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**LOUISIANA LOTTERY CORPORATION
BOARD OF DIRECTORS MEETING
June 24, 2016**

Chairman Kim Carver 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 Kim Carver; Vice Chairman Roy Robichaux and Directors: Verge Ausberry, Jr., J. T. Taylor, Heather Doss, Blake McCaskill, Sean Wells, Lisa Reardon, and Butch Gautreaux.
- B. Members Absent:** First Assistant State Treasurer: 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 Kim Carver asked Senior Vice President Karen Fournet to lead the Board of Directors and all attendees in our Pledge of Allegiance.

III. Approval of the Minutes of Prior Board Meeting

Chairman Carver began by asking if anyone had any questions or corrections to the minutes of the April 22, 2016 Board Meeting. Director Taylor **moved** to approve the April 22, 2016 Board Meeting Minutes and Director Ausberry **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 giving the Board of Directors a brief recap of the recent legislative session. She noted that there were no bills passed that negatively impacted the Louisiana Lottery Corporation.

Ms. Hudson recognized the Louisiana Lottery Corporation's Marketing Department for winning two Telly Awards in the "Use of Animation" category for television commercials which promoted the Multiplier family of scratch-off games and the Spice It Up scratch-off, a strategic alliance with Tony Chachere's.

Additionally, Ms. Hudson briefed the Board of Directors on the status of the lottery fraud case which involved former MUSL security employee Eddie Tipton. She advised that Eddie Tipton has appealed his conviction after being found guilty last year of fixing an Iowa Hot Lotto Game in 2010. He faces ten (10) years in prison but has been out on bail during his appeal. However, charges alleging that Eddie Tipton rigged lottery random number generator drawing machines have expanded into Colorado, Kansas, Oklahoma and Wisconsin with Eddie Tipton's family members and associates allegedly claiming prizes in the drawings.

Ms. Hudson advised the Board of Directors that effective June 30, 2016, she will no longer be a member of the Executive Committee of the Multi-State Lottery Association (MUSL), having served the last year as immediate past president. Most recently, she led an overhaul of the association's human resource practices and policies, as well as a search for a new Executive Director of MUSL. Mr. Bret Toyne was selected for the position as he had previously served as MUSL's Chief Financial Officer and Deputy Executive Director.

Additionally, Ms. Hudson presented a letter to the Board of Directors that was written to MUSL by U. S. Senator John Thune of South Dakota who is Chairman of the U.S. Committee on Commerce, Science and Transportation. Senator Thune was asking for information on what MUSL has done to increase security following the Eddie Tipton case, as well as information on Powerball's game matrix changes and Powerball. MUSL has been asked to provide a briefing to the committee by July 15, 2016. Ms. Hudson reported that MUSL is working to draft a response to Senator Thune's letter and she will continue to monitor the situation and keep Board Members informed of any new developments.

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 by analyzing monthly sales for fiscal years 2013 through 2016. She estimated the sales total for June 2016 to be approximately \$35.2 million. She added that January's sales reached the highest level ever at \$85.6 million due to the \$1.6 billion Powerball jackpot during that month.

Ms. Fournet reported that Powerball sales for fiscal year 2016 are projected to be \$125.4 million, which is \$38.8 million more than last year. She stated that even with the world record jackpot, this is not as high as fiscal year 2013 where there were two jackpots over \$500 million. She concluded that this was probably due to jackpot fatigue which is continually monitored.

Ms. Fournet added that the occurrence of larger average jackpots and January's world-record is due to the matrix change made in October of 2015 to keep up with the growth in player population. She pointed out that 44 states with a player population of 300 million now offer Powerball. She

said changing the odds from 1 in 175 million to 1 in 292 million made the jackpot harder to win and a greater percentage of sales are now allocated to the jackpot prize pool, all of which contribute to it growing substantially faster in a shorter amount of time.

Ms. Fournet projected that Mega Millions sales for fiscal year 2016 are \$29 million which is \$3.5 million less than last year as we are experiencing the game's fourth highest jackpot ever. However, she noted that combined Powerball and Mega Millions sales through June are projected to be \$154.4 million which is \$35.3 million higher than this time last, due to the record Powerball jackpot in January. She advised that Mega Millions was added to the Lottery's portfolio as a \$1 mega-jackpot game option a few months before Powerball moved to the \$2 price point. She concluded that the two games working together have resulted in more cumulative multi-state game sales than Powerball alone.

Ms. Fournet advised that Lotto sales of \$30.2 million are up \$3.4 million from last fiscal year. Additionally, she said that Lotto, our longest running draw-style game, continues to perform well as sales are back to 2012 levels due to higher jackpots, namely the \$3.2 million cash jackpot that occurred this fiscal year.

In continuing, Ms. Fournet stated that steady growth of combined Pick 3 and Pick 4 sales to \$98.1 million for the current fiscal year demonstrates that these two games are the most stable in the Louisiana Lottery Corporation's product mix, with an annual growth rate of 5 percent, \$11.7 million more than in 2011. Players enjoy the games ease of play and lower odds, even when the games experience years of average payouts.

Ms. Fournet stated that scratch-off sales continue to soar and exceed sales from the previous three fiscal years. Instant sales of \$212 million are up \$9.8 million or 5.2 percent better than 2015. This continued growth can be attributed to the increase in prize payout percentages over the last five years from 59.91 percent to 62.75 percent and strategically utilizing the unclaimed prize fund. Ms. Fournet advised that while the Louisiana Lottery Corporation's long-term plan was to continue inching up the payout to upwards of 66 percent to maximize sales, those plans are on hold as the unclaimed prize fund is being monitored due to it being swept in the amount of \$20 million during last year's legislative session.

While celebrating with fanfare, Ms. Fournet reported an overall estimated end of fiscal year sales projection of \$505 million which is over \$52 million higher than last year and the best sales year in the Louisiana Lottery Corporation's history. This sales projection eclipses the Louisiana Lottery Corporation's first year of sale which were \$493 million. Additionally, general and administrative expenses are running \$1.2 million under budget through the end of May.

Ms. Fournet reported that the Louisiana Lottery Corporation will transfer \$177.2 million to the State of Louisiana through June which is \$26.3 million better than budget.

A copy of the financial presentation is attached.

Before turning the meeting back over to Chairman Carver, Ms. Hudson recognized Ms. Susan Clayton, Products Director for the Louisiana Lottery Corporation, and Mr. Brad Menard, Vice President of Sales for the Louisiana Lottery Corporation, for their continued efforts in helping the Louisiana Lottery Corporation achieve its record year of sales. She also recognized Mr. Steve Beck of Intralot, our draw-style vendor, for his company's work to keep retailers up and running during the record Powerball jackpot run this year.

V. Board Committee Reports

Personnel Committee – Director Blake McCaskill advised that there is no Personnel Committee Report at this time.

Finance Committee – Director Verge Ausberry advised that there is no Finance Committee Report at this time.

Bylaws Committee – Vice Chairman Robichaux advised that there is no Bylaws Committee Report at this time.

VI. Other Business

Mr. James Goodrum, Vice President of Finance, presented a brief summary of the three (3) retirement plans of the Louisiana Lottery Corporation. He 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.

Chairman Carver presented to the Board of Directors **Resolution No. 16-06-24-1** relative to the Supplemental Retirement Plan. Chairman Carver asked for any public comments relative to this resolution. There being no public comments, Vice Chairman Robichaux made a **motion** to approve **Resolution No. 16-06-24-1** and Director Reardon **seconded** the motion. There being no objections, the resolution was unanimously **approved** and **passed**.

Chairman Carver presented to the Board of Directors **Resolution No. 16-06-24-2** relative to the Louisiana Lottery Corporation's Personnel Policies and Rules. Chairman Carver asked for any public comments relative to this resolution. There being no public comments, Director McCaskill made a **motion** to approve **Resolution No. 16-06-24-2** and Vice Chairman Robichaux **seconded** the motion. There being no objections, the resolution was unanimously **approved** and **passed**.

VII. Election of Officers

Chairman Carver announced that officers need to be elected for the Louisiana Lottery Corporation Board of Directors for the upcoming fiscal year. Therefore, he stated that he will begin by taking nominations for the position of Chairman of the Board.

Vice Chairman Robichaux nominated Christopher “Kim” Carver for the position of Chairman of the Board. A **Motion** was made by Vice Chairman Robichaux 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.

Chairman Carver nominated Roy Robichaux for the position of Vice Chairman of the Board. 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.

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

VIII. Executive Session

At this time, Chairman Carver asked for a motion to go into Executive Session to discuss the performance evaluation of the president. Director Doss made the **motion** and Director McCaskill **seconded** the motion. There being no objection, the motion was **approved** and the Board of Directors went into Executive Session at 10:44 a.m.

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

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

Vice Chairman Robichaux made a **motion** to increase President Rose Hudson’s salary by nine percent (9%) with an effective date of July 1, 2016 and Director Ausberry **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 26, 2016, to be held in the Board of Directors Conference Room of the Louisiana Lottery Corporation Headquarters located at 555 Laurel Street, Baton Rouge, Louisiana.

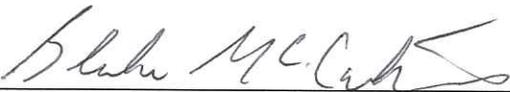
X. Adjournment

There being no further business, Chairman Carver invited a motion to adjourn the meeting. Vice Chairman Robichaux made a **motion** to adjourn the meeting and Director Reardon **seconded** the motion. There being no objection, the motion was **approved** and Chairman Carver adjourned the meeting at 11:55 a.m.

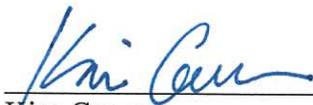
Date Approved: August 26, 2016.



Wendy Reeves
Executive Administrative Assistant



Blake McCaskill
Secretary to the Board of Directors



Kim Carver
Chairman of the Board of Directors