

WYOMING LOTTERY CORPORATION

Board Meeting Minutes

October 28th, 2019

Teleconference

Board Members Present: N/A

Board Members via Teleconference: Sandi Chitwood-Chairman, Gerry Marburger-Vice Chairman, Dave Bonner-Secretary, Gina Monk- Treasurer, Sandra Wallop, Jim Willox, Todd Peterson and Ed Liebrecht. Mary Throne joined at 9:24 a.m.

Board Members Absent: None

Staff Members Present: Jon Clontz-CEO, Robin Medina-COO, Loy Jackson-CFO, Dave Stevens- Security Manager, and Sarah Shoden- Executive Assistant and Social Media/ Events Coordinator.

Staff Members via Teleconference: None

Guests Present: Matt Kaufman-Legal Counsel, Zeke Chemodurov and Jennifer Bohlig of Intralot, and Brandy Marrou of McGee, Hearne & Paiz, LLP (MHP)

Guests via Teleconference: None

Establish Quorum:

Chairman Sandi Chitwood called the meeting to order at 8:34 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 Secretary Dave Bonner to approve the minutes from the July 29th Board Meeting with amendments. The motion was seconded by Board Member Jim Willox and the motion passed by a unanimous 8/0 vote.

Amendments made by Secretary Dave Bonner for the minutes for July 29th:

Page 4: Update on the order of approvals and notes within the Finance and Accounting section to be ordered chronologically as they occur within the meeting itself.

Page 6: Update within the Finance and Accounting notes to read as, "Mrs. Jackson made mention of the \$85,000 in sales and \$85,000 in prize expense payout for Ragtime Raffle in FY19."

Page 10: Update "20,00" to "20,000"

Page 13: Update the word "Statue" to "Statute"

CEO Report:

Wyolotto CEO Jon Clontz presented the following Quarter One (Q1) overview report:

Mr. Clontz began by making note of the recent employee changes within the company. He continued to explain that since the beginning of the Lottery, the staff has always remained at a small number (8-9 members) and that he appreciated the additional efforts of his current staff during this transition time. He then shared that they had hired a new Marketing Manager, Ashley Pexton, who would begin on November 1. He then shared his excitement in having Mrs. Pexton join his team as she is a Wyoming local who comes with years of marketing experience and lottery knowledge. He included that they are currently recruiting for the Player Services Specialist position and have had a lot of great applicants thus far. He concluded that he felt very pleased with his team and felt that the level of experience would be a great asset to the Lottery going forward.

Mr. Clontz then made mention of their very successful audit and that he looked forward to the presentation of the audit later on in the meeting.

He then shared that he alongside Wyolotto Security Manager David Stevens had made contact with the Delehanty Company, who specialize in security audits and research. They had discussed performing a detailed security and systems audit and what those pricing options could be. Mr Clontz made mention that while regular security audits are performed to ensure the Wyoming Lottery is in accordance with all regulations, he felt that at the five year milestone this may be the time to conduct a more indepth audits with potentially Gaming Laboratory International (GLI) and Delehanty. He then concluded the next steps will be that a quote will be created by Delehanty that will then be reviewed by Mr. Clontz, alongside Wyolotto COO Robin Medina and Mr. Stevens. After which a proposal will be presented and submitted to the board for review.

Mr. Clontz then began to discuss the status of Keno. He mentioned that during their discussions with Delehanty they had presented their research and findings on Keno implementation. He continued that this research would be shared with the board in a larger presentation. He made mention that his current plan for Keno is a launch by the end of 2020. He then covered the topic of Keno Kiosks and that research based on other state lotteries showed a much higher success rate when Kiosks were present. He included that based on conversation with the CEO of Intralot, that the cost of the Kiosks would be covered by Intralot. He concluded that further

research will be conducted both from a legal standpoint as well as an implementation standpoint and that this topic would be discussed further during Executive Session.

Mr. Clontz then shared that he had met with the executives at Intralot and Park Avenue Games to discuss the continued partnership on the development of the Wyoming Lottery App. He shared that Mrs. Medina may cover further details within her marketing report but that their primary goal is to ensure a high level of performance and capability within the App before it is launched. He shared that due to the level of manpower it requires to ensure this high level App their plan is to launch the app in the spring and then prioritize Keno development in succession.

Mr. Clontz added that he felt that to best round out the game portfolio for the Wyoming Lottery, Keno was the best fit as the others are jackpot driven. He continued that he felt that potentially one additional daily game and occasional Raffle based games could be considered in the future, but that may be it for the foreseeable future within the current statute. He felt that this plan would “round out” the portfolio to best maximize revenue and transfer amounts. Mr. Clontz concluded that their gaming partner, Intralot, continues to be a strong partner throughout the process.

He then briefly covered the expenses tied to Keno development. He made mention that they had roughly \$400,000 set aside currently of roughly \$1.7 million they are estimating it will cost. He continued that he felt confident that they had ample time to save up for the remainder of the total.

Mr. Clontz noted that all employee evaluations has been completed. He then shared that the UW promotions have gone very well and that during the marketing presentation Mrs. Medina will share further results of the Cowboy Draw BOGO.

Mr. Clontz concluded his CEO report by sharing the current Wyoming Lottery status statistics. He began by mentioning that the numbers were based upon the launch date of August 24, 2014. He noted that \$16,892,818 have been transferred to the state treasury. The total amount paid out to retailers based on their 6% commission is over \$9,317,000. He then shared that the total amount won is over \$60,832,000 by almost four and a half million Wyolotto winners. He concluded by sharing the total amount of millionaires that Wyolotto has created is 14.

He then discussed the retailer bonus initiative, which was approved and implemented in 2017 has resulted in over \$17,000 paid to retailers for selling large winning tickets. He then shared that the total cost to conduct retailer parties to celebrate the sale of winning tickets is approximately \$11,000. He summarized that the total given back to the state by the Wyoming Lottery in transfers, retailer support and winnings is about \$87 million.

Mr. Clontz concluded his CEO report by thanking the board members for their continued work and support.

This concludes the CEO Report for Q1.

Finance & Accounting Report:

Brandy Marrou of McGee, Hearne & Paiz, LLP (MHP) presented the Finance and Compliance Report for the Wyoming Lottery.

MHP Audit Results Presentation:

Mrs. Marrou began with the Independent Auditor's Report. She summarized the different responsibilities for each party as stated in the report. She then noted the section "Opinion" which states their overall opinion on the report. Within this it was noted that the financial statements were presented fairly and within accordance with accounting principles generally accepted in the United States. She noted that this was an unmodified opinion for this year.

Mrs. Marrou then noted the section from pages 3 - 10 within the Management's Discussion and Analysis. She shared that this portion of the report was created by Wyoming Lottery's internal team of the COO Mrs. Robin Medina and the CFO Mrs. Loy Jackson. Within this document they provide a synopsis of the financial statements along with comparison reviews of the 2018 against the 2019 financials. Mrs. Marrou explained that this analysis does not only show the comparison but also provides an explanation of why there is a difference. Mrs. Marrou then called out specifically pages 9 and 10 of the document as these specific pages outline plans for future endeavors for the company. These endeavors includes the new product plan, the App development as well as the Act Modification that went into effect July 1, 2019.

Mrs. Marrou then began her presentation of the financials on page 11 by reviewing the total assets by the end of the year which came in at \$5,616,020. This is in comparison to the previous year end that was at \$6,263,978. Mrs. Marrou pointed out that the cash balances had reduced by roughly \$1.2 million which were strictly a function of other balances. She also made mention of the payment due from MUSL of over \$385,000 which was tied to a Lucky for Life win that was later paid out but had not been reimbursed at year end. Mrs. Marrou concluded that in total assets had decreased by \$771,000 from the previous year.

Mrs. Marrou then covered the additional movements that have occurred within the liabilities and that the total liabilities are down \$1.1 million from the previous year. She then noted that unearned revenue is up \$619,000 and that a large majority of that was due to the Ragtime Raffle. She then made mention of the prize payment balance which had a significant decrease in comparison to 2018 of \$1.8 million. She went on to explain that this was due to the \$2 million dollar prize that had not yet been collected at the end of the year. She summarized that in total the net position for the Wyoming Lottery has approximately doubled from \$448,175 to \$990,941.

Mrs. Marrou then went on to cover the statement of revenue and expenses. She made note that the total operating revenues are just shy of \$37 million which is an increase of \$8.1 million from the previous fiscal. She then explained that after all of the prizes expenses and commissions

the gross profit was just over \$10 million which was an increase from the \$8.2 million in the previous year. She did mention that the overall gross profit percentage did decrease slightly from 29% to 27%. Mrs. Marrou then explained that as part of their audit they do review the game payouts to ensure they are inline with the payouts that the games were created to do and all Wyoming Lottery payouts were very consistent with where they should be. She finished the section by making a note of the Ragtime Raffle revenue and payout were recognized and matched in FY'19.

She then covered the expenses review for the Wyoming Lottery. She noted that as consistent with previous years the highest expense line is for the salaries, wages, and benefits for the staff. She noted that it made up 43% of the operating expenses with advertising and promotion making up 29%. She then pointed out that the advertising and promotion budget continues its downward spend year after year, which has been management's intent. She then made note of the other two significant expenses, the first being the Depreciation and Amortization which is down \$82,000 due to a significant amount of intangible items that were acquired at the beginning of the Lottery have become fully amortized in FY19. She then noted the office supply and equipment line item which had a decrease of \$63,000 that was a result of the Lottery office remodeling that occurred in FY18. She concluded that overall the total operating expenses were \$2,819,561 which brings the operating income to \$7,272,715. In the non operating expenses, Mrs. Marrou made note that the transfers to the state are just over \$6.6 million which is an increase of almost \$2 million from the previous year. She also pointed out that due to the significant launch of the Wyoming Problem Gambling Coalition in 2018, the expenses for the Compulsive gambling treatment were reduced. She concluded for this section that this leaves the change in net position at \$542,766.

Mrs. Marrou then covered the Statement of Cash Flows. This covers the cash received and paid out, with the majority of cash coming in from retailers then paid out to winners. She then made note of the Noncapital Financing Activities with the majority going to the transfers to the state. She concluded that overall the cash balance decreased in 2019 by \$1,184,615 due largely to the prize payment that she noted earlier that was not paid out at the end of the fiscal.

Mrs. Marrou then covered the footnotes section. She began with Note 1 , stating that this is utilized as a refresher of how CFO Mrs. Jackson is accounting for all the balances within the financial statements. She noted that there are no changes made to the accounting policies this year and are consistent with prior years. Mrs. Marrou did make mention on page 16 in the paragraph title "Revenue Recognition" in regard to the Cowboy Draw BOGO Promotion that there was \$455,485 worth of free play. She then moved to page 17 in the paragraph titled "Unclaimed Prizes" that the amounts continue to grow and are just short of \$1 million dollars for FY19. She concluded by making mention of page 19 under paragraph titled "Reclassifications" for the prior year balances, however these did not affect the net income.

Mrs. Marrou then summarized the remaining footnotes, noting that there have only been minor changes to the financial disclosure this year. She made note under the restricted funds that the

fidelity funds are currently sitting at \$57,455 which was also affected by the new Lottery statute change that went into effect as of July 1. This decreased the threshold from \$500,000 to \$250,000. She also made note of the Unclaimed prize funds with a current balances of \$1.8 million and that as of July 1 that special prize promotions can no longer be funded out of these balances.

She then covered the Capital Assets on page 20 under Note 3. She made mention that there was no additions and only (1) deletion which was the sale of the first Wyolotto Bus. Board Member Jim Willox then asked to go back to page 19 in regard to the sentence beginning with "Under the Act, unclaimed prizes..." if that was speaking to prior or after the law change since there was only a half year that was affected. Mrs. Marrou responded that the law change took effect as of July 1, 2019 there for the change would impact FY20 going forward.

Mrs. Marrou then moved to page 21 in regard to the disclosure for compensation during absences and that the whole balance is planned to be paid out in FY20. She then pointed out that Note 5 is a new note this year that discloses the terms of the agreement that the Wyoming Lottery entered into in November 2018 which will expire in November 2019. She then noted the leases in Note 6 which had minor notings.

Mrs. Marrou then went on to Note 7, stating that this was a significantly long Note. Within this note is the disclosure in regard to the pension requirement that the Wyoming Lottery has a proportionate share of because of the participation in the Wyoming Lottery retirement plan. She pointed out the section which highlights the contributions which are required to be made to the plan. Due to a statute change as of September 1 contribution rates increased and the Wyoming Lottery has agreed to pay a 3.88% of the contributions for their members effective September 1, 2018 and 3.63% of the member's contribution prior. Overall this increase impacted the Lottery by 2.5%. She then covered the final paragraph on page 23 which covers the Lottery's proportionate percentage of the overall plan and liability. She pointed out the significant increase from \$917,239 to \$1,245,323. She explained that this was a function of that liability overall, however the Lottery's percentage did increase at a very slight level. Board Member Ed Liebzeit then asked Mrs. Marrou to define the "Rule of 85". She responded that the rule is that the members age is added by years of service to result in that "85" and become eligible for retirement. Board Member Liebzeit then asked if that applies to full retirement not early retirement, to which Mrs. Marrou responded that was correct and if someone were to elect for early retirement it would affect the payout percentage. Board Secretary Bonner then followed up in regard to the pension liability and the ultimate responsibility not falling on the Wyoming Lottery as a participant. He then asked Mrs. Marrou to explain on whom the ultimate responsibility will fall. Mrs. Marrou responded that the Wyoming Retirement System is monitoring the plan, noting that Wyoming's plan is not fully funded but in better financial position in comparison to other state's plans. She then went on to explain that their Board in conjunction with the Legislature would manage the under funding and make necessary changes such as increasing the rates. With the liability growing, Mrs. Marrou said her expectation is that there will

be ongoing monitoring of the rates and contribution changes could occur in result in statute changes.

Mrs. Marrou then explained that the remainder of that footnote are just disclosures that are required to be within the report that were lifted from the WRS financial statement. She then noted on page 25 the section titled "Discount Rate" which explained the estimation of what the proportion share view would appear based on the changes of the Discount Rate. She shared that currently the Wyoming Lottery is at \$1.2 million and what it would look like if it were to increase or decrease. She concluded that the Discount Rate is determined by the actuararies of the Wyoming Retirement Systems.

She then covered Note 8 making mention that due to the statute change the transfers will be calculated by a formula of 75% of the net proceeds from the preceding quarter. She then made mention that subsequent to year end after the completion of the audit and any adjustments that may be identified, there will be a "true-up" of that calculation and if necessary additional amounts will be transferred to the state if needed.

Within Note 9, Mrs. Marrou made mention of the contract with the gaming vendor for the Wyoming Lottery, Intralot. In August the fee paid to Intralot was reduced from 11.89% to 11.64%.

At this time Board Member Mary Throne joined the call.

Mrs. Marrou then noted on page 27 under the section titled "Marketing Commitments" that there has been a long term contract with Warehouse Twenty One, that was not renewed on June 30th, 2019 and instead will be going forward with an "as-needed" basis. The Wyoming Lottery has budgeted \$620,000 for an expense for FY20 to cover this.

She then moved to Note 10, adding that there had been several significant events within this section that will impact FY20. The Note described the 401k plan that the Lottery has that was determined as ineligible. At the time the Lottery has established a Deferred Compensation Plan with the Wyoming Retirement System with the first contributions being made to that plan in the middle of October 2019. Board Member Willox asked about what happens to the current 401k account and if that would be rolled in. Mrs. Marrou responded that she will be working alongside Mrs. Jackson to assist with termination of that current plan, which will require the employees to roll their funds out. The determination of where those funds go will be specified by the employees if they would rather roll it into their own personal plan or into the new deferred comp plan.

She then made mention that the following 3 pages (28-30) would be continually added to until the Wyoming Lottery has 10 years of data to compare.

She then went on to page 31-32 which is where they would report any findings in regard to any internal control efficiencies or any significant or material audit adjustments, to which there are no such items to report. Mrs. Marrou then shared that they were given very “clean” financial statements for this audit. They did have some adjustments during the audit but upon their analysis and their criteria they are required to go through they did not find any to be at the level that they would classify as “significant”.

The next document she covered was the required document they are charged to provide to those that govern the corporation. She highlighted at the bottom of the first page she made mention that there was no findings of any significant or unusual transactions. She then made mention of the significant accounting estimates which are the Pension Liability and the Transfers to the State of Wyoming on page 2 and those estimates procedures. She then explained that up to now during the audit they would utilize their own calculation equation to ensure that the transfer amounts were done so in accordance with the statute. Mrs. Marrou then mentioned that going forward the Transfer to the State will no longer be a significant accounting estimate as the statute as has changed to a defined calculation. Board Member Liebzeit then asked about the wording within the sentence beginning with “As a result,…” in which the statement “appear to be in compliance” is used as opposed to “are in compliance”. Mrs. Marrou responded that because the previously written statute was a bit “grey” on the interpretation of the amount needing to be transferred within the confines of what was written.

Mrs. Marrou then drew attention to the portion of the document titled, “Appendix A” which highlight the two audit adjustments that did occur. Neither of these were significant to the financials statements. Item 1 was an edit to the book date from July 1 to June 30. Item 2 was edited to reflect the work being done for the Wyoming Lottery App and that it will be capitalized in FY20.

She then highlighted the (3) validation errors that had occurred in which 3 tickets were not properly validated. These included (1) Lucky for Life and (2) Ragtime Raffle tickets. These items were not identified during the audit, but rather during their planning process by Mrs. Jackson and Mrs. Medina. She explained that they took the time to review each occurrence and determined that they were isolated occurrences and that everything was properly taken care of. Board Member Liebzeit questioned about the word usage of “any significant difficulties” within the sentence under the section titled “Significant Difficulties”. He explained that to him it read as though there were some difficulties but nothing of significance. Mrs. Marrou responded that the wording in question was not to be interpreted as such, but instead a large portion of the wording within the document comes from an auditing standard template that they are required to follow and utilize. She followed up that the Wyoming Lottery team was very accomodating and she did not encounter any issues in working with them during the audit process.

Mrs. Marrou concluded that the final pages were a letter that they require management to sign in approval of the financial statements. She included her gratitude to the management team of the Wyoming Lottery for being so prepared for the audit and for their level of collaboration

during the audit process. She also expressed her gratitude to Mrs. Jackson for building relationships with other lotteries and learning the best practices for managing finances for a lottery.

This concludes Mrs. Marrou's presentation of the audit.

Mr. Clontz took this time to express his gratitude to Mrs. Marrou and MH&P for their work on this audit and all preceding audits. He also took time to thank his staff and legal counsel for their ongoing work.

Board Member Willox asked a question in regard to page 19 in which it notes that as July 1, 2019 prize promotion can no longer be funded by unclaimed prize monies. He went on to ask if that statement was too vague as he understood those funds could be utilized. Legal Counsel for the Wyoming Lottery, Mr. Matt Kaufman responded that there is more flexibility with those funds based on the new statute language that reads that "unclaimed prize money shall be used to offset prize expenses". Mr. Kaufman explained that there was no other directive within the wording to dictate how those are used, other than they are utilized to offset prize expenses. Board Member Willox then followed up asking if the line within the audit needed to be edited to reflect this. Mr. Kaufman responded that he had reviewed the audit thoroughly and did not feel that any language was inaccurate. Board Secretary Bonner then asked if it was just the specific call out in regard to "prize promotions" which he did believe was in the statute. Mr. Kaufman responded that there may be some confusion between the old and new statute wording and that within the new statute the only call out is that it shall be used to offset prize expenses. Both Board members agreed that they felt the wording within the audit was ok for approval as presented.

Vice Chairman Gerry Marburger moved to accept the audit as presented. Board Secretary Bonner seconded the motion and the motion passed by a unanimous 8/0 vote.

Wyolotto CFO Loy Jackson presented the Quarter One (Q1) Financials Report.

Q1 Financials:

Mrs. Jackson began the review of the balance sheet which compares Q1 to this time last year in FY19. She made note that this time last year the checking account was higher and that was due largely to the comparison of the Cowboy Draw jackpot amounts. She noted the unclaimed prizes amount and that typically this is at a higher amount, but \$750,000 was utilized for the payment of the Ragtime Raffle jackpot win. She then covered the Responsible Gambling accounts with noting of expenses incurred of \$107,000 in FY19.

She then covered the other current assets pointing out the decrease in Retailer Sales accounts in comparison, which is due to slower sales in relation to lower jackpots. Mrs. Jackson then covered the non-current assets and the decrease, due to the sale of the initial Wyolotto bus. She also pointed out that the trademark tied to the "All or Nothing" game was retired due to nonuse. She concluded that this brought their total assets to over \$6 million.

She then covered the liabilities section making note of the lower balance in the accounts payable, which is an effect of lower sales therefore resulting in lower commissions paid out to Intralot. She also made note that due to the lower sales, the Wyoming Lottery staff had been reducing their expenses as a result. The effect of the decreased sales also reflected in the amounts for the transfer to the state balance, unearned revenue and the prizes payable.

Mrs. Jackson then noted that the payroll liabilities did increase based on the accrual vacation entry that she enters each quarter in the event that all vacations would have to be paid out at once.

The next section she covered was in regard to the Net Pension liability which is a result of the entry she puts in every June and will remain throughout the fiscal.

Mrs. Jackson then covered the P&L report. She began by stating that once again the lower jackpots and slower sales did impact this quarter. She then shared that they are hopeful for better numbers in Q2. She noted the sales for every game except Raffle were under the previous fiscal and then noted that \$992,000 that was recognized in this fiscal for Ragtime Raffle. She concluded that their total income is over \$7 million which is \$1 million less than the previous year at this time.

She then covered the Cost of Goods Sold, noting the reductions except the expense for the Raffle. She shared that the prize payments was over \$4 million which did include the Raffle prizes. She concluded that they had a gross profit of over \$1 million compared to \$2.4 million last year.

She then made note of the expenses, noting there were cutbacks where available to reflect the lower sales impacts. She covered the costs for memberships, marketing, IT, noting the reductions where available. She concluded that total operating expenses of \$630,000 which was a reduction from the previous year by approximately \$100,000.

Mrs. Jackson then covered the interest income account which was \$7,600. She included since this account did not exist during the previous quarter the increase was by 100%. Board Member Willox asked what the interest expense was being charged upon. Mrs. Jackson responded that it was only on the capital lease for the Xerox copy machines.

She then covered that the net income prior to the transfer to the state was \$899,000 which is \$800,000 less than the previous year. Based on this, the transfer to the state was reduced as well by \$550,000. She made note that this transfer was 95% of the net income, which was above the legislative statute requirement of 75%. She went on to explain that the reasoning for going so far above was that with sales so low, they still wanted to capitalize on the highest amount they could transfer to the state.

Mrs. Jackson then covered the comparison of the budget versus actual for the quarter. As in the previous section, she explained that expenses were cut where possible to best account for the low sales as a result of the lower jackpot amounts. She explained that some expenses were pushed to a later quarter in hopes of better sales at that time, while other expenses were cut completely. Board Chairman Chitwood added that the savings and cuts that took place during this quarter, were not easily done and were not a result of overspending. She went on to commend the Lottery staff for finding efficiencies and bringing capabilities in house that made the most sense not only for cost savings, but also made the most sense for the company overall.

Mrs. Jackson then covered her final report being the costs related to Responsible Gambling in reviewing the budget versus actual. She noted that there was no activity within this budget this quarter and will report in future quarters as actions take place.

Board Member Throne voiced her concern on the level at which the transfer exceeded the required statute amount, ensuring it did not set up an expectation to transfer at that level in all preceding transfers. She followed up that she did feel the level at which was transferred made sense reflecting the level of sales. CEO Mr. Clontz, responded that they had taken that into consideration when calculating the transfer. He went on to explain that he feels that it is the duty of the Wyoming Lottery to best maximize the transfer to the state, even during low sale quarters and therefore he felt comfortable to go above the dictated 75%. Board Member Throne agreed with Mr. Clontz's explanation. Vice Chairman Marburger followed up that it might be considered in the future to create a formalized policy for the transfer to the state going forward. He went on to suggest that going forward they provide more transparency and share documents on how the

transfer is calculated should the question arise. Mrs. Marrou responded that if that was something they wanted to do internally for any questions that may arise, but in regard to the audit they will solely review the transfer amounts on a set calculation to ensure the Wyoming Lottery is within compliance of the statute. She went on to make mention within an internal policy to provide flexibility as the statute provides broad restrictions, they should not create an internal policy that builds restrictions. Mr. Kaufman made note that early on in the Lottery audit process with MH&P they had created internal policies to reflect the old statute language and it may be time to review those based on the new statute. Mrs. Marrou noted that they do have those policies on file, and that they plan to update next year to reflect. Board Member Willox voiced his opinion that the board should continue to have a conversation in regard to a policy set in place in relation to transfers going forward. Board Chairman Chitwood responded that they have had policies in the past that have been reviewed and approved and that it would be wise to review them as suggested by Mrs. Marrou and Mr. Kaufman.

This concludes Mrs. Jackson Q1 financial report. Motion was made by Board Member Liebrecht to accept the financials as presented. The motion was seconded by Board Member Todd Peterson and the motion passed by a unanimous 8/0 vote.

Marketing & Sales Report:

Wyolotto COO Robin Medina presented the Quarter One (Q1) Marketing Report.

Mrs. Medina provided the following marketing updates:

She began with a review of the sales updated for Q1. She covered the comparison of the total sales for FY20 actual versus projection noting that as Mrs. Jackson had covered in the financials, the lower jackpots have affected sales. She noted that currently they are 22.89% below projection. She went on to note that Powerball's jackpot has not been over \$200 million for Q1 and Mega Millions has only barely surpassed the \$200 million mark before getting hit as well. She shared that they are hopeful for jackpot growth to help with the sales gap.

Mrs. Medina then covered the comparison of sales from this fiscal in comparison to last. She noted that in FY19 there was the lead up to the \$1 billion dollar jackpot for Mega Millions which helped sales to boost quite significantly. She then covered the actual weekly sales comparison noting the decline but pointing out the Cowboy Draw BOGO promotion tied to UW Football did have great sales success. She then summarized the Cowboy Draw BOGO is tied to any home game football wins for the University of Wyoming, in which the following Sunday from 11-2pm, players are able to purchase a Cowboy Draw ticket and receive a free ticket for the upcoming draw.

She then went on to the quarter sales for FY20 actual versus projection sharing that the projected sales were at \$8,215,000 with the actuals at \$6,334,505. Mrs. Medina went on to cover the sales comparisons for each unique game. She again noted the difference in jackpot amounts is reflected in the decrease in sales. Mrs. Medina made note that in total there have been (2) Cowboy Draw BOGOs within Q1, however (5) have occurred in total this fiscal. She shared that from those (5) promo days, they have grossed \$1,194,615 with \$527,163 free plays netting at \$621,530. She concluded that even with a low jackpot amount and weather to take into consideration, the most recent BOGO promotion was still very successful with net sales of \$96,940.

Mrs. Medina then covered sales comparisons for Lucky for Life and Round Up sales. With minor notings of the lower jackpots. She concluded the sales presentations with the product sales YTD, noting that Cowboy Draw makes up the largest portion with 35% with Powerball following after at 29%, then Mega Millions at 20%, Lucky for Life at 9% and finally Ragtime Raffle at 7%.

Mrs. Medina then went on to the Marketing Report presentation. She began by noting there has been great success this quarter for PR in regard to stories around winners, jackpot hits and the 5th Anniversary for the Wyoming Lottery. She included that the ad equivalency for the PR efforts equated to approximately \$17,222. She then covered the Social Media account review. She noted that there was an influx in engagement due to the promotion of Ragtime Raffle which included game promotion, event promotion and giveaways.

She then covered the updates on the website for the Wyoming Lottery. She noted that there is a lot of traffic coming on to the website from neighboring states including Colorado and Utah, she noted this is likely due to the Ragtime Raffle game and players coming into Wyoming for Cheyenne Frontier Days.

She then made note of the email updates for this quarter noting that in total (19) player emails were sent out as well as (7) press releases and (106) RSS automatic emails that players elect to receive.

Mrs. Medina then covered the campaign updates beginning with Ragtime Raffle. She noted that in total they had sold 53,853 tickets from June 9th until July 28th. She shared that this campaign was heavily supported by many media efforts including; TV, billboard, events, point of sale and corporate communication channels. After reviewing the different media efforts, Mrs. Medina made a point to highlight that after the run of Ragtime Raffle during their review of the metrics it was found that there was a high level of interest from a younger male demographic online. She went on to explain that typically their audience does tend skew a bit older and female, so she was excited that this game seemed to attract interest from a new demographic.

She then covered the UW Cowboy Draw BOGO campaign. She shared that they've seen great success so far with this campaign in its second year and that players are gaining a bigger

awareness and excitement about it. She shared that there is (1) more planned BOGO promotion should the Cowboys win against CSU in the upcoming game.

She then covered the upcoming planned “Giving Back” PR road trip. She shared that they plan to have Mr. Clontz travel the state to share the Giving Back messaging of the Wyoming Lottery. She noted that they are allowing for flexibility in this plan due to the unknown winter weather.

Mrs. Medina concluded the campaign section with a review on the status for the Wyoming Lottery App. She noted that continued work on the development and schedule has been in progress with all the associated teams. She emphasized that the functionality of the app has been prioritized as well as testing to ensure that the end product is top of the line. She shared her excitement about the research Warehouse Twenty One has been conducting with other state lotteries to better understand what has or has not worked for them in their own app development, so that Wyoming Lottery can best refine those practices. She then shared that one of the functionalities she is most excited about is the ticket scanner, which should not only be able to tell a winner if they’ve won at that time, but also store the information and notify a player for future wins. Board Member Willox asked if this app would be able to read other state lottery tickets. Mrs. Medina responded that it will not due to the fact that each state’s tickets are tied to unique barcodes, so the Wyoming Lottery App will only be able to scan and process tickets for the Wyoming Lottery.

Mrs. Medina concluded the marketing report highlighting what is planned for the upcoming quarter. She noted that the basketball sponsorship for the University of Wyoming will kickoff soon, but also shared that they plan to include a sponsorship potentially for the University of Wyoming Wrestling team. She explained that it’s been proposed to consider expanding to other sports within the University and they felt confident that Wrestling could be a good fit. She explained that the next step was that their sponsorship representative, Mr. Brad Poe, was currently working on different opportunity options.

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

Executive Session:

Motion to move into Executive Session was made by Board Secretary Bonner. The motion was seconded by Board Member Peterson and the motion passed by a unanimous 8/0 vote.

Meeting Adjournment:

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