

**LOUISIANA LOTTERY CORPORATION
BOARD OF DIRECTORS MEETING
June 26, 2015**

Chairman John Fitzpatrick called the meeting to order at 10:03 a.m. in the Board Conference Room located at the Louisiana Lottery Corporation Headquarters, 555 Laurel Street, Baton Rouge, Louisiana.

I. Attendance

- A. Members Present:** Chairman John Fitzpatrick, Vice Chairman Kim Carver, and Directors: Verge Ausberry, Jr., Heather Doss, J. T. Taylor, Roy Robichaux, Larry Katz and Ron Henson.
- B. Members Absent:** Directors: Lisa Reardon and Blake McCaskill.
- C. Staff Present:** President/CEO, Rose Hudson, Senior Vice President/Secretary/ Treasurer, Karen Fournet and Senior Vice President/General Counsel, John Carruth.

II. Pledge of Allegiance

Chairman John Fitzpatrick asked Ms. Kimberly Chopin to lead the Board of Directors and all attendees in our Pledge of Allegiance.

III. Approval of the Minutes of Prior Board Meeting

Chairman Fitzpatrick began by asking if anyone had any questions or corrections to the minutes of the April 24, 2015 Board Meeting. Director Robichaux **moved** to approve the April 24, 2015 Board Meeting Minutes and Director Taylor **seconded** the motion. There being no objection, the minutes were **approved**. The meeting was then turned over to President Rose Hudson for the President's Report.

IV. President's Report

Ms. Hudson began by addressing the impacts from the most recent legislative session, in which two bills were passed that are of particular importance to the Louisiana Lottery Corporation. These bills are House Bill 566 (HB 566) and House Bill 1 (HB 1).

A section of HB 566 calls for the Louisiana Lottery Corporation to deposit into the Louisiana State Treasury unrestricted or unencumbered assets of \$5.9 million. These monies will come from the

Louisiana Lottery Corporation's litigation and prize reserves which leaves a balance of \$1.9 million. Additionally, HB 566 directed the Louisiana Lottery Corporation to deposit into the Louisiana State Treasury unclaimed prize money of \$20 million. While the approval of the fund sweep is a one-time occurrence, it disrupts a 10-year strategic plan for increasing revenue through the use of unclaimed prize money to fund graduated scratch-off prize payouts. The move leaves the Louisiana Lottery Corporation with a \$7 million balance in the fund, as well as approximately \$10 million in recurring annual unclaimed prizes. Nevertheless, the question of whether legislative withdrawal of unclaimed prize funds will occur in future years emerged.

HB 566 directs the Louisiana State Treasury to transfer the funds to the Louisiana Lottery Proceeds Fund. HB 1 appropriates the funds to the Minimum Foundation Program for expenditure in 2016.

Ms. Hudson advised that while it is not feasible or prudent for the Louisiana Lottery Corporation to have \$20 million cash on hand, she is working with financial planners to determine the most responsible way to liquidate the assets needed and she will be seeking board input on the course of action recommended so that the Louisiana Lottery Corporation can comply with the transfer.

Overall, Ms. Hudson stressed that HB 1 and HB 566 will not grossly affect the daily operations or staffing of the organization. She is working with the executive management team on a plan to mitigate the damage through micro-changes to prize funds, though there may be a slight decrease in revenue as she had warned the legislature.

Ms. Hudson reported that the Louisiana Lottery Corporation hosted the North American Association of State & Provincial Lotteries (NASPL) Lottery Director's Meeting in New Orleans during the week of June 22, 2015. Lottery directors from around the nation convened. She thanked Charles Armstrong, Donald Chube and Beth Money for their help throughout the week as they coordinated gift packages and were available to answer questions for out-of-town guests. Additionally, Ms. Hudson announced her time as president of the Multi-State Lottery Association (MUSL) ends on June 30, 2015. She is currently serving as Treasurer of NASPL and will be moving to First Vice President in October, 2015.

At this time, Ms. Hudson turned the floor over to Sr. Vice President & Secretary-Treasurer, Karen Fournet, to present the financial report via Power Point Presentation.

Ms. Fournet began with a look at Powerball sales and reported that sales were at the lowest levels in five (5) years. The total projected fiscal year sales are \$86.6 million which is a significant drop from almost \$130 million in June 2013. She advised that the drop can be attributed to jackpots being hit more frequently and the shorter length of jackpot runs due to more states selling the game. A matrix change that is planned for October, 2015 will increase the jackpot odds from 1 in 175 to 1 in 292 and should help address this matter. Also, moving the price-point from \$1 to \$2 contributed to the sales decline as, consequently, it drove away some players.

Additionally, Ms. Fournet reported that Mega Millions fiscal year-end sales are at \$32.5 million and are \$6.5 million less than last year. She stated that combined sales from Powerball and Mega Millions are \$119.1 million, which are lower than the 2014 figures. However, Ms. Fournet noted

that by looking at the two games together, sales are higher than when Powerball was the sole multi-state game that was offered by Louisiana. Therefore, the Louisiana Lottery Corporation is better with both games.

Ms. Fournet showed Lotto sales of \$26.7 million, on par with 2014 due to significant jackpots. Combined Pick 3 and Pick 4 sales of \$93.6 million show continued growth, surpassing Powerball sales. She explained that this reflects the importance of daily games which have provided stability to the draw-style game mix, even though the games have experienced below average prize payout percentages. Easy 5 with EZmatch sales are at \$10.7 million and have slowly declined since 2011. Ms. Fournet added that the Louisiana Lottery Corporation would be looking at its draw-style game portfolio to determine new opportunities to capture player interest.

Ms. Fournet informed the Board that scratch-off sales continue to soar, climbing to a high of \$19.6 million in March of this year. For the first time since 1993, annual instant sales surpassed \$200 million which was up \$23 million from 2014 and a 48 percent increase from 2010 when the Louisiana Lottery Corporation began its strategy of increasing prize payouts. Ms. Fournet advised that there will continue to be minor adjustment to prize structures.

Ms. Fournet explained the fiscal implications of House Bill 1 (HB 1) and advised that it will take creativity to manage the operating costs to sustain the prize structure. The projected retained earnings for 2015 will be \$8.03 million due to House Bill 566 (HB 566). She stated that less money will be available for the litigation and prize reserve.

Overall, Ms. Fournet reported total projected sales for the year will reach \$452.2 million, the highest total since 1993 and more than \$3 million higher than in 2014. Most notably, instant sales helped to gross more than 2014. Compared to budget, sales will be 6.4 percent better which is \$27 million more for the fiscal year.

Looking at General and Administrative Expenses totaling \$16.7 million, Ms. Fournet reported that the Louisiana Lottery Corporation is controlling expenses and doing \$1.7 million better than budget through the end of May 2015.

In concluding, Ms. Fournet noted the Louisiana Lottery Corporation has transferred \$158.8 million to the State of Louisiana for the twelve (12) months ending June 30, 2015, which is \$9.3 million higher than the amount budgeted.

A copy of the financial presentation is attached.

V. Board Committee Reports

Personnel Committee – Vice Chairman Carver, Personnel Committee Chairman, deferred the report of the Personnel Committee to be discussed during Executive Session immediately following the Board of Directors Meeting.

Finance Committee – No report at this time.

Bylaws Committee – No report at this time.

VI. Other Business

Mr. James Goodrum, Vice President of Finance, presented a board resolution exercising the Board of Directors' authority to grant up to a four (4%) percent discretionary contribution to employees' Supplemental Retirement Plan. Mr. Goodrum recommended the full contribution due to fiscal performance and affordability.

At this time, Chairman Fitzpatrick presented to the Board of Directors **Resolution No. 15-06-26-1** relative to the Supplemental Retirement Plan. Chairman Fitzpatrick asked for any public comments relative to this resolution. There being no public comments, Director Ausberry made a **motion** to approve **Resolution No. 15-06-26-1** and Vice Chairman Carver **seconded** the motion. There being no objections, the resolution was unanimously **approved** and **passed**.

Mr. Quinn Dossett, Vice President of Marketing, shared an Evaluation Committee Report from the in-house committee tasked with issuing a Request for Proposals for Advertising and Media Placement Services and reviewing those proposals. The Request for Proposals for Advertising and Media Placement Services was brought about as the Louisiana Lottery Corporation's contract with its current agency, The Graham Group, expires on June 30, 2015. The report recommended the New Orleans based ad agency, Zehnder Communications, as having the best overall value for the Louisiana Lottery Corporation. Mr. Dossett explained that the contract is for a two-year initial term with three one-year renewal options.

At this time, Chairman Fitzpatrick presented to the Board of Directors **Resolution No. 15-06-26-2** relative to the Advertising Media Placement Services Contract. Chairman Fitzpatrick asked for any public comments relative to this resolution. There being no public comments, Director Robichaux made a **motion** to approve **Resolution No. 15-06-26-2** and Director Taylor **seconded** the motion. There being no objections, the resolution was unanimously **approved** and **passed**.

VII. Election of Officers

Chairman Fitzpatrick announced that he will step down from the position as Chairman of the Board of Directors for the upcoming fiscal year and asked for nominations for Officers for the Louisiana Lottery Corporation Board of Directors.

Chairman Fitzpatrick nominated Christopher "Kim" Carver for the position of Chairman of the Board. Chairman Fitzpatrick made a **Motion** to approve Christopher "Kim" Carver as Chairman of the Board. Director Ausberry **seconded** the motion. There being no objections, Christopher "Kim" Carver was **elected** as Chairman of the Board of Directors for the Louisiana Lottery Corporation.

Vice Chairman Carver nominated Roy Robichaux for the position of Vice Chairman of the Board. Vice Chairman Carver made a **Motion** to approve Roy Robichaux as Vice Chairman of the Board of Directors. Director Taylor **seconded** the motion. There being no objections, Roy Robichaux was **elected** as Vice Chairman of the Board of Directors for the Louisiana Lottery Corporation.

Secretary Robichaux nominated Larry Katz for the position of Secretary of the Board. Secretary Robichaux made a **Motion** to approve Larry Katz as Secretary of the Board of Directors. Director Ausberry **seconded** the motion. There being no objections, Larry Katz was **elected** as Secretary of the Board of Directors for the Louisiana Lottery Corporation.

Chairman Fitzpatrick thanked the entire Board for selecting him serve as Chairman of the Board this past year. Additionally, Vice Chairman Kim Carver, thanked Chairman Fitzpatrick for his service as Board Chairman this past year.

VIII. Executive Session

At this time, Chairman Fitzpatrick asked for a motion to go into Executive Session to discuss the performance evaluation of the president. Vice Chairman Carver made the **motion** and Director Taylor **seconded** the motion. There being no objection, the motion was **approved** and the Board of Directors went into Executive Session at 10:45 a.m.

Vice Chairman Carver made a **motion** to adjourn the Executive Session and Director Ausberry **seconded** the motion. There being no objection, the motion was **approved**.

After adjourning from the Executive Session, Chairman Fitzpatrick called the regular meeting of the Board of Directors back to order at 11:50 a.m.

Director Robichaux made a **motion** to increase President Rose Hudson's salary by five percent (5%) with an effective date of July 1, 2015 and Director Ausberry **seconded** the motion. There being no objection, the motion was unanimously **approved**.

Director Ausberry made a **motion** to increase the salary of all of the Louisiana Lottery Corporation's employees who meet evaluation criteria by four percent (4%) with an effective date of July 1, 2015 and Director Taylor **seconded** the motion. There being no objection, the motion was unanimously **approved**.

IX. Announcements

The next meeting of the Louisiana Lottery Board of Directors is scheduled for Friday, August 28, 2015, to be held in the Board of Directors Conference Room of the Louisiana Lottery Corporation Headquarters located at 555 Laurel Street, Baton Rouge, Louisiana.

VIII. Adjournment

There being no further business, Chairman Fitzpatrick invited a motion to adjourn the meeting. Vice Chairman Carver made a **motion** to adjourn the meeting and Director Taylor **seconded** the motion. There being no objection, the motion was **approved** and Chairman Fitzpatrick adjourned the meeting at 11:56 a.m.

Date Approved: August 28, 2015.



Wendy Reeves
Executive Administrative Assistant



Roy Robichaux Kim Carver
Secretary to the Board of Directors



John Fitzpatrick
Chairman of the Board of Directors