

WYOMING LOTTERY CORPORATION

Board Meeting Minutes

January 28, 2019

Teleconference

Board Members via Teleconference: Sandi Chitwood-Chairman, Dave Bonner-Secretary, Gerry Marburger- Treasurer, Gina Monk, Ross Newman, Mary Throne, Sandra Wallop and Jim Willox.

Board Members Absent: None

Staff Members via Teleconference: Jon Clontz-CEO, Robin Medina-COO, Loy Jackson-CFO, Dave Stevens-Security Manager, Alisha Pineda- Marketing Manager and Jessica Pastoriza- Player Services Specialist.

Guests via Teleconference: Matt Kaufman-Legal Counsel, Jennifer Bohlig-Intralot, and Jonathan Downing-Downing LLC

Establish Quorum: Chairman Chitwood called the meeting to order at 8:33 a.m. with a roll call of board members and staff members. All guests were welcomed.

Approval of Meeting Minutes: The motion was made by Secretary Bonner to approve the minutes from the October 17, 2018 Quarterly Board Meeting. The motion was seconded by Board Member Monk and the motion passed by a unanimous 7/0 vote.

Board Member Throne joined the conference at this time.

CEO Report:

Wyolotto CEO Jon Clontz presented the following Quarter Two (Q2) overview report:

Mr. Clontz provided the following corporate updates:

Over the holidays there has been a period of inactivity, however, they are still riding the wave of the record transfer and jackpots. They had not seen record jackpot amounts continue to rise at the same time with Mega Millions and Cowboy Draw. Sales are consistent and they hope to start the calendar year with the same momentum.

Mr. Clontz mentioned that the Board Sub-Committee meetings have been conducted prior to the board meeting. They were all successful and he thanked each of the Sub-Committees for taking time out of their schedules to get those completed.

Mr. Clontz stated there will be discussion and updates by legal counsel regarding legislative session in Executive Session. He mentioned that they will be hosting a legislative event on Wednesday, February 6th and it will be a luncheon. Board Member Throne asked Jonathan Downing if there will be caucuses at the Legislative Service Office during that day and if it will conflict with this event. Mr. Downing expressed that some could conflict with this event but that it should still be successful. Mr. Clontz stated that the invitations will go out soon and is looking forward to it being a success with great attendance.

Mr. Clontz talked about the recent award received from LaFleur's Fleurry Awards for the Giving Back Video. He formally thanked Governor Mead, Chris Brown, Warehouse Twenty One (W21), Lottery Staff and other community members for taking their time to participate in the video and make this happen. This is the first award for the lottery and they look forward to displaying it in a trophy case.

Mr. Clontz mentioned that all six month performance reviews have been completed and that they are working to give performance reviews every six months. Mr. Clontz stated that they have a new Executive Assistant, Sarah Shoden. He mentioned that Sarah was hired in November and is currently out on maternity and shall return at the end of February. He mentioned that they have known Sarah from W21; who worked with them to help start the Lottery from the W21 perspective. They are very happy and fortunate to have Sarah as part of the team. He stated that they are now fully staffed and that they have all the right people in the right places.

Mr. Clontz talked about former Vice Chairman Whalen. He mentioned that Mr. Whalen is now in Arizona and enjoying his retirement. He will be providing the board with a formal resignation letter. Governor Gordon's office emailed the lottery office on January 26, 2019 asking for an update on a recommendation regarding the new board member to replace Mr. Whalen. Mr. Clontz passed on the recommendation from former Vice chairman Jim Whalen and Chairman Chitwood. He said that it could be April or May before appointment as the new Governor's office has a full schedule at this time.

As stated before they will be talking about legislative updates with legal counsel in Executive Session. They will also be talking about New Product Development in open session that COO Robin Medina will talk about in her Marketing Update regarding the raffle game this summer. Mrs. Medina will be discussing numbers and details and then will be asking permission to go into actual development of the new game after she gives her presentation.

This concludes Mr. Clontz's report.

Finance & Accounting Report:

Wyolotto CFO Loy Jackson presented the Quarter Two (Q2) Financials Report. Motion was made by Board Member Newman to accept the financials as presented. The motion seconded by Treasurer Marburger and the motion passed by a unanimous 8/0 vote.

Mrs. Jackson provided the following financial updates:

Q2 Financials:

Mrs. Jackson began with a review of the the balance sheet. This fiscals numbers are substantially higher in comparison to the previous fiscal, this is due largely to the to the record high jackpots which drove high sales. Currently the bill is under review in regards to the allocations so they are waiting to see what results during session. Board Member Jim Willox questioned on unclaimed prizes amount doubling from previous year. Mrs Jackson responded that this is due in large part to not distributing to responsible gambling fund.

Based upon the recent audit some edits have ocured. One of which is that the Wyoming Lottery will no longer accrue the MUSL expenses. This expense line will appear throughout the remainder of this fiscal but will not in the next. She then reviewed the accounts receivable and current assets, both of which were within normal accordance.

She then spoke to the liabilities and equities review. These were lower than previous year. Both payments to Intralot and MUSL to coincide with their billing cycles are due to that.

The profit and loss statement review highlighted how higher jackpots and higher sales did result in a higher cost of goods sold. This was double from last year and that increase was reflected in the transfer to the state.

Mrs. Jackson then covered operating expenses touching on small notes for board expenses, employee recruitment and memberships. All are typical fluxuations and nothing out of normal. The membership dues are higher to accommodate the NASPL billing cycle change this year.

At this time no expenses have hit the new game account, but Mrs. Jackson shared that those funds will be utilized in the upcoming quarters. Salaries are up \$13,000 that is due to benefits and not wages. She explained that there are additional people on the the health insurance this year as well as the 401k plan.

Mrs. Jackson then went on to cover the interest income and interest expense earned during the month of December from the newly opened savings account. \$3,600 was earned in December in interest. Board Member Jim Willox questioned how the interest expense and interest income were being reported and asked if there would be an income line to reflect that. He followed up that once things become more systematic that this should be shown differently within the reports. After confirming that the report that was presented to the board did have a combined line item, Mrs. Jackson confirmed that she would update that going forward for less confusion. All board members were in agreeance to update the report.

There was a \$50,000 increase to the reserve account. This was done during high jackpot sales to plan for the upcoming infrastructure development for the new game to best prepare and cover those anticipated expenses.

Mrs. Jackson reviewed the responsible gambling account and noted that this has only incurred \$1,000 thus far this fiscal but that those funds will be utilized in upcoming quarters. She then noted that legal fees are higher this fiscal but that was anticipated previously during budgeting and marketing has decreased by \$115,000. The decrease in marketing is due to the annual report, the video and the overall contract was down from previous year.

She noted that the state transfer has increased substantially in comparison of last year. Once again the higher sales allowed the Wyoming Lottery to give back larger amounts.

Board Member Jim Willox brought up a question in regards to Jonathan Downing's services and where those expenses were hitting in the budget. Mrs. Jackson responded that those will fall under contract services. CEO Jon Clontz then took a few minutes to introduce Jonathan Downing to the chairman and board. Mr. Downing is a well known and respected individual in the state and Mr. Clontz is excited that he will be assisting the Wyoming Lottery. Mr. Downing will be providing his services alongside the legal adviser to the lottery, Matt Kaufman to best advise and represent the lottery in needed matters.

This concludes Mrs. Jackson's financial report.

Budget Amendment Request:

COO Robin Medina discussed the Budget Amendment Request for New Product Development in the amount of \$341,000. She reviewed the expenses that they will incur this fiscal year and a potential start date of June 2, 2019 for a new raffle game. She discussed these expenses are for testing, branding, marketing and some sponsorships around the state for some of the monetary giveaways for the duration of two months of the summer. She discussed the marketing and branding expenses to incur this year to develop branding that is timeless that can be used throughout the years. Some of these costs will be a one time fee only for the development of the game and will be incurred this year only.

She discussed a sponsorship for Cheyenne Frontier Days (CFD) specifically for the conclusion of the giveaway. Meetings have been conducted with CFD staff to inquire about their flexibility and what they can gain from this sponsorship for the raffle.

Mrs. Medina stated that her team has done their research regarding the new raffle game. She stated that they have talked to different states, specifically Montana, who have raffle games. She talked about the prize structure and the total prize giveaway of one million dollars. She mentioned there will be prize giveaways throughout the two month duration. These prizes will be directly tied to sales.

She also covered that the additional funds needed to support this product were set aside during the higher jackpot and higher sales time frame.

Mrs. Medina also covered details in regards to infrastructure for the game. She covered that while the existing terminals will be able to house this game as is, there will be costs for testing and certification. Chairman Chitwood questioned if there would be a certification cost each year, to which Mrs. Medina responded there will not as long as the game stays within the current matrix.

Secretary Bonner asked what the price point of the ticket will be to which Mrs. Medina responded with the price point being twenty dollars (\$20).

Board Member Ross Newman brought up questions about any concerns of “dead time” for the tickets should the tickets sell out prior to the announcement at CFD. Mr. Clontz replied that they are taking a traditional approach to this raffle game. Based upon their research this is the most effective approach in most jurisdictions. It’s possible as this raffle matures in upcoming years to review the structure if needed. Mrs. Medina also stated it was considered but that they believe it will do well to build excitement for the brand overall.

Chairman Chitwood questioned is there was any concern about this game “cannibalizing” the other Wyoming Lottery games. Mr. Clontz responded that since this is a short run game this will likely boost excitement about lottery as a whole and could have a positive impact on sales for the other games.

Board Member Willox brought up a question in regards to capacity for the lottery and if there were any concerns in regards to any updates that could take place during session in regards to skills games management. Mr. Clontz responded that he had taken that potential result into consideration as well as the overall view of the game and specs. Should skills games come under the management of the Wyoming Lottery, Mr. Clontz felt confident that his team could handle the workload.

Chairman Chitwood asked for a motion to approve the Budget Amendment Request of \$341,000 for New Game Development. Secretary Bonner motion to approve the Budget Amendment Request of \$341,000 for New Game Development for fiscal year 2019. Board Member Monk seconded and motion passed with a unanimous 8/0 vote.

Marketing & Sales Report:

Wyolotto COO Robin Medina presented the Quarter Two (Q2) Marketing Report.

Mrs. Medina provided the following marketing updates:

Mrs. Medina provided the current sales update in relation to the projected sales. Sales projection is doing very well, at the end of December projection was over by 76.4%. While there are new promotions in the marketing, the primary reason for the jump is due in large to the Mega Millions product change. Mega Millions has had record jackpots since the product changed and players are reacting very positively to it. She also gave credit to the two BOGOs at the UW football games. Actuals versus projections were 127% over for the quarter.

She covered the average weekly sales are also seeing a big increase. She explained that all three games; Powerball, Mega Millions and Cowboy Draw had concurrent high jackpots at the same time which also affected roundup sales positively. She noted that Lucky for Life sales continue to be consistent but do spike with roundup sales as well.

She then covered the overview for the corporate communication channels for the Wyoming Lottery. PR, social media, email and the website continue to convey consistent brand voice and players react strongly to high jackpots, giveaways and the record transfer.

Board Member Newman questioned about Utah players and their impact on the overall top locations for fans. Mrs. Medina responded that most come in to buy in Evanston but do not follow our pages for updates. He then questioned about the recent Lucky for Life winner and if they had come forward yet to claim their prize. Mrs. Medina responded that they had not yet.

Mrs. Medina then covered the campaign updates. She spoke to the award they received at La Fleurs for the Giving Back video. She said that it was an honor for their team to be named one of five for the top prize specially because the voting takes place between other state lottery peers. This video will run again on media channels in February.

She then spoke to the BOGO Cowboy Draw promotion and it's substantial impact on sales. She said they look forward to repeating it again. Board Member Willox questioned if Cowboy Draw could be utilized not only for football but inclusion in other sports at UW. Mrs. Medina responded that they had been considering this and will continue to look at options. Chairman Chitwood voiced her agreement and support on the topic.

Mrs. Medina then covered both the Mega Millions campaign running again in the spring and the current Powerball campaign. She spoke to the prizes and how the funds were provided to them by MUSL for the Powerball giveaway items, so the only costs were the promotion of the giveaway itself.

Mrs. Medina then spoke about the Wyoming Responsible Gambling Coalition. She covered that the assets were created to be timeless and will run again in February. She also mentioned that two problem gambling conference were coming up and she looked forward to her team attending those.

She concluded with updates that the Governors and annual report are completed and were done so in time for session. She also noted that the raffle game is upcoming.

Board Member Sandra Wallop questioned on the next steps for the Problem Gambling Coalition efforts. Both Mrs. Medina and Mr. Clontz responded that they look forward to working with the Wyoming Department of Health for next steps in the upcoming months.

This concludes Mrs. Medina's sales and marketing presentation for Q2.

Governance Update:

WyoLotto Security Manager David Stevens presented the vehicle policy.

Mr. Stevens covered the new policy in regards to the company vehicles. This policy was modeled after the state policy. The primary purpose was to have an appropriate policy for the Wyoming Lottery's corporate vehicles. This entails employees use in an appropriate and safe manner in accordance with Wyoming statutes. It also covers employee notification to the corporation in regards to any changes to license status or violations.

Board Member Willox moved to adopt policy. Board Member Wallop seconded and the motion passed by a unanimous 8/0 vote.

Executive Session:

Motion to move into closed session was made by Board Member Bonner. The motion seconded by Board Member Willox and the motion passed by a unanimous 8/0 vote.

The meeting reconvened for any follow up matters.

Meeting Adjournment:

Chairman Chitwood announced the closure of the meeting, with the motion being made by Board Member Willox. The motion was seconded and passed with a unanimous 8/0 vote and the meeting was adjourned.