsbook Net Gaming Revenue shall not be taken from, and shall explicitly exclude, any of Crown OR’s other businesses not contemplated under this Agreement, including but not limited to horse racing and daily fantasy sports contests.

‘ **Online Sportsbook Player Costs**’ means any of the following amounts related to the Crown OR Online Sportsbook Offering: (i) any refunds paid to Online Sportsbook Crown OR Players, (ii) payment processing charge-backs and associated costs, (iii) any financial processing costs and fees (including credit card processing fees), (iv) costs of verification checks, (v) costs associated with Online Sportsbook Crown OR Players’ bad debts or fraud, and (vi) any other associated reasonable costs or fees incurred by virtue of engaging and servicing an Online Sportsbook Crown OR Player (but not including the costs of marketing).

‘ **Online Sportsbook Player Incentives**’ means sign-up bonuses, retention bonuses, sweepstakes entries, tournament prizes (goods, cash and bonuses), free bets, DK Dollars, Crown OR loyalty points (DK Crowns), cash credits, free-play, loyalty level increases, tournament dollars, guaranteed tournament prizes, odds boosts, loyalty points or other inducements offered to Online Sportsbook Crown OR Players to be redeemed for goods, cash or bonuses in their player account for future plays on or withdrawals from the Crown OR Online Sportsbook Offering on or with respect to the Crown OR Online Sportsbook Offering.

**“Oregon Public Records Law”** has the meaning set forth in Section 13(b).

**“Oregon tax laws”** has the meaning set forth in Section 26.

**“ORS”** means the most recently published edition of the Oregon Revised Statutes and any amendments to the laws set forth therein that are effective but not yet published in a subsequent edition of the Oregon Revised Statutes.

**“OSL”** has the meaning set forth in the preamble of this Agreement.

**“OSL Customer Data”** means all information about an individual in OSL’s possession, including Personal Information, that OSL acquired or acquires by means other than through operation of the Crown OR Online Sportsbook Offering. New Player Customer Data that has the foregoing characteristics is also OSL Customer Data. Existing Player Customer Data is OSL Customer Data.

**“OSL Data”** means information, including Personal Information, that is stored on or processed by the Gaming Platform that is related to OSL and its operations; provided that OSL Data does not include any such information that is also Crown OR Customer Data.

**“OSL Materials”** has the meaning set forth in Section 7(e).

**“Party”** and **“Parties”** have the meanings set forth in the preamble of this Agreement.

**“Person”** means any individual, partnership, corporation, limited liability company, association, joint stock company, trust, joint venture, unincorporated organization, Governmental Entity, or any other person or entity.

**“Personal Information”** has the meaning set forth at ORS 646A.602(12).

**“Permitted Territory”** means the geographic boundaries of the State of Oregon, but not including Tribal Lands.

**“Player Funds Account”** has the meaning set forth in Section 8(a).

**“Player Tax Withholdings”** has the meaning set forth in Section 9(a).

**“Representatives”** has the meaning set forth in Section 16(c).

**“Regulatory Tax Liability”** has the meaning set forth in Section 9(c).

**“SBTech”** has the meaning set forth in the recitals to this Agreement.

**“SBTech Agreement”** has the meaning set forth in the recitals to this Agreement.

‘**SBTech Malta**’ has the meaning set forth in the recitals to this Agreement.

‘**SBTech Platform**’ has the meaning set forth in the recitals to this Agreement.

‘**SBTech Platform Termination Date**’ has the meaning set forth in Section 10(d).

‘**SBTech US**’ has the meaning set forth in the recitals to this Agreement.

‘**Scheduled Downtime**’ has the meaning set forth in Exhibit B.

‘**Security Incident**’ means the occurrence of any one or more of the following:

(1) a logical or physical security breach (e.g., unauthorized system access, data breach, ransomware, business email compromise, intellectual property theft, credential theft, burglary, etc.) that actually results in the unauthorized disclosure of any OSL Confidential Information or Crown OR Customer Data, whether intentional or accidental in nature;

(2) a logical or physical security breach of which Crown OR has knowledge and that actually results in the unauthorized access to OSL Confidential Information, Crown OR Customer Data, or Crown OR’s information systems (but only as pertaining to Crown OR’s obligations under this Agreement), regardless of whether the unauthorized access resulted in the unauthorized disclosure of any OSL Confidential Information or Crown OR Customer Data, whether intentional or accidental in nature;

(3) a logical or physical security breach of which Crown OR has knowledge that, in the event known by a Person, would allow that Person to gain unauthorized access to or disclose without authorization any OSL Confidential Information, Crown OR Customer Data, or Crown OR’s information systems (but only as pertaining to Crown OR’s obligations under this Agreement), whether intentionally or by accident; or

(4) a logical or physical security breach of which Crown OR has knowledge that Crown OR reasonably believes is likely to result in, or has a material and heightened risk of, unauthorized disclosure of any OSL Confidential Information or Crown OR Customer Data, whether intentional or accidental in nature.

‘**Segregated Account**’ has the meaning set forth in Section 8(e).

‘**Service Levels**’ is defined in Exhibit B.

‘**Services**’ has the meaning set forth in Section 1(a).

‘**[REDACTED]**’

[REDACTED]

‘**Skin**’ has the meaning set forth in the Recitals.

‘**Skin Launch Date**’ means the date on which, after promulgation of all requisite state regulations, the Crown OR Online Sportsbook Offering is first available to Online Sportsbook Crown OR Players for live betting.

‘**SLA**’ has the meaning set forth in Exhibit B.

‘**Solution**’ has the meaning set forth in Exhibit B.

‘**Sports League Fees**’ means (i) any fees imposed on Internet Sports Betting Operations, under applicable Laws and for the benefit of professional, collegiate, amateur and/or other sports leagues in relation to wagering on sporting events sponsored or regulated by such sports leagues, and/or (ii) fees that Internet Sports Betting Operations with which professional, collegiate, amateur and/or other sports leagues contract, pay to professional, collegiate, amateur and/or other sports leagues or related sports data licensing parties (e.g., SportRadar, BetGenius, IMG), such as, by way of example, data licensing fees, data statistics licensing fees, authorized gaming operator fees, integrity fees and/or royalty fees.

‘**Statement of Work**’ has the meaning set forth in Section 1(b).

‘**Statement of Work Effective Date**’ has the meaning set forth in Section 1(c).

‘**Statement of Work Expiration Date**’ has the meaning set forth in Section 1(c).

‘**Subject Person**’ has the meaning set forth in Section 4(b)(i).

‘**Support Services**’ has the meaning set forth in Exhibit B.

‘**Support Specialist**’ has the meaning set forth in Exhibit B.

‘**Tax**’ means all taxes (including, without limitation, income, profit, franchise, sales, use, real property, personal property, ad valorem, excise, employment, social security and wage withholding taxes) and installments and estimated taxes, assessments, deficiencies, levies, imposts, duties, withholdings, or other similar charges of every kind, character and description and any interest, penalties or additions imposed thereon or in connection therewith.

‘**Term**’ has the meaning set forth in Section 3(b).

‘**Total Time**’ has the meaning set forth in Exhibit B.

**"Tribal Lands"** means federal Indian reservations, lands held in trust by the federal government for the benefit of federally recognized tribes, and lands held in fee by federally recognized tribes.

**"Unsuitable Person"** means a Person who remains an officer, director, employee or consultant of the Party (a) whose background or conduct is found to be unsuitable by any applicable gaming authority, (b) who has been denied a gaming license or gaming approval in any jurisdiction, (c) who has had a gaming license or gaming approval terminated, revoked or suspended in any jurisdiction (in the case of suspension, for more than sixty (60) consecutive days without reinstatement), (d) who is required to obtain a gaming approval, and fails or refuses to file or has withdrawn or requested the withdrawal of an application to be found suitable by any gaming authority or for any gaming approval, (f) is disqualified from eligibility for any gaming approval by a gaming authority, (g) is determined by a gaming authority to be unsuitable to be affiliated with a Person engaged in gaming activities in any jurisdiction, (h) causes the other Party or any of its Affiliates to lose or to be threatened with the loss of any Gaming Approvals, or (i) is deemed likely, in the sole and absolute discretion of the other Party, based on verifiable information or information received from the gaming authority or other reliable sources, such as background checks, credit searches and searches of the public records, to (x) preclude or materially delay, impede, impair, threaten or jeopardize any gaming approval or such Party's or its Affiliates' application for or ability to obtain or retain any gaming approval, or (y) result in the imposition of materially burdensome terms and conditions on any Gaming Approval.

**"Vendor"** has the meaning set forth in Exhibit C.

**"Vendor Online Gross Gaming Revenue"** means, for any period of determination, the total settled handle generated from the Crown OR Online Sportsbook Offering (excluding any wagers from Online Sportsbook Player Incentives) less the total of all sums actually paid out as winnings from such total settled handle to Online Sportsbook Crown OR Players.

## **Exhibit B**

### **SERVICE LEVEL AGREEMENT**

- 1. Definitions.** The following terms shall have the meanings given below. Capitalized terms used herein but not specifically defined herein shall have the meanings attributed to such terms in the Agreement to which this Service Level Agreement is attached.

**Availability and Available** mean the total amount of time (expressed as a percentage as described in Section 3.1 (Calculation of Availability) below) in a Measurement Period during which the Gaming Platform is functional in all material respects (e.g., the Gaming Platform is not experiencing a Critical Incident or Emergency Maintenance).

**Business Hours** means Monday to Sunday, 8 a.m. – 6 p.m. prevailing Pacific time.

**Critical Incident** means a system-wide incident that has rendered the Gaming Platform totally non-functional (including back office and OSL's business processes that are integrated with the Gaming Platform via the connection provided and maintained by Crown OR, including as specified in a statement of work (each, an "**Integration**"). A Critical Incident fulfills all of the following criteria:

- The Gaming Platform is completely unavailable.
- Widespread failure of end users to log in, register, navigate the Gaming Platform interface on any device, place any wagers and deposit or cash out (i.e., withdrawal).
- Complete failure of the Integrations.

**Downtime** means that any time the Gaming Platform is not Available due to the occurrence of a Critical Incident or Emergency Maintenance.

**Emergency Maintenance** means downtime of the Gaming Platform due to the application of urgent patches or fixes, or other urgent maintenance.

**Incident** means a Critical Incident, Major Incident or Minor Incident.

**Initial Response** means the logging and prioritization of an Incident by a Support Specialist (as defined below) that does not necessarily include a Solution for the Incident.

**Major Incident** means an incident that has rendered the Gaming Platform (including Integrations) partially non-functioning. A Major Incident fulfills at least (1) one of the following criteria:

- Back office features and functionalities are not operational (e.g., search for player is not working, search for tickets is not working, financial transaction approval functionality is not working);
- Errors or malfunctions of the Gaming Platform that have a direct impact on end users' gaming experience such as:



- Operational failure of the match tracker, scoreboard, or statistics (when such are offered in respect of a game); and
- odds not updating through push mechanism.

**Measurement Period** means the period during which Crown OR shall measure and report on Availability. Except as otherwise specified in a statement of work, the Measurement Period for each service level is a calendar month.

**Minor Incident** means any incident that has minimal impact on the functionality of the Gaming Platform (or back office).

**Off-Peak Hours** means from 11:00 p.m. to 9:00 a.m. prevailing Pacific time.

**SLA** means this Service Level Agreement.

**Solution** means actions and procedures, which circumvent or overcome the impact of the Incident. Solutions may not provide a final and full solution to the Incident.

**Support Services** means support services to be provided under this SLA.

**Total Time** means the total minutes in a Measurement Period.

## 2. Support Services

2.1 Crown OR shall supply the Support Services to OSL described in **Section 4** below.

## 3. Service Level – Availability

### 3.1 Calculation of Availability

Availability shall be calculated during each Measurement Period in accordance with the following formula:

$$\text{Availability} = \frac{(\text{Total Time} - \text{Downtime})}{\text{Total Time}} \times 100\%$$

For example, in the event the Total Time during the Measurement Period is based on a thirty (30) day month, and the total Downtime during such Measurement Period totaled four (4) hours, the calculation would be:

$$\text{Availability} = \frac{(43,200 \text{ minutes} - 240 \text{ minutes})}{43,200 \text{ minutes}} \times 100\% = 99.4\%$$

### 3.2 Service Level Credits

In the event Availability falls below 99.7% during any Measurement Period, OSL shall receive a Service Level credit in accordance with the chart below:

Availability Range	Service Level Credit Percentage
Less than 99.7%, but greater than or equal to 99.5%	2%
Less than 99.5%, but greater than or equal to 99.0%	5%
Less than 99.0%, but greater than or equal to 98.1%	10%
Less than 98.1%, but greater than or equal to 97.6%	15%
Less than 97.6%	20%

The Service Level credit due to OSL shall be calculated by multiplying the “Service Level Credit Percentage” in the table above by the Online Sportsbook Fees received by Crown OR during the same Measurement Period in which the Availability percentage fell within the corresponding “Availability Range.”

Any Service Level credits due to OSL shall be credited on the following month’s statement.

### 3.3 Downtime Exclusions. For clarity, the following shall not be considered Downtime and shall not be included in the calculation of Availability:

- a) Scheduled Downtime as defined in **Section 3.4 (Scheduled Downtime)** below;

- b) Unavailability of the Gaming Platform caused by an act or omission of OSL or any third party acting on OSL's behalf (including but not limited to, third parties (other than Crown OR or its Affiliates' subcontractors) and OSL's agents, subcontractors, vendors or affiliates);
- c) Unavailability of the Gaming Platform resulting from a Force Majeure Event;
- d) Denial of service attacks at the hosting facility or any other Crown OR, OSL or third party facilities directly or indirectly involved in the support, maintenance or operation of the Gaming Platform;
- e) Interruptions caused by third party system failure (e.g., a third party product other than a Crown OR subcontractor) where the Gaming Platform is integrated for log-in authorization, fund transfer, or other activities rely on the third party system for their normal operations; and
- f) Any unavailability of the Gaming Platform resulting due to regulatory concerns (e.g., where directed by a Governmental Entity or applicable Law).

**3.4 Scheduled Downtime.** Crown OR shall be entitled to conduct scheduled maintenance requiring downtime for any portion of the Gaming Platform and its operation (referred to as "**Scheduled Downtime**"). Crown OR shall use reasonable efforts to notify OSL of any Scheduled Downtime at least seven (7) days in advance. Such Scheduled Downtime shall occur during Off-Peak Hours in the event commercially reasonable. Crown OR shall use reasonable efforts to limit Scheduled Downtime to eight (8) hours per Measurement Period.

**3.5 Emergency Maintenance.** Crown OR shall use commercially reasonable efforts to conduct Emergency Maintenance requiring Downtime for the Gaming Platform during Off-Peak Hours upon providing OSL with reasonable prior notice by email, in the event feasible, to: [Lottery.ITOperations@lottery.oregon.gov](mailto:Lottery.ITOperations@lottery.oregon.gov).

## **4. Support Availability and Contacts**

**4.1** While Crown OR provides customer service services to OSL, Crown OR shall provide end users with level 1 (basic) support as described in this Exhibit B and elsewhere in the Agreement (including in any Statement of Work).

**4.2** Crown OR service center will operate as a help-desk to receive all Incident reports and service calls. There will at all times be an appropriately qualified support specialist (each, a “**Support Specialist**”) on call to provide Support Services for Critical and Major Incidents 24 hours per day, 365 days per year. All other support services will be available during Business Hours only. The service center may be contacted by telephone or by e- mail, as follows:

- a) 1st tier contact – office hours Monday to Friday 8 a.m. - 6 p.m. (Pacific time): Telephone: + 551-245-3764  
Email address:  
regulatoryoperations@draftki  
ngs.com
- b) 2nd tier contact – outside the office hours set out  
above: On call: senior support technician  
Mobile: +46-933-0916  
Email address: [support@sbtech.com](mailto:support@sbtech.com)  
Always contact through 24/7 support.

**4.3** The service center shall have the following roles and responsibilities:

- a) Act as the single point of contact for all issues concerning Support Services.
- b) Be responsible for providing status reports of open service tickets and for following up on open issues.
- c) In the event the Support Specialist manning the help-desk cannot provide the required information or assistance, he/she will designate another person from Crown OR to provide the necessary information or assistance.

## **5. Invoking Support Services**

**5.1** Upon detection of any Incident, OSL shall contact Crown OR by e-mail, or any other agreed communication format notified in advance by OSL, using the contact details set out in **Section 4.2** of this **Exhibit B (Service Level Agreement)**. The Incident report shall include, in addition to all the details set out in **Section 5.2** of this **Exhibit B (Service Level Agreement)**, the name of the OSL representative who shall

function as Crown OR's single point of contact for the Incident reported and who shall work with the Support Specialist and provide all cooperation and assistance reasonably required in order to enable Crown OR to resolve the Incident quickly and efficiently.

- 5.2** OSL shall provide the service desk with a report of the Incident, including its recommendation as to whether it should be classified as a Critical, Major, or Minor and any additional information available to OSL and reasonably requested by the Support Specialist, including, without limitation, the circumstances in which the Incident arose and the time OSL became aware of it.
- 5.3** Upon receipt of such report, the Support Specialist shall then assign to the report one of the categories specified in the table in **Section 6.2** of this **Exhibit B (Service Level Agreement)**. For clarity, Crown OR shall be entitled to change the Incident Category upon notification to OSL and considering the then current circumstances of the Incident allows for such change. In the event OSL disagrees with Crown OR's assignment of an Incident Category, OSL shall notify Crown OR in writing, and the Parties shall use good faith efforts to discuss re-categorization, in instances appropriate.

## **6. Incident Resolution**

- 6.1** No Incident shall be considered closed unless OSL and Crown OR have reasonably agreed that it is solved.
- 6.2** The following Solution and resolution times shall apply:

<b>Incident Category</b>	<b>Initial Response</b>	<b>Solution</b>
Critical	Within fifteen (15) minutes	Constant work until a Solution is available and implemented in the production environment so that the respective part of the Gaming Platform is Available

Major	Within thirty (30) minutes	Constant work until a Solution is available, which Crown OR shall deploy into the production environment on a schedule mutually agreed by the Parties.
Minor	Two (2) Business Days	Final resolution upon release of a subsequent version, based on prioritization.

7. **SLA Reporting.** Crown OR shall provide OSL with the following reports monthly, or upon OSL's reasonable request:
- 7.1 **Availability Report.** Contains Gaming Platform Availability statistics (e.g., number and duration of Critical Incidents, Emergency Maintenance occurrences and Scheduled Downtimes).
  - 7.2 **Incident Report.** Contains information on Incidents related to the Gaming Platform for the prior month and for the current year to date.
  - 7.3 **Additional Reports.** In the event a Governmental Entity requires OSL to provide any additional report(s), the Parties shall mutually agree in writing upon the form and timing for any such additional report(s).

**Exhibit C**

**Performance Bond Form**

**Performance Bond Bond No. []**

**KNOW ALL PERSONS BY THESE PRESENTS:**

That Crown OR Gaming LLC, as Principal (hereinafter called the "**Vendor**"),

and \_\_\_\_\_, a limited liability company organized and existing under the laws of the State of Delaware with principal office at \_\_\_\_\_, as surety (hereinafter called the "**Surety**") are held firmly bound unto the State of Oregon, acting by and through its Oregon State Lottery Commission, having an address of Oregon State Lottery, 500 Airport Road SE, P.O. Box 12649 Salem, Oregon 97309-0649, as obligee (hereinafter called the "**Agency**"), in the just and full sum of Three Million Dollars (\$3,000,000), to the payment of which sum well and truly to be made, the Vendor and the Surety bind themselves, their respective heirs, administrators, executors, successors, assigns, jointly and severally, firmly by these presents.

**Whereas**, the Agency and the Vendor have entered into that certain Commercial Gaming Agreement dated as of \_\_\_\_\_, 2021 for the online/mobile sportsbook betting services on behalf of Lottery (hereinafter called the "**Agreement**") which Agreement is hereby referred to, as in the event fully and to the same extent as in the event copied at length herein.

**Now, therefore**, the condition of this obligation is such that, if, during the term of this bond, the Vendor shall faithfully provide the goods and services as specified in the Agreement, and subject to the terms and conditions of the Agreement, shall fully indemnify and save harmless the Agency from all cost and damage which the Agency may suffer by reason of the failure of the Vendor to so do and fully reimburse and repay the Agency all reasonable outlays and expenses which the Agency may incur by reason of such failure; then this obligation shall be null and void, otherwise it shall remain in full force and effect.

Notwithstanding anything in the Agreement specifications or other Agreement documents to the contrary, the term of this bond is for the period commencing on \_\_\_\_\_, **20\_\_** and expiring on \_\_\_\_\_, **20\_\_**. This bond may be renewed during the Term of the Agreement on an annual basis at the sole option of the Surety. In the event the Surety

does not choose to renew this obligation, it will so notify the Obligee and Principal not later than thirty (30) days prior to its expiration in writing. Non renewal of this bond by the Surety does not constitute a breach by the Vendor under the Agreement.

The foregoing obligation of the Surety to provide the goods and services specified in the Agreement, however, is limited by the following express conditions, the performance of each of which shall be a condition precedent to any right of claim or recovery hereunder:

In the event of any breach on the part of the Vendor, the Agency not then being in breach under the Agreement, a written statement of particular facts showing the date and nature of such breach shall be given by the Agency to the Surety as promptly as possible after such breach has or should have been known to the Agency, but in no event later than thirty (30) days from that date, which notice shall be forwarded by registered mail to the Surety.

If the Vendor shall be, and declared in writing by the Agency to be, in breach of its obligation to provide goods and services specified under the Agreement, and Vendor does not dispute same in good faith, and the Agency not then being in breach under the Agreement, the Surety will have the right and opportunity, at its option, and in its sole discretion, to cure the breach; to assume the remainder of the Agreement and to perform or sublet the same; or to tender to the Agency funds sufficient to pay the cost of completion less the balance of the Agreement price up to an amount not to exceed the penal sum of this bond.

No action, suit or proceeding shall be had or maintained against the Surety on this instrument unless the same be brought or instituted and processed served upon the Surety within the time period provided by Oregon Law.

No right of action shall accrue on this bond to or for the use of any person or corporation other than the obligee named or its successor(s).

**This bond is governed by the laws of the State of Oregon without regard to principles of conflicts of law, and any claim, action, suit, or proceeding that arises from or relates to this bond will be brought and conducted solely and exclusively within the Circuit Court of Marion County for the State of Oregon. Surety hereby consents to the in personam jurisdiction of such court.**



Signed and sealed this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

Vendor:

**CROWN OR GAMING LLC, a Delaware limited liability company**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**WITNESS**

By: \_\_\_\_\_  
Name: \_\_\_\_\_

**SURETY [ \_\_\_\_\_ ]**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**WITNESS**

By: \_\_\_\_\_  
Name: \_\_\_\_\_