

WYOMING LOTTERY CORPORATION

Board Meeting Minutes

Tuesday, October 25, 2022

In Person and Zoom Video Conference

Hilton Garden Inn - Casper

Casper, Wyoming

Board Members in person: Jim Willox- Chairman, Gina Monk- Vice Chairwoman, Ed Liebzeit- Secretary, Dave Snyder, Todd Peterson, and Lori Brennan.

Board Members not present: Sandra Wallop and Mary Throne

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

Staff Members Present (via Zoom): David Stevens- Chief of Security, Ashley Pexton- Marketing Manager, Sarah Shoden- Digital Marketing Manager, Arin Schlensker- Player Services Specialist

Guests Present: Brandy Marrou from MH&P

Guests Present via Zoom: Matt Kaufman- Legal Counsel

Establish Quorum:

Chairman Jim Willox called the meeting to order at 8:30 a.m. with a roll call of board members and staff members. It was noted that Board Member Sandra Wallop would not be present, and Board Member Mary Throne may be coming in and out of zoom.

Agenda Approval:

Chairman Willox presented there were no additions or changes requested.

Approval of the Minutes:

Minutes from July 28, 2022

- Board Secretary Ed Liebzeit made a correction to the 7th page under “marketing update”
 - “6 large winners”
 - Meaning jackpot or over \$50,000 winners
 - Will clarify
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- With the clarifications made, Board Secretary Liebzeit moved to approve the Minutes from July 28, 2022, and it was seconded by Board Member Todd Peterson.

CEO Report:

Wyoming Lottery Corporation (WLC) CEO Jon Clontz reported and discussed the following:

- Main happenings
 - Keno
 - Spent time discussing Keno with Intralot in Vancouver
 - Noting that WLC focus is on Keno
 - Education
 - Upkeep
 - Keep Intralot's team out on the road
 - Keno Parties
 - How to play seminars
 - Mark Delphy is working on loose ends with businesses
 - Meeting with Intralot every week
 - Milestone with Keno is retailers and WLC is at 90 new retailers and is working on getting 100 retailers
 - Intralot is struggling to get a Keno position hired as well as the WLC
 - Requiring more oversight work than the other games postlaunch
 - WLC wanted to start with 100 new Keno retailers and in 6 months, have 175 retailers (hang and play retailers)
 - Ticket dispensing machines are needed to help with the expansion of Keno and to make it more successful
 - WLC new building
 - WLC got the Governor's approval to buy the building
 - The potential building was not longer available however, WLC will make sure to be ready if the contract falls through
 - Joe, the realtor, will continue to look at other buildings that come on the market
 - Governor's staff advisor said although the purchase of a building is approved, they would still like to see the numbers if/when a new building becomes available
 - The Board agrees that if a new building becomes available, the WLC can put in an offer
 - Holiday Campaigns
 - Working on the upcoming holiday season but focusing strictly on Keno
 - Vancouver – World Lottery Summit Conference
 - WLC staff and Chairman Willox attended
 - Geofencing, Metaverse, Crypto was discussed at this conference
 - What can we do in the future?
 - Chairman Willox discussed some topics during the Vancouver conference
 - Chairman Willox was able to discuss adventures with Intralot

- Geofencing
 - Online gaming, only allowed in a geographic area
 - Discussed geofencing and Keno in Wyoming
- Cryptocurrency
 - Payout in cryptocurrency instead of cash
- Marketing
 - This generation wants to do things with a “purpose” that aligns with their values
 - Changing the message about where the lottery money goes when it is transferred to the State of Wyoming
 - Giveback – Marketing promotion
 - Lottery within the lottery
 - Every quarter, put all the nonprofits in a hat and pull a name and they win \$10,000
- Economists at the conference
 - Recession follows 10 years of positive
- Scratch tickets
 - Potential online tickets

Brandy Marrou presented the Audit Report

- Changes in the accounting policy – Effective July 1, 2021
 - Capitalization of operating leases / Capitalizing a right to use asset
 - What used to be the “lease expense” turns into depreciation and interest expense
 - Discussion with management – decision was made to not capitalize the current office lease
 - As soon as WLC incurs a marketing expense, it gets put on the income statement / came up this year because of Keno
- No controversial accounting policies
- No audit adjustments
 - Nothing was found that required an audit adjustment
- No disagreements with management
- Did not consult with any other auditors
- Audit went very well
- Intralot changed the timing of the SOC report and was able get that to MH&P on time
- No deficiencies
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Financial Presentation:

WLC CFO Loy Jackson presented an overview of the Financials.

Balance Sheet / As of September 30th

- FY’23 / Quarter 1
 - \$5.5 Million in the checking accounts

- Unclaimed prize fund
 - \$408,000
 - Lower than the prior year by \$610,000
- Total checking and savings
 - \$6.2 Million
 - \$359,000 over the prior year
- Responsible Gambling Fund
 - \$207,000
- Total Assets
 - \$7.6 Million
 - Increase from the prior year of \$800,000
- State Transfer Payable
 - \$1.4 Million
 - Increase from the prior year of \$353,000
- Prizes Payable
 - \$1.6 Million
 - Increase from the prior year of \$401,000
- Total Liabilities and Equity
 - \$7.6 Million
 - Increase from the prior year of \$819,000

Profit and Loss Report for the Quarter

- Total Income
 - \$9.7 Million
- Prizes Paid Out
 - \$4.9 Million
- Gross Profit
 - \$3 Million

Operating Expenses

- Total Operating Expenses
 - \$1.4 Million
- Net Income Before Transfer with Reimbursements
 - \$1.8 Million
- State Transfer
 - \$1.4 Million
- Net income after the transfer
 - \$400,000

It was discussed after Mrs. Jackson presented these numbers that 2 finance subcommittees would be needed before the next board meeting. This decision was made because the WLC was including money from a savings account in the state transfer in order to not have the State suffer because of the launch of Keno.

Chairman Willox asked how the money would be replenished.

Mrs. Jackson stated that every week management meets regarding the 75% transfer to the state and the remaining net proceeds of 25% goes to replenish the money taken out for the state transfer every quarter.

Chairman Willox asked if we needed to add a policy around the percentage of what is being transferred and what is being kept, which would require the finance subcommittee to meet twice before the next board meeting and talk about the percentage going to the state.

Secretary Liebzeit stated the WLC should establish a building fund. Which Mr. Clontz and Mrs. Jackson responded that there is over \$2 Million in a reserve account however, it was waiting to be utilized until after the launch of Keno.

Profit/Loss Budget vs. Actual

- Total income
 - \$9.7 Million
 - Budgeted amount was \$6.2 Million
- Total COGS
 - \$6.7 Million
 - Budgeted amount was \$4.7 Million
- Gross Profit
 - \$3 Million
 - Budgeted amount was \$1.4 Million

Operating Expenses

- Total Operating Expenses
 - \$1.4 Million
 - Budgeted amount was \$1.6 Million
- Net Income before the transfer to the State of Wyoming
 - \$1.58 Million
- Net income after the transfer
 - \$171,000

Responsible Gambling

- Balance
 - \$200,000
- Unclaimed Prize Fund
 - \$408,000

Board Member Liebzeit made a motion to approve the financials as presented. The motion was seconded by Board Member Dave Snyder, and the motion passed by a unanimous vote.

Board Member Liebzeit questioned the appointment of a new treasurer. Chairman Willox let the board know if they were interested in being treasurer to let Matt K. know and he will take the lead on getting a new treasurer in place.

Marketing Presentation:

WLC COO Robin Medina presented an overview of the Sales Update

Total Sales: FY'23 Actual vs. Projection

- FY'22 Actual sales
 - \$9.5 Million

Total Sales: FY'23 vs. FY'22

- Total sales FY'23
 - \$9.5 Million
- Total sales FY'22
 - \$7.3 Million

Actual weekly sales: FY'23 vs. FY'22

- FY'23 Average weekly sales
 - \$732,000
- FY'23 Weekly pace amount without Keno
 - 456,000
- FY'23 Weekly pace amount with Keno
 - \$616,000
- FY'22 Average weekly sales
 - \$566,000

Total 1st Quarter Sales: FY'23 Actual vs. Projections

- FY'23 Quarterly Sales Projections: \$6 Million
- FY'23 Q1 Actual Sales: \$9.5 Million

Powerball Sales vs. Jackpot Amounts: FY'23 vs. FY'22

- FY'23 sales to date: \$2 Million
- FY'22 sales to date: \$2.1 Million

Mega Millions Sales vs. Jackpot Amounts: FY'23 vs. FY'22

- FY'23 sales to date: \$4.2 Million
- FY'22 sales to date: \$1.46 Million

Cowboy Draw Sales vs. Jackpot Amounts: FY'23 vs. FY'22

- FY'23 sales to date: \$2 Million
- FY'22 sales to date: \$2.4 Million

Lucky for Life Sales: FY'23 vs. FY'22

- Total sales for FY'23: \$748,000
- Total sales for FY'22: \$738,000

2by2 Sales: FY'23

- Total sales for FY'23: \$367,000
- Total sales for FY'22: \$558,000

WLC Product Sales YTD

- Total sales YTD PB: \$2 Million
- Total sales YTD MM: \$4.2 Million
- Total sales YTD CD: \$2 Million
- Total sales YTD L4L: \$748,000 Million
- Total sales YTD 2by2: \$367,000 Million
- Total sales YTD Round Up: \$999,000 Million

Round Up Sales: FY'23 vs. FY'22

- Round Up total sales FY'23 YTD: \$999,000 Million
- FY'23 total plays: 72,000
- Round Up total sales FY'22: \$1 Million
- FY'22 total plays: 75,000

Keno Weekly Sales:

- Total sales for FY'23: \$402,000

Marketing Update

- Keno
 - Media coverage
 - K2 Radio, Fox News Cheyenne, Casper Star Tribune, Glenn Woods Wake Up Wyoming morning radio show, Online lottery news sites, Oil City News, Big Foot 99 Radio
 - Consumer Campaign
 - TV, Newspaper, Billboards, Radio, Social, Digital, YouTube, Pads, Retailer Communications
 - Retailer Update
 - Continued recruitment of new, live locations
 - Training
 - Installations
 - Current retailer count
 - 88 hang n plays
 - 7 pending
 - Keno Winners
 - \$275,000
 - 66,871
 - Top Sale Counties
 - Laramie
 - Sweetwater
 - Campbell

- Uinta
 - Natrona
- Website
 - One central number checker
 - Keno Live drawing animations
 - Interactive map to see all high tier winners across Wyoming
- UW Cowboy Draw BOGO
 - Average Sunday sales
 - \$25,000
 - 9/18 BOGO
 - Gross sales: \$182,000
 - Net sales: \$100,000
 - 9/11 BOGO
 - Gross sales: \$159,000
 - Net sales: \$88,000
 - 9/4
 - Gross sales: \$133,000
 - Net sales: \$75,000
 - Total net sales
 - 264,000
- Up Next
 - Keno parties and promotions
 - Annual report
 - Holiday giving

Governance Report:

- Legislative Updates / None
 - Next board meeting will have more to discuss (Matt K.)
- Ticket Dispensing Machines
 - Status of potential machines
 - What retailers will get them – Intralot will decide
 - Foot traffic
 - Increase revenue
 - The month of March 2023 (after the legislative session) will be when ticket dispensing machines will be placed in some retailers
 - WLC will see what Intralot can do for a full rollout (ticket dispensing machines) in March

Meeting Adjournment: Board Member Liebrecht made a motion to adjourn the meeting. The motion was seconded by Vice Chairwoman Gina Monk, and the motion passed by a unanimous vote.

Chairman Willox announced the closure of the meeting at 11:30p.m.