

WYOMING LOTTERY CORPORATION

Board Meeting Minutes

October 17th, 2018

Gillette, Wyoming

Board Members Present: Sandi Chitwood-Chairman, Jim Whalen-Vice Chairman, Dave Bonner-Secretary, Gina Monk, Ross Newman, and Jim Willox.

Board Members via Teleconference: Gerry Marburger- Treasurer

Board Members Absent: Mary Throne and Sandra Wallop

Staff Members Present: Jon Clontz-CEO, Robin Medina-COO, and Loy Jackson-CFO

Staff Members via Teleconference: Dave Stevens-Security Manager, Alisha Pineda-Marketing Manager

Guests Present: None

Guests via Teleconference: Matt Kaufman-Legal Counsel

Establish Quorum: Chairman Chitwood called the meeting to order at 8:07 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 Board Member Jim Willox to approve the minutes from the July 31st, 2018 Quarterly Board Meeting with amendments. The motion was seconded by Board member Ross Newman and the motion passed by a unanimous 7/0 vote.

Amendment made by Secretary Bonner:

July 31st meeting minutes to include the following: On motion after reconvening from executive session the board approved a new five year contract for CEO Jon Clontz effective September 1, 2018. This was voted on during public session and unanimously approved.

CEO Report:

WyoLotto CEO Jon Clontz presented the following Quarter One (Q1) overview report.

Employee Evaluations have been completed and target goals set. Moving forward on performance management system. Each employee submitted their core responsibilities for review to fine tune and incorporate into their task lists. These core responsibilities have been approved as well as incorporated into the desk manuals, which were reviewed by staff and signed off on. Continued performance management system implementation will take place including desk manuals which were created by each department. These create job depth and backup strategies. Going forward there will be quarterly target reviews and evaluations against this performance management system utilizing a green, yellow or red indicator.

Strategic planning sessions for staff are planned to take place in the spring followed by the board retreat.

Retailer forums could not take place in fall as planned, but will be set for the spring. This is an opportunity to listen to the retailers in a global forum. Topics to include, but not limited to; new game development, training opportunities, contract review, new game development, etc. This will be an opportunity to listen and note any concerns from retailers. These will be scheduled across the state and board members will be notified as they arise in their areas.

The IRS audit took place and went very well. Gratitude was extended to MHP and Brandy Marrou for getting through that. The audit began in April and ended 1 week later. Issue with W-2 versus 1099 is still in process and being reviewed. Ms. Marrou will further dive into the results of the audit later during this session.

Mr. Clontz then touched on the MUSL Audit due to the Eddy Tipton issue. There was an outside law firm hired to further review it. An audit was conducted and Mr. Clontz was able to review outcomes. There were minor review tweaks to overall process and those have been resolved. All lottery directors were pleased with outcomes. This will assist in further reviews to ensure these types of instances do not occur again.

Mr. Clontz then reported on the conference that he, COO Robin Medina and Board Chairman Sandi Chitwood attended in Cleveland where they attended director meetings. Mr. Clontz gave an overview on MUSL courier conversation and letter from MUSL in regards to this issue. Board member Ross Newman brought up questions in regards to this and brought up the suggestion of MUSL managing this at a global level instead of each jurisdiction being responsible for their own. Mr. Clontz took note and will take that suggestion to the next MUSL meeting in regards to this topic.

As far as upcoming promotions, Mr. Clontz explained how MUSL awarded each lottery with cash funds to utilize for a Powerball specific promotion based on sales, Wyolotto was given \$120,000. These funds must be used for giveaway prizes. The deadline was extended 6 months on promotion planning to best plan for a successful campaign. Also reviewing potential year to year Cheyenne Frontier Days sponsorship that could tie into a promotion.

Finally, Mr. Clontz spoke about transfers and how this year has been a great one thus far. July was the highest to date at XXX, XXX. Three transfers in a row over \$1.4 Million. These are due in large to the high jackpot which are a result of the matrix changes for both Powerball and Mega Millions. Since the first transfer, Wyolotto has given over \$10 Million. Noted that Senator Bebout called to congratulate on total amount transfer. Also noted that the Wyoming Lottery has paid out to date over \$47 million to winners, \$7 million to retailers and \$10 million in transfers. This totals over \$65 Million benefiting the state's economy. Mr. Clontz also noted they will continue to brainstorm and work towards revenue growing tactics such as the recent Cowboy Draw BOGO to accomodate for the highs and lows of the jackpots.

This concludes Mr. Clontz's report.

Finance & Accounting Report:

Wyolotto CFO Loy Jackson presented her Quarter One (Q1) Financials Report. Motion was made by Board member Newman to accept the finalicals as presented. The motion seconded by Board Member Willox and the motion passed by a unanimous 7/0 vote.

Mrs. Jackson provided the following financial updates:

Q1 Financials:

Mrs. Jackson presented Q4 financial highlights from the balance sheet, profit & loss, and budget v. actual. Board members Bonner and Willox brought up questions about quarter review in regards to the unclaimed prizes budget jump. Mrs. Jackson explained that large jackpots increase unclaimed prizes amounts. She then further explained that the amounts shown for unclaimed prizes would not change as those amounts had gone past their expiration of 180 from the draw dates.

Prepaid expenses were then reviewed and based on the recent audit slight edits would be made to the accrual entry of future prizes.

Mrs. Jackson then continued into the review for Profit and Loss statements. Overall budgets are looking very well for this fiscal. Board member Whalen did question the increase of legal fees in relation to last years. Both Mrs. Jackson and Mr. Clontz responded to this question that there were additional unforeseen legal fees including but not limited to legislative outreach, etc. and that continued monitoring would take place to better plan for the budget for next fiscal. Finally Board member Willox brought up a question in regards to the reserved budget and how that relates to the Cowboy Draw payouts.

In review of the budget versus actual Board member Bonner asked if the swag budget spend would cover them for the whole fiscal or just for this quarter. Mrs. Medina responded that it would be covering the entire fiscal and agreed with Mrs. Jackson that the plan had been to spend those funds upfront in this fiscal.

Finally Mrs. Jackson reviewing the profit and loss for the responsible gambling budget versus actual. Currently this budget has not been utilized for this quarter further than a certification fee, but spoke about future plans for media spend that would hit this budget. Board member Bonner followed up her presentation by saying that they are in no way obligated to spend the full \$200,000 that had been allocated to that budget.

MHP Audit Results Presentation:

MHP CPA Brandy Marrou presented the audit report. Motion was made by Board member Newman to accept the finalicals as presented. The motion seconded by Board Member Whalen and the motion passed by a unanimous 7/0 vote.

Board member Willox did motion to have the finalized report ready to share to Matt Kaufman within the next week so that it could be disbursed to those legislators that had requested to view it. There was no objection to this motion.

Mrs. Marrou presented the following report details.

She began by reviewing the initial four page letter as an overview of the audit. She noted that no new or changes to the accounting policies had taken place as well as no unusual or significant transactions to note were found.

She then spoke to the calculations for the transfers to the state and that the wording within the statue is not black and white and therefore needed some interpretation. She spoke to the difference in how they would calculate the transfers but noted that the difference was not out of reason and the funds held for both Cowboy Draw jackpot payment and cash flow were within reason.

Mrs. Marrou recommended going forward that all decisions and conversations in regards to the transfers going forward be formally documented. This would assist in any future audits and would also better educate any new board members so they could easily speak to it if asked. Later on during the meeting Board Member Newman did follow up for clarification as to what all Mrs. Marrou meant by this. She responded that they had given their calculation process to Mrs. Jackson for upcoming transfers and that she encouraged documentation going into quarterly reviews that spoke to allocations to the Cowboy Draw jackpot reserves and what the cash is being held for just as a process to defend should it be questioned.

Board Member Willox asked Mrs. Marrou if they had taken into consideration any changes that may come with the proposed legislature, she assured they had taken those into account but as it is currently only proposed they did not take further action. Board Member **XX** then suggested that the section about "Unclaimed prize money" remains in the statue language going forward. Mrs. Marrou agreed as that is consistent with what they viewed in other state's statutes in regards to transfers.

Mrs. Marrou concluded her presentation that there were no significant issues or disagreements for the remainder of the audit and there were no deficiencies within the audit based on compliance to the laws and statutes.

This concludes Mrs. Marrou of MHP's presentation of the audit report for the Wyoming Lottery.

Marketing & Sales Report:

COO Robin Medina presented the Quarter one (Q1) Sales and Marketing Report.

Mrs. Medina presented the following.

Mrs. Medina provided the current sales update in relation to the projected sales. Overall sales are over projection by 26.15%. Mega Millions is showing all time highs likely due to the matrix change. Cowboy Draw jackpot is also at a historic high as well. She then went on to review the weekly and yearly sales in relation to last fiscal and spoke to the success of the Cowboy Draw BOGO promotion tied to the University of Wyoming sponsorship. Mrs. Medina followed up with the comparison chart of fiscal '19 in relations to fiscal '18 showing that the sales of Roundup do continue to grow alongside jackpot amounts.

Mrs. Medina then reviewed the marketing report. She began with the PR report noting that since this was the beginning of the fiscal this was a quieter quarter. She then reviewed the social media accounts and how each channel messaging is tweaked slightly to best fit the audience on that social platform. She noted that the players continue to enjoy smaller giveaways as well as Wyoming pride and winner stories. She then covered website insights noting the organic search results did see a positive increase in traffic. Many players rely heavily on the website for their winning number updates. She then covered the top cities visiting the website, Chairman Chitwood had questions if this followed the sales trends in these cities also if there were numbers in regards to Utah Players. Mrs. Medina noted that question and was going to follow up to find that data.

Mrs. Medina then covered the campaign updates for this quarter. Noting the UW BOGO, the Giving Back Video media buy, the Mega Millions product campaign and the upcoming Powerball Campaign. She spoke to how the Powerball giveaway campaign planning was going and how the ticket codes would work.

Board Member Whalen questioned Ms. Medina in regards to the budget reduction for marketing and if that impact was being felt. Both Mrs. Medina and Mr. Clontz responded that they are continually monitoring it to ensure that there is a good balance. That focusing on micro advertising and product campaigns will help balance out when jackpots are lower. Mrs. Medina then followed up that during the planning stages for marketing budgets it's assumed jackpots will be lower to assure smart strategies and budgets are created to support ongoing sales.

Mrs. Medina then did a review of the Wyoming Responsible Gambling Coalition efforts noting the only action done this quarter was the certification of the Casper College professor and her associate as they would like to include Problem Gambling into their curriculum to better teach their students how to assist those with this topic.

Finally Mrs. Medina concluded that they will be creating the annual report in December. Board Member Bonner questioned whether that report would be ready to share in preparation for Legislative Session. Both Mrs. Medina and Mr. Clontz assured that they would have it ready to share by then.

This concludes Mrs. Medina's sales and marketing presentation for Q1.

Executive Session:

Prior to breaking for Executive Session, Board Member Jim Whalen wanted to address the naming of the session from Executive to "Closed" to best suit the purpose of the session as well as alleviate any confusion going forward. The board as well as Matt Kaufman agreed that this change made sense and moving forward the language used would be as follows "Closed to discuss confidential matter to the Wyoming Lottery."

Motion to move into executive/closed session was made by Board Member Jim Whalen. The motion seconded by Board Member Newman and the motion passed by a unanimous 7/0 vote. Executive session was adjourned at XX:XXX.

Meeting Adjournment:

Chairman Chitwood announced the closure of the meeting, with the motion being made by Vice Chairman Whalen and seconded by Board Member XXXX. The motion passed with a unanimous 7/0 vote and the meeting was adjourned at 1:15 p.m.