

**LOUISIANA LOTTERY CORPORATION
BOARD OF DIRECTORS MEETING
August 29, 2014**

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: Roy Robichaux, Blake McCaskill, Larry Katz, Lisa Reardon, J. T. Taylor and Ron Henson.
- B. Members Absent:** Directors: Verge Ausberry, Jr. and Heather Doss.
- 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 Director Lisa Reardon 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 corrections to the minutes of the June 13, 2014 board meeting. He stated that hearing no corrections, those minutes stand **approved**. The meeting was then turned over to President Rose Hudson for the President's Report.

IV. President's Report

Ms. Hudson began by welcoming Director J. T. Taylor and Director Lisa Reardon back to the Louisiana Lottery Board of Directors after their reappointment by Governor Jindal.

Ms. Hudson informed the Board of Directors that the Legislative Auditor's Office is currently conducting a performance audit of the Louisiana Lottery Corporation per House Concurrent Resolution 116 that was passed. Ms. Hudson added that thus far the preliminary meetings have been productive.

Ms. Hudson reported that the Louisiana Lottery Corporation ended its fiscal year 2014 with more than \$450 million in revenue, resulting in over \$160 million being transferred to the State Treasury to fund K-12 public education. She added that this amount does not include the \$9 million in reserves to be transferred in fiscal year 2015 pursuant to an amendment to House Bill

1026 of the 2014 Legislative Session. Ms. Hudson thanked the entire Louisiana Lottery Corporation Team for making this past fiscal year the second most successful fiscal year since the inception of the Louisiana Lottery.

With the new fiscal year beginning on July 1, 2014, Ms. Hudson stated that sales have been down as expected. She noted that Powerball has not seen any large jackpots, so that has also contributed to lower sales. At this time, the Multi-State Lottery Association (MUSL) is discussing a 2015 matrix change for the game and more news of that change will be discussed at the next board of directors meeting.

Additionally, Ms. Hudson stated that the new multi-state game Monopoly Millionaire's Club is scheduled to launch on October 19, 2014. She advised that the Louisiana Lottery Corporation plans to watch the game's performance from the sidelines to determine if the game would eventually be a good addition to its portfolio.

Ms. Hudson advised that she has been approached by the director of the Texas State Lottery to look into the potential of launching a regional scratch-off game. The game would be southern themed. Scientific Games, our instant ticket vendor, is exploring whether this type of ticket would be possible.

Ms. Hudson noted that the new SAINTS Ticket is performing well. She stated that this is the sixth year that the Louisiana Lottery Corporation has partnered with the New Orleans Saints to produce a branded scratch-off game. At this time, she turned the meeting over to Quinn Dossett, Vice President of Marketing, to explain the Lottery's partnership agreement for this year.

Mr. Dossett explained that the game's second chance drawing experiences vary this year to include unique access which is not typically available to fans. He reported that four commercials highlighting each experience have been produced. At this time, the Board of Directors viewed the commercials.

Ms. Hudson continued by stating that the Louisiana Lottery Corporation Team has done well with planning for the new game as well as the second-chance drawing components. Chairman Fitzpatrick questioned whether other lotteries have similar partnerships with their state's NFL teams. Ms. Hudson advised that most states do.

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 showing that overall fiscal year 2014 ended \$1.6 million higher than 2013. She noted that this boost was mostly due to a rise in instant sales, with draw-style game sales actually falling from the previous year. When looking at general and administrative expenses, the expenses the Louisiana Lottery Corporation can control, Ms. Fournet stated that the Louisiana Lottery Corporation performed \$1.1 million better than budget. Ms. Fournet added that the Louisiana Lottery Corporation transferred \$161.7 million to the state this year and this does not include the \$9 million from reserves. She reported that this is the second highest transfer since the Louisiana Lottery Corporation's inception. She also noted that there has been a steady year-over-year growth in transfer amounts since the early 2000's.

Ms Fournet analyzed Powerball's year end and year-to-date performance with the highest jackpot this fiscal year being \$125 million. Ms. Fournet advised that the Louisiana Lottery Corporation is currently performing \$11.6 million behind last year at this time with \$11.8 million in sales as of the end of August while adding that one large jackpot could change everything. Additionally, fiscal year 2014 Powerball sales reached only \$102.6 million which is down from 2013 even with three jackpots over \$400 million. As a reminder, Ms. Fournet advised the Board of Directors that the Louisiana Lottery Corporation cannot predict if or when another large jackpot will occur because it is simply the luck of the draw.

Continuing, Ms. Fournet reported that Mega Millions sales are up \$700,000 over last year as of the end of August at \$4.9 million. Ms. Fournet said while this is a good number, Mega Millions still performs at half the level of Powerball and, therefore, does not make up for the lack in Powerball sales. The two games together are down \$10.9 million from last year.

Ms. Fournet advised that Lotto sales are down just by \$300,000, but she said the jackpot is over \$1 million; therefore, she expects to see an increase in player interest and sales. When looking at overall Lotto Lagniappe sales, Ms. Fournet said the Louisiana Lottery Corporation saw a 3 percent increase in sales during the promotion. Additionally, the Louisiana Lottery Corporation broke even once the prizes were factored into the equation. She advised that one big take away from the promotion is a noticeable increase in the purchase of \$5 board plays and player interest in the promotion.

In regard to the Pick 3 and Pick 4 Games, which are a strong, steady part of the Louisiana Lottery Corporation's product line, Ms. Fournet reported that these games continue to show growth with a combined \$1.2 million increase over last year as of the end of August.

As for the Easy 5 Game, Ms. Fournet stated that cannibalization continues. Sales are \$200,000 lower than last year at \$1.8 million, but still better than Cash Quest, the game it replaced.

Ms. Fournet reported that scratch-off sales continue to soar, with a 40 percent increase in sales compared to 2010. She added that the Louisiana Lottery Corporation has done a good job managing inventory and increasing prize payouts to drive sales which are currently at \$29.4 million for this fiscal year and 5 percent better than the same period last year.

In concluding, Ms. Fournet reported that overall fiscal year-to-date sales are \$68.2 million, which is roughly \$9 million lower than last year. However, compared to budget, Ms. Fournet added that the Louisiana Lottery Corporation is still doing \$500,000 better. So far this year, the Louisiana Lottery Corporation has transferred \$23.9 million to the State of Louisiana, which is right on target with the budgeted goal.

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

Chairman Fitzpatrick asked Ms. Hudson if she considered the approximate \$50,000 in sales at the Essence Festival to be a good number. Ms. Hudson replied that she did, noting that it is an increase of \$7,000 from last year. Additionally, Ms. Hudson stated that although set-up at the event is often labor intensive, the Louisiana Lottery Corporation still sees it as a valuable investment.

Additionally, Chairman Fitzpatrick asked about other festivals throughout the State of Louisiana in which the Louisiana Lottery Corporation is involved. Ms. Hudson advised that the Louisiana Lottery Corporation has a presence in many festivals all year long across the State of Louisiana. She noted that the Louisiana Lottery Corporation most recently sold tickets at the Outdoor Expo in Lafayette, Louisiana and is sponsoring the Shrimp and Petroleum Festival that will take place in Morgan City, Louisiana.

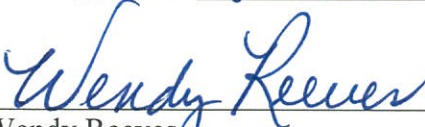
VII. Announcements

The next meeting of the Louisiana Lottery Board of Directors is scheduled for Friday, October 24, 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. Vice Chairman Kim 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 10:38 a.m.

Date Approved: October 24, 2014.



Wendy Reeves
Executive Administrative Assistant



Roy Robichaux
Secretary to the Board of Directors



John Fitzpatrick
Chairman of the Board of Directors