

**LOUISIANA LOTTERY CORPORATION  
BOARD OF DIRECTORS MEETING  
February 25, 2015**

Chairman John Fitzpatrick called the meeting to order at 10:02 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, Roy Robichaux, Blake McCaskill, Larry Katz and Ron Henson.
- B. **Members Absent:** Directors J. T. Taylor and Lisa Reardon.
- 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 Ron Henson 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 December 17, 2014 Board Meeting. Director Ausberry **moved** to approve the December 17, 2014 Board Meeting Minutes and Vice Chairman Carver **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 a Powerball meeting to review proposed changes to the game was cancelled this week due to inclement weather. She advised that many lotteries in the MultiState Lottery Association (MUSL) continue to be nervous about moving forward with such sweeping changes to Powerball. Ms. Hudson added that while no state has stepped forward to propose it yet, many directors have expressed an interest in a matrix change to immediately improve the game without risking complications, even though additional market research supported the proposed game design. Additionally, Ms. Hudson stated there is another meeting planned for next Friday, March 6, 2015, and that online vendors have put the lotteries on a March 16, 2015 deadline for making a decision regarding changes to the game in order to meet the July 15, 2015 targeted launch date.

Ms. Hudson advised that the Legislative Auditor's Performance Audit Report should be completed in a few days. She thanked Senior Vice President & Secretary-Treasurer Karen Fournet and Vice President of Finance & Controller James Goodrum for their nonstop, cooperative work with the Legislative Auditor's Office.

Ms. Hudson announced the Louisiana Lottery Corporation was awarded a Certificate of Achievement in Financial Reporting for the 17th consecutive year. She congratulated the accounting and finance team on a job well done.

Ms. Hudson advised that Monday, April 13, 2015, is the first day of the Legislative Session in Louisiana. Ms. Hudson stated that the Board of Directors will be made aware of any pre-filed bills affecting the Louisiana Lottery Corporation before the next board meeting.

Ms. Hudson announced that the marketing department has secured a partnership with Tony Chachere's Famous Creole Seasoning for a branded ticket. The \$2 Spice It Up! Game will hit stores March 2, 2015. She stated that she asked Vice President of Marketing Quinn Dossett if she could meet the animated character for the brand, Little Tony, wherein her request was granted. A short spot was then played for the board's viewing which featured Ms. Hudson and the animated character. Ms. Hudson said the spot will run on pump-top Petro TV Advertising, social media and on NOTV in-hotel room TV ads in New Orleans.

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's sales of \$62.7 million through the first eight months of this fiscal year. She noted sales are currently the lowest in the last five years, even with the latest large jackpot, but that other states are performing about the same. Before the recent Powerball jackpot run that ended with a \$564 million jackpot, the Louisiana Lottery was 37 percent down in sales compared to last year; however, after the run, the state is down 17 percent. When looking at large Powerball jackpots above \$550 million, Ms. Fournet noted that it took five more draws to reach the recent \$564 million jackpot than it did to reach the \$588 million jackpot in 2013. Likewise, sales for the final draw of the most recent run were \$7 million compared to the \$11.5 million in the \$588 million jackpot run's last draw sales. Jackpot fatigue and the State of California joining the game with a 15 percent increase in player population are the main reasons for the more sluggish sales and why MUSL is working to change Powerball. The 2016 budget for Powerball sales will be conservative as a result.

Ms. Fournet stated that Mega Millions sales, compared to last year, have dropped a little, but sales are holding relatively steady, especially considering last year's \$636 million jackpot run. That being said, Ms. Fournet noted that Mega Millions cannot make up for the loss in Powerball sales. Collectively, the sales for both games are projected to total \$85.1 million, performing \$18 million below last year's sales for this time period.

Ms. Fournet explained that Lotto sales are holding steady, just \$1 million behind last year, at \$17.8 million. The Lotto jackpot is currently \$975,000. She described Pick 3 and Pick 4 as a "rock" in our product mix with sales continuing to steadily increase, currently at \$61.7 million, compared to \$59 million for this time last year. Additionally, she stated Easy 5 is leveling off

after the Mega Millions cannibalization that occurred a few years ago when the game was launched with sales at \$7.1 million as compared to \$7.4 million this time last year.

Ms. Fournet advised that scratch-off sales of \$131.3 million through February continue to soar. Sales were \$19.1 million in December 2014, the highest month since February 1993 total. Instant sales are over \$15 million higher than this time last year. Ms. Fournet noted that the upcoming budget holds the prize percentage of 62.75 percent for these games constant, reminding the board that direct costs are higher in operating instant games as compared to draw-style games. With the growth in scratch-off and decline in draw-style game sales as well as the impact on the unclaimed prize fund which helps supplement larger scratch-off payouts, Ms. Fournet advised that the Louisiana Lottery Corporation must make sure we can afford the scratch-off prize payouts in the long term.

Ms. Fournet reported overall fiscal year-to-date sales of \$303 million through February, just \$800,000 lower than last year at this time. However, because the Lottery budgeted conservatively due to the unpredictability of large multistate jackpots, sales are still performing \$26 million better than budget.

Looking at General and Administrative Expenses, Ms. Fournet reported that the Louisiana Lottery Corporation is doing \$700,000 better than budget through the end of December 2014.

As far as state transfers, Ms. Fournet noted the Louisiana Lottery Corporation is also ahead of budget with \$106.7 million transferred to the state so far through February, \$9.3 million better than budgeted.

When looking at a budget comparison, Ms. Fournet noted a transition due to increased popularity of instant tickets and decreased draw-style game sales. Ms. Fournet advised that the Lottery budgeted for fiscal year 2016 sales to reach \$429.5 million which is slightly more than how we project to end fiscal year 2015.

In concluding, Ms. Fournet presented a chart breaking down the 2016 fiscal year budget, reserving 53 percent of sales (or \$228.8 million) to fund prizes, a projected state contribution of \$150.9 million and administrative expenses of \$19.8 million or 4.6 percent of sales.

Assistant Treasurer Ron Henson asked if there were any conversations about another funds sweep and how the Louisiana Lottery Corporation compared to other lotteries in regards to administrative expenses. Ms. Hudson responded and advise that there were preliminary conversations about a legislative fund sweep, but nothing official at this time. Ms. Fournet noted that the Louisiana Lottery Corporation does very well compared to other state lotteries in both expenses as well as contributions to the State of Louisiana. Mr. Henson recommended that this information be highlighted when the Lottery presents the budget to the legislature. He also noted that the Louisiana Lottery Corporation has done excellent work and thanked Ms. Hudson and Ms. Fournet.

A copy of the financial presentation is attached.

## V. Board Committee Reports

**Personnel Committee** – No report at this time.

**Finance Committee** – Director Verge Ausberry reported that the Finance Committee met on Friday, February 20, 2015, to discuss Resolution 2015-02-25-1 which is the proposed Fiscal Year 2016 Budget. Director Ausberry thanked Ms. Fournet and Mr. Goodrum for their outstanding work and Director Katz also thanked them for putting together a budget that is easy to understand. **Resolution No. 2015-2-25-1** relative to the approval of 2015/2016 Fiscal Year Budget was presented to the Board of Directors. Chairman Fitzpatrick asked for any internal and/or public comments relative to this agenda item. There being no comments, Director Katz made a **motion** to approve **Resolution No. 2015-2-25-1** and Director Ausberry **seconded** the motion. There being no objections, the motion was **approved** and **passed with no opposition**.

**Bylaws Committee** – No report at this time.

## VI. Other Business

There was no other business to discuss at this time.

## VII. Announcements

The next meeting of the Louisiana Lottery Board of Directors is scheduled for Friday, April 25, 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 Kim Carver made a **motion** to adjourn the meeting and Director Robichaux **seconded** the motion. There being no objection, the motion was **approved** and Chairman Fitzpatrick adjourned the meeting at 10:30 a.m.

Date Approved: April 24, 2015.

Wendy Reeves  
Wendy Reeves  
Executive Administrative Assistant

Roy Robichaux  
Roy Robichaux  
Secretary to the Board of Directors

John Fitzpatrick  
John Fitzpatrick  
Chairman of the Board of Directors