

WYOMING LOTTERY CORPORATION

Board Meeting Minutes

April 27, 2021

Zoom Video Conference

Board Members via Zoom: Gerry Marburger-Chairman, Jim Willox- Vice Chairman, Ed Liebzeit- Secretary, Dave Bonner-Treasurer, Gina Monk, Sandra Wallop, Todd Peterson, and Mary Throne.

Staff Members Present: Jon Clontz-CEO, Robin Medina-COO, Loy Jackson-CFO, Dave Stevens-Chief of Security and Enforcement, Sarah Shoden- Executive Assistant and Social Media/ Events Coordinator, Ashley Pexton- Marketing Manager and Arin Schlensker- Player Services Specialist.

Guests Present: Matt Kaufman-Legal Counsel

Guests Present via Zoom: Vlad Simonenko - Intralot

Establish Quorum:

Chairman Gerry Marburger called the meeting to order at 8:30 a.m. with a roll call of board members and staff members, noting that Board Member Todd Peterson had not yet joined. All guests were welcomed.

Agenda Approval:

Chairman Marburger asked for any additions or edits to the presented agenda. With none presented, an approval was motioned by Board Secretary Ed Liebzeit and seconded by Board Member Gina Monk and passed with a unanimous vote.

Approval of Meeting Minutes:

The motion was made by Board Secretary Liebzeit to approve the minutes from January 26 as presented. The motion was seconded by Board Member Monk and the motion passed by a unanimous vote.

Greeting by Chairman:

Chairman Marburger then took this time to welcome the newest Board Member, Mr. David Snyder from Laramie to the meeting. Board Member Snyder thanked him for the welcome.

CEO Report:

Wyoming Lottery Corporation (WLC) CEO Jon Clontz presented the Quarter Three (Q3) overview report.

Mr. Clontz began with an update on the newest game for the Wyoming Lottery, 2by2. He noted that a more in-depth review of sales performance of the game would be reviewed by COO Robin Medina later on in the meeting. He then shared that the game has had great success so far, which he attributed largely to the pre-launch efforts that took place to educate and excite players. He noted that some of the campaign materials would be shared later on as well. He also noted that the game exceeded the highest projections, and it was able to launch ahead of the deadline of March 20th by having it go live on March 14th. Mr. Clontz then asked if anyone had any further questions in regards to the game. Board Treasurer Dave Bonner asked if the Wyolotto staff were surprised by the number of grand prize winners the game had yielded thus far along with the surprise of the revenue for the game. Mr. Clontz responded that there was some surprise by the number, as they had already had four grand prize winners since launch. However, he noted that based on the research of other states that host the game, there was knowledge of the allure of 2by2 and the amount of winners it brings. Mr. Clontz also noted that the consortium for 2by2 shared their excitement for the success Wyoming has already seen with the game. He concluded that the WLC staff enjoy how much 2by2 has felt like an in-state game, even though it is sold in a few other states. Vice Chairman Willox then asked how the upcoming change of Lucky for Life could impact 2by2 success, since it is also becoming a daily draw game. Mr. Clontz agreed that the WLC staff had concerns about the game change and how it could impact other games within the portfolio. He added that the staff plans to keep a close eye on any changes that may occur. He concluded that if a reconsideration of continuing to offer Lucky for Life needs to be made, then he would update the board immediately. However, there were no decisions that could be made until next year.

Mr. Clontz then gave a summary of the status of Keno. He began by noting that he has been talking about this game for several years now, and he is ready to move forward into launch. He noted that there was a bill drafted and sponsored to move forward with getting Keno kiosks put into place. However, he shared that the bill ended up failing and did not move forward into final

voting. Mr. Clontz stated that the plan to launch Keno without kiosks was still in place and what the WLC staff will plan to execute on. He noted the WLC staff will now move forward into the education portion of the plan, so they are fully prepared and are experts of the game. Mr. Clontz noted the Missouri Lottery has agreed to put on a virtual Keno clinic with the WLC staff to share information on the game with the team. He also noted he has a trip planned to meet with the Intralot team to talk about Keno's next steps, but he had to reschedule it due to an unforeseen health issue for the Intralot CEO. Mr. Clontz shared that when the rescheduled meeting does take place he plans to discuss the project plan as well as miscellaneous items, including costs of potential kiosks in the future and a virtual training seminar. He further noted that there will be plans to ensure that the revenue projections are correct with the addition of the game without kiosks along with support for the additional retailers the WLC plans to add. Board Member Monk then asked if it would be possible for board members to join the virtual training. Mr. Clontz responded that this was a great question, and he briefly discussed his education next steps including in-person forums in June and the training session with an Intralot representative; all of which he plans to invite board members to attend. Board Secretary Liebzeit asked for the proposed start date for Keno, to which Mr. Clontz responded that as of right now it would be April 2022. Board Secretary Liebzeit asked if retailer forums should then begin closer to the start date of the game, especially due to retailer employee turnover. Mr. Clontz agreed and explained that the plan was to host the forums now, again near launch and then a follow-up after launch to ensure as much education coverage as possible.

Mr. Clontz then shared a high level overview of sales, noting that 2by2 was doing very well and WLC staff are enjoying a non jackpot driven game. He noted that with the addition of 2by2 the WLC's game portfolio would really only be able to support the addition of Keno and perhaps a raffle type of game every so often.

Mr. Clontz then noted that he plans to speak to the Chairman in regards to upcoming coordination for the board's strategic planning retreat. He concluded that if any of the board members had any questions or input on that topic to please email him about it.

He then noted the recent successful MUSL audit, which typically focuses on infrastructure and security checks and balances. He concluded that this audit takes place every two years and that other than minor notings, it was very successful and he was proud of his staff for ensuring it went smoothly. Board Secretary Liebzeit noted that it may be beneficial to share with the newest board member, Mr. Snyder an explanation of what "MUSL" was. Mr. Clontz agreed and stated

that he would share a full WLC lottery acronym list with Board Member Snyder after the meeting had concluded. He then briefly explained that MUSL was the Multi-State Lottery Association and provided a brief overview of their primary functions.

Mr. Clontz then noted that the upcoming summer was planned to be more normal in regards to travel and events for the WLC staff. He noted that the forums would take place in-person, and he felt it was a good way to conduct the forums every couple of years. He then made note of the upcoming charity event in Cody that himself along with several members of his staff planned to attend and work. He noted that this opportunity was brought to him by Board Treasurer Bonner and that the event's proceeds went toward St. Jude's and cancer research. Mr. Clontz noted that at this time his team was considering and speaking with the team over at Cheyenne Frontier Days to see about a potential lower level sponsorship. He also noted the WLC staff has been meeting with their representative from the University of Wyoming to begin planning the upcoming season. He concluded that his plan is to get back out and travel the state to re-engage with players and retailers, but he will be doing it at a level that does not overwhelm the small WLC staff.

This concludes the CEO report for Mr. Clontz.

At this time, Mr. Clontz noted that Board Member Todd Peterson messaged him letting him know that he may not be able to attend the meeting due to a personal conflict.

Q2 Financials:

Mrs. Jackson presented the Quarter Three (Q3) Financial Report.

Mrs. Jackson began with a review of the balance sheet noting that this quarter had begun with a very strong start which was great in comparison to the prior year. She noted that within the checking account there was over \$5 million which was an increase over the prior year by \$1.7 million. She noted that with this the WLC staff was able to increase the transfer to the state in comparison to the prior year as well as be able to set aside \$790,000 within the retained net proceeds. She noted that all of the increases were due to higher sales. She also noted the increase in the unclaimed prizes, which was \$370,000 over the prior year, and she explained that had the \$300,000 of the funds not been utilized from the prior quarters for a Cowboy Draw prize payout, the balance would have grown by \$700,000. She then noted that there was a \$2 million increase in the overall balance in comparison to the prior year. Mrs. Jackson noted the

retailer accounts receivable decrease was due to when the end of fiscal year hit. She then noted the total for the assets had an increase of \$1.7 million in comparison to the prior year due largely to the increase in the cash accounts. She then noted the transfer to the state being over the prior year by \$344,000. She then made note of other increases in comparison to the prior year including prizes payable due to larger sales. Mrs. Jackson also explained the difference due to several large Lucky for Life prize payouts, explaining that the cost to the WLC is around \$100,000 for each. She then noted the total for the liabilities had increased by a little over \$1 million since the prior year. She concluded that the total net income had increased from the prior year by \$360,000.

Board Secretary Liebrecht asked for an explanation of the pension liability breakdowns and the difference between the different amounts. Mrs. Jackson explained that there was an accrual entry which is captured at the end of each year, so on June 30, 2021 those accounts will be adjusted. She further explained that the calculation is determined by the assistance of McGee, Hearne & Paiz, LLP (MH&P) and the state to determine how much liability for the pension account comes from the WLC. Vice Chairman Wilcox asked if there was a difference between the unclaimed prizes within the assets and the prizes payable account. Mrs. Jackson explained that those accounts were different and that one deals with those prizes which have gone past the 180-day expiration and can no longer be claimed and the other pertains to those prizes which are still valid and can be paid out. Board Treasurer Bonner asked if in the past those funds used to be available to be utilized for promotions but due to legislative change are no longer, to which Mrs. Jackson answered that was correct.

Mrs. Jackson then reviewed the profit and loss report for the quarter to date. She began by noting that the total for 2by2 was only for two weeks of sales after launch which exceeded expectations. She then noted the increase in the total revenue from the prior year was by \$3.9 million. She then noted that with the increase in sales the cost of goods sold (COGS) increased as well with more prizes being paid out. She noted that with these increases, the gross profit was over the prior year by \$820,000. She then reviewed the operating expenses with minor timing differences for the accounting and audit fees. She also noted the marketing difference which was over the prior year by \$11,000 which was due to the Wyolotto app now being live and having operating expenses. She then went on to note the new game expenses stating that a majority of the expenses tied to launching the game came in this quarter. She also noted the planned expenses within outside services which were over the prior year but under budget, totaling \$18,000. She made note of the increase within benefits and salaries stating that the

increase was due largely to benefits and the HSA percentage increase. She noted the travel reduction in comparison to the last year, and she added that this will likely pick up in the next quarter with some planned travel coming up. She concluded the section by stating that the gross expenses were \$492,000 over the prior year which was largely due to new game expenses of \$472,000. Vice Chairman Willox then asked since the board members were moved from contract to salary if the board wages were appearing within the contract services or board expenses. Mrs. Jackson responded that those do show within the board expenses line item and that she has spoken to the auditors in regards to that change. Vice Chairman Willox thanked her and stated that he was unsure that due to the audit if there had been any request to move it, but the current placement made sense to him since the salaries and wages should reflect the operational staff. Mrs. Jackson then noted the increase in the net income over the prior year.

She then reviewed the calculation at the end of the report and explained the breakdown of the amount available to transfer into the retained net proceeds account. She also noted that the transfer to the state was 88% which was over the 75% mandate. Secretary Liebzeit then asked why the transfer was at 88% rather than being closer to the 75%. He further explained that based on the budget addendum he saw coming up later in the meeting why there had not been more of an effort to set aside more funds within the reserve and to not exceed the mandated state transfer amount at this time. Mrs. Jackson responded that the WLC staff does have those funds available for the new games and would explain more in full shortly, however, due to an unexpected error in calculations from the Lucky for Life consortium group the state transfer percentage amount had increased with these additional expenses which occurred after the state transfer had been completed. She further explained that early in April the WLC had transferred an amount closer to 76%, but due to the error from Lucky for Life originally showing as an accounts receivable instead of an accounts payable the amount transferred had been impacted to change to the 88% of the net income. Mrs. Jackson explained that she had worked with Lucky for Life to ensure this type of error does not occur in the future, but she credited a shift in personnel on the staff at Lucky for Life as likely the reason for the error. She concluded that since the legislative mandate is only for the year total to be 75% of the net income and with the yearly percentage going into quarter four being at 85%, the transfer for quarter four could be around 60% if needed and still be within the required percentage.

Mrs. Jackson then reviewed the profit and loss report for the year to date. She began by noting the total income was over the prior year by \$6.8 million. She noted again that with higher sales the COGS increased as well which then impacted the total gross profit to be just over the prior

year by \$1 million. She then reviewed the operating expenses with minor notings including that audit costs were down due to less time having to prepare for the audit to take place. Chairman Marburger then noted that he felt a kudos was due in regards to the reduction in fees for the accounting because of the diligent work and preparedness of Mrs. Jackson. Mrs. Jackson thanked him, but did note that the upcoming year's cost may go back up as there will be additional items that will need to be audited including the newest game, 2by2.

At this time Board Member Todd Peterson joined the meeting.

Mrs. Jackson then continued the review of operating expenses. She noted the reduction in legal and marketing fees. She continued by explaining the reduction in marketing fees was due largely to the growth of in-house capabilities, but also the bill for the University of Wyoming sponsorship had not come in yet. She then reviewed the outside services costs with only a timing issue for the difference. She concluded with the summary comparison noting the increase of \$1.2 million for the net income and the \$865,000 increase in transfers to the state as well. She concluded by noting that with the amount added to the retained net proceeds along with the new game fund account the WLC does have \$1.3 million set aside for the new game expenses and would be able to cover the costs of the upcoming proposed budget addendum.

Mrs. Jackson then reviewed the budget versus actual report for the quarter. She began by noting that the total income came in over budget by \$3.5 million. She further explained that this difference was due largely to jackpot increases which the WLC is unable to predict when setting the budgets. Vice Chairman Willox then noted that in addition to the unknown jackpots, at the time when budgets were set the Covid-19 pandemic had only just begun and the knowledge of what that could do to sales was unknown. He concluded that he was pleased to see positive numbers instead of negative in such an unknown year as 2020. Mrs. Jackson then noted that the gross profit did come in over budget by \$900,000. She then noted the other line items that came in under budget. She made note of the total expenses which came in under budget by \$135,000. Board Treasurer Bonner asked about the difference within the accounting line item account and how that was tied to a timing difference. Mrs. Jackson responded that the difference was really just a difference of when the invoice from MH&P was received and that the invoice was a bit delayed from MH&P this year. Mrs. Jackson then noted the total net income before the transfer was over budget by \$1 million.

Mrs. Jackson then reviewed the year-to-date budget versus actual. She reviewed the numbers again noting that they were over budget in revenue and under budget in expenses. She made note that for revenue the numbers came in \$7.4 million over what had been predicted and that left a gross profit of over \$1.9 million than what had been budgeted. Board Secretary Liebzeit asked what these numbers looked like in 2018-2019 which had been a strong year for the lottery. Mrs. Jackson replied that the total revenue for the total year was \$37 million but that she could email him more numbers in regards to quarter three numbers. Board Secretary Liebzeit thanked her for those numbers and that he thought perhaps including those comparisons in the end of year report could be beneficial. She then reviewed the total expenses and contract services again noting the numbers coming in under budget. She concluded with the net income before the transfer being \$2.1 million over budget

Mrs. Jackson then reviewed the budget versus actual for the problem gambling noting the only expense of \$2,000. She then concluded the financial presentation with no questions.

The motion was made by Board Secretary Liebzeit to approve the financials as presented. The motion was seconded by Board Treasurer Bonner and the motion passed by a unanimous vote.

This concludes Mrs. Jackson's financial report.

Budget Addendum

Mrs. Jackson then reviewed the proposed budget addendum. She explained that this was due to MUSL requirements for game changes which had not been anticipated to occur. She explained that while the changes themselves for both Lucky for Life and Powerball will not happen until the next fiscal, the WLC staff needs to begin work and planning for the changes in the current fiscal. She began by noting that Lucky for Life will be \$81,500 and Powerball is \$21,000 for this fiscal. Mr. Clontz noted that some of the expenses will be tied to notifying players and retailers of the game changes which are required by MUSL to notify the public of the changes. Mrs. Jackson then explained that with the changes come staffing changes in regards to operational needs which they feel requires adding a new position for the WLC.

Mrs. Jackson then explained that the current staff member, Sarah Shoden, who currently holds the position of Executive Assistant and Social Media Coordinator would move to full time marketing work as the Digital Marketing Manager, meaning that the WLC would need to seek out a new individual to fill the Executive Assistant role. She also noted that the WLC has already

enlisted the help of an additional part time draw coordinator to fill the needs of the additional draws occurring every day with 2by2. She also noted that this addition will help with the upcoming game changes of Lucky for Life having daily draws and Powerball adding an additional day. Mr. Clontz also noted that the purpose was to ensure full support of draws as well as back up support as needed.

Mrs. Jackson then noted that due to the multiple draws at the same time that there was a need to expand the draw room to accommodate more than one draw coordinator at a time. Mr. Clontz then noted the expense included costs to ensure that the expanded room meets all MUSL requirements for security as the WLC staff had done when the room was originally built. He also noted that other than any further internal testing or gaming expansions, the remodel to the room should cover any draw accommodation needs for several years to come.

Mrs. Jackson then reviewed the employee compensation change breakdown with the change of the current EA becoming the Digital Marketing Manager. She also noted that the amount may be less now as the position would likely not begin until mid May. Vice Chairman Willox then asked about the calculations for the line item and how the total was determined as he felt the math of EA expected salary divided by three months did not add up to the total. COO Robin Medina noted that within that line item there was an addition of a small salary increase for the current EA to go into the promotion as the Digital Marketing Manager position. Mr. Clontz then further noted what all the new position would include within the marketing department and that with the current and future growth of the company he felt compelled to request a new FTE. Vice Chairman Willox then asked about the rate of pay and if the new EA would be at the same rate with less marketing duties now tied to it than it was set up currently. Mr. Clontz responded that the proposed salary for the new EA was less than the current role was making as the role was already dual in responsibilities and some of the EA duties fell to other staff members to help support. Mrs. Medina also noted that in anticipation of the additional workload Keno will bring forward, the WLC leadership team feels the need to fill the positions prior to beginning that work. Board Member Mary Throne then noted that she felt that the transitions to more in-person meetings and events will likely put a much larger workload on an EA to coordinate and oversee. Board Treasurer Bonner also noted that with the increase to daily draws for Lucky for Life, there should be an increase in revenues to also support and offset additional costs. Mr. Clontz also noted that the WLC has been making conscious efforts to reduce the marketing contract costs with Warehouse Twenty One (W21) by moving many of the marketing capabilities in house. He then noted that he had originally thought that the contract would have to remain around the

\$600,000 mark to maintain marketing, but with bringing in as many of the capabilities as had occurred, the number was now around \$450,000. Mrs. Medina noted that in response to Board Treasurer Bonner's comment about Lucky for Life, that the WLC is projecting a 25% increase in sales for that game after the change. Vice Chairman Willox then asked for clarification if the proposed salary shown in the report was for the EA or the new role, to which Mr. Clontz responded that it was for the EA. Vice Chairman Willox then continued by noting that he did not have an issue with backfilling but instead was concerned that the proposed rate was a bit high and if that was in line with industry standards. Mrs. Medina responded that in the prior years they had actually changed the original title of the position from an Administrative Assistant to an Executive Assistant to better suit the responsibilities and level of work that was expected. She further noted that based upon prior recruitment review of the area and the cost of living for Cheyenne it was felt that the salary amount was in line. Mrs. Jackson also noted that the line item in regards to the benefits package was on the higher end as it was only predicted at this time and many factors may impact that based upon the actual hiring.

Mrs. Jackson then further explained the other line items and what all was included within them for the office expansion and IT needs. Mr. Clontz noted that the expectation is to also utilize the new EA role to be supportive of security and forum education. He further noted that the WLC does have these funds currently available to cover all items within the budget addendum.

The motion was made by Vice Chairman Willox to approve the budget addendum as presented. The motion was seconded by Board Secretary Libezeit and the motion passed by a unanimous vote.

Marketing & Sales Report:

Wyolotto COO Robin Medina presented the Quarter Three (Q3) Marketing Report.

Q3 Sales Report

Mrs. Medina began by noting that as previously mentioned the WLC staff did go into this year conservatively as there were several unknowns with jackpots and the pandemic's effect on sales. She then continued that currently sales were over projection by 41.98%, and that by end of year with current jackpots she was projecting that sales would end over \$30 million. She then reviewed the sales charts comparisons for the actuals versus projections and the actual weekly sales again noting the increase. At this time Board Member Peterson excused himself from the meeting for a personal matter. Mrs. Medina then reviewed the games sales for each game in

comparison to the prior year; all having increases. Vice Chairman Willox then asked in regards to the UW Cowboy Draw Bogo promotion and if the WLC had done an ROI review in regards to the cost of the sponsorship in relation to the positive benefits the Bogo does for sales. Mrs. Medina responded that the Bogo itself pays for the sponsorship two to three times over and that it is the most profitable promotion that the WLC currently has. Mrs. Medina then noted the successful beginning sales for 2by2 which were over projection and concluded with a review of Round Up and product sales year to date. Board Treasurer Bonner then asked if Mrs. Medina could explain what “Round Up” was for the benefit of Board Member Snyder, to which she was able to explain the package of one of each game ticket plus the multiplier for \$14.

This concludes Mrs. Medina’s sales portion of the report.

Q3 Marketing:

Mrs. Medina then reviewed the marketing update for the prior quarter. She began by noting the launch of the newest game, 2by2. She covered the robust pre-launch campaign efforts to ensure both players and retailers were educated and excited about the game prior to tickets going on sale. She then covered the tactics for the launch of the game and the commercial and PR video were shared. She concluded that even with the obstacle of the large snow storm on the weekend of launch, 2by2 was still very successful.

Mrs. Medina then reviewed the Second Chance promotion which had taken place in January. She noted that this was executed almost exclusively from in-house resources and minimal support from W21, so this campaign was done with very minimal external costs. She noted that the goal was surpassed and there was a large increase in app users. She also noted that at the same time as the promotion jackpots were also very high which likely impacted the large increase of entries.

Mrs. Medina then reviewed the recent event in Jackson in which the Wyoming Lottery sponsored the Jackson Hill Climb. She noted the event details and the sponsorship items that allowed the brand to be widely seen during the event both in-person and virtually.

She then reviewed the current executions for the University of Wyoming sponsorship, noting that with all of the changes in relation to the pandemic this had many different marketing tactics engaged to provide the best support. She also noted that if some items could not take place the WLC staff worked closely with UW to ensure make-goods happened. She then reviewed the

current status of the Wyolotto app and that it was still successfully growing with users and usage.

She concluded the presentation by noting the upcoming items planned which included the creation of the marketing plan for FY22, the charity event in Cody as well as the game changes for Lucky for Life and Powerball.

Board Member Liebzeit then asked for clarification on how the 2by2 double promotion works, to which Mrs. Medina explained that if a 7 consecutive draw ticket is purchased for that game that any win on the Tuesday within that time frame is doubled. Vice Chairman Willox confirmed that the ticket does not have to be purchased on a Tuesday itself to be valid, to which Mrs. Medina responded that was correct. She concluded that the WLC staff is still working diligently to ensure players and retailers fully understand the concept now that the game is live. Board Member Monk then shared her acknowledgement to Mr. Clontz and his team for a well done marketing presentation and that she enjoyed the marketing materials that were shared in regards to 2by2.

This concludes Mrs. Medina's marketing presentation for Q3.

Executive Session:

The motion was made by Vice Chairman Willox to move into the Executive Session. The motion was seconded by Board Member Peterson, and the motion passed by a unanimous vote.

Re-Adjournment:

Upon return to the public meeting Board Treasurer Bonner noted that the board had approved the bonus compensation plan for staff that had been presented by the compensation committee during the Executive Session.

Meeting Adjournment:

Chairman Marburger announced the closure of the meeting, with the motion being made by Board Secretary Liebzeit. The motion was seconded by Board Member Willox and passed with a unanimous vote. The meeting was adjourned.