

**LOUISIANA LOTTERY CORPORATION
BOARD OF DIRECTORS MEETING
October 24, 2014**

Chairman John Fitzpatrick called the meeting to order at 10:05 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 and Directors: Verge Ausberry, Jr., Heather Doss, Roy Robichaux, Blake McCaskill, Larry Katz, Lisa Reardon and J. T. Taylor.
- B. Members Absent:** Vice Chairman Kim Carver and Ron Henson.
- 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 requested Alex Doss 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 August 22, 2014 board meeting. Director Ausberry **moved** to approve the August 22, 2014 Board Meeting Minutes and Director Robichaux **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 announcing that Assistant Treasurer Ron Henson received a Lemann Civil Service Award. The Monte M. Lemann Awards are presented annually by the Louisiana Civil Service League "to individuals outside the classified civil service system who have made the greatest contribution to the advancement of the merit system of public employment in the State of Louisiana.

In regard to the Louisiana Lottery Corporation's healthcare plan, Ms. Hudson reported that there will be no rate increases for health and dental insurance and only a miniscule increase in vision insurance costs.

Ms. Hudson informed the Board of Directors that she and a few Louisiana Lottery Corporation employees attended the North American Association of State and Provincial Lotteries (NASPL) Conference in Atlantic City, New Jersey in early October. Ms. Hudson stated that the drop in Powerball sales was a hot topic at the conference as the issue is affecting lotteries across the country. Ms. Hudson noted that the Multi-State Lottery Association (MUSL) voted for Powerball changes which take effect in April 2015. The changes include a matrix change with a multiplier as part of the base game and adding a secondary drawing for additional cash prizes of up to \$10 million for a \$1 add-on play. These changes are designed to result in higher jackpots and higher overall Powerball sales. Ms. Hudson stated that while every state lottery is participating in creating a national marketing campaign regarding the changes, the Louisiana Lottery Corporation is looking at its own radio and creative additions. Ms. Hudson added that she is a little nervous but excited about the upcoming changes. She promised to keep board members informed as more information becomes available.

After receiving an update on the recently launched multi-state Monopoly Millionaires Club Game, Ms. Hudson reported that she is happy thus far with the decision not to pursue the game in Louisiana.

Ms. Hudson announced that the Louisiana Lottery Corporation garnered quite a few awards and publicity over the past few months. These awards included a NASPL Batchy Award, two (2) Lantern Awards and an Award of Excellence from the Southern Public Relations Federation, four (4) Communicator Awards and two (2) Telly Awards. Ms. Hudson also showed the Board of Directors a screenshot of an Easy 5 Ad on a streetcar that was featured in the television show *NCIS: New Orleans* last week, as well as the latest 2014 Saints Scratch-Off Commercials and the Multiplier Family of Games Commercial.

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 taking a look at year-to-date sales (through October 2014) for Powerball. Ms. Fournet noted that jackpots levels are well below prior years and with that, a \$19 million drop in sales from this time last year. Ms. Fournet pointed out that last year's \$448 million jackpot run alone generated over \$19 million compared to \$10.9 million generated during the same 7 week time period for the most recent \$229 million jackpot. She advised that players are also showing less interest in opening jackpots, but she is optimistic about the changes coming to Powerball in 2015.

Ms. Fournet highlighted one reason Powerball sales have dropped and that being the addition of Florida and California to the game. She explained that the more people who play the game, the greater the chance that the jackpot is going to get hit because of coverage of the different number combinations. With the addition of two (2) more states with large player populations, the jackpots have not had a chance to grow to their previous sizes.

Additionally, Ms. Fournet reported that Mega Millions fiscal year sales are up \$1.3 million over last year at \$10.2 million. Ms. Fournet stated that although this is a good number, Mega Millions is not nearly as popular as Powerball and, therefore, does not make up for the lower Powerball sales. Combined, fiscal year sales for both jackpot games through October are \$35.2 million, \$17.7 million below last year.

Continuing, Ms. Fournet reported that Lotto continues to do well. The Lotto Game is currently at \$9.5 million in sales for the year.

Ms. Fournet stated that a strong, stable part of the Lottery's product line, Pick 3 and Pick 4 Games continue to show growth, accounting for over 20 percent of overall sales. Ms. Fournet said the games have both increased by around \$900,000 each over last year for total sales of \$31.1 million for the first four months of the fiscal year. She sees these daily games continuing to grow with a healthy economy and the upcoming industrial growth in the State of Louisiana.

In regard for the Easy 5 Game, Ms. Fournet stated that sales have continued to drop and is currently at \$3.4 million for the year. She also stated that the Easy 5 Game is still performing better month in and month out than Cash Quest, the game it replaced.

Ms. Fournet reported that scratch-off sales continue to soar. She pointed out that the Louisiana Lottery's Multiplier Game Family is currently performing at an index over 50 percent higher than the average of other games at the \$1, \$2 and \$10 price points. She noted that instant sales for the Multiplier Game Family are currently at \$7.5 million for the past five weeks, which is \$2.5 million higher than average. Current year-to-date sales for the instant product line are \$62 million, \$6.4 million higher and 11 percent better than last year at this time.

Finally, Ms. Fournet reported overall fiscal year-to-date sales of \$141.2 million which is \$11.1 million lower than last year due to Powerball. However, because the Louisiana Lottery Corporation budgeted conservatively, sales are still doing \$7.2 million better than budget.

In conclusion, when looking at General and Administrative Expenses, Ms. Fournet showed that the Louisiana Lottery Corporation is performing \$200,000 better than budget. She noted that although advertising expenditures are \$300,000 higher than budget, advertising is cyclical in nature and will meet budgeted totals by the end of the fiscal year. For the four months ending October 31, 2014, Ms. Fournet reported that the Louisiana Lottery Corporation will transfer \$49.5 million to the State of Louisiana. This amount is \$2.4 million higher than the projected budget.

A copy of the financial presentation is attached.

V. Board Committee Reports

Personnel Committee – No report at this time.

Finance Committee – No report at this time.

Bylaws Committee – No report at this time.

VI. Other Business

Ms. Hudson advised that the Board of Directors will have a Finance Committee Meeting and the Annual Retirement Plans Investment Committee Meeting before the next regularly scheduled Board of Directors Meeting. She also announced that the members of the Board of Directors will receive an email with instructions to complete the mandatory Online Ethics Training and Preventing Sexual Harassment Training.

VII. Announcements

The next meeting of the Louisiana Lottery Board of Directors is scheduled for Wednesday, December 17, 2014 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. Director Taylor made a **motion** to adjourn the meeting and Director Ausberry **seconded** the motion. There being no objection, the motion was **approved** and Chairman Fitzpatrick adjourned the meeting at 10:37 a.m.

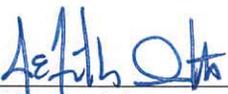
Date Approved: December 17, 2014.



Wendy Reeves
Executive Administrative Assistant



Roy Robichaux
Secretary to the Board of Directors



John Fitzpatrick
Chairman of the Board of Directors