

**LOUISIANA LOTTERY CORPORATION
BOARD OF DIRECTORS MEETING
June 26, 2020**

Chairman Blake McCaskill called the meeting to order at 10:00 a.m. in the Board of Directors Conference Room located at the Louisiana Lottery Corporation Headquarters, 555 Laurel Street, Baton Rouge, Louisiana.

I. Attendance

- A. **Members Present:** Chairman Blake McCaskill; Directors: Larry Cager, Sheridan Shamburg, Whalen Gibbs, Jr., Roman Banks, Cynthia Hedge-Morrell and Anna Jones.
- B. **Members Absent:** Directors: Carmen Jones and Sean Wells and Louisiana Deputy State Treasurer Rachel Kincaid.
- 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 Blake McCaskill asked Rose Hudson to lead the Board of Directors and all attendees in our Pledge of Allegiance.

III. Approval of the Minutes of Prior Board Meeting

Chairman McCaskill began by asking if anyone had any questions or corrections to the minutes of the February 7, 2020 Board Meeting. Director Banks **moved** to approve the February 7, 2020 Board Meeting Minutes and Director Shamburg **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

Rose began by welcoming Anna M. Jones of Baton Rouge to the board and thanked her for agreeing to serve after being appointed by Governor John Bel Edwards.

Rose then gave the board an overview of the Lottery's past and current response to the COVID-19 health crisis. She said the immediate concern when the crisis began was the health and well-being of Lottery team members. Adjustments to staffing and operations were made to help minimize impacts of the virus within the Lottery organization, including working from home and utilizing Microsoft Teams for collaboration, meetings, and digital/telephonic communications. At the same time, financial cutbacks including reductions in travel, marketing, and special events, were made to ensure we stayed on track and that we could keep all employees on board. Human Resources reminded employees of resources available to them, including our

employee assistance program.

When we realized that our retailers would be allowed to stay open as essential businesses, we saw an increase in demand for our scratch-off product, so we slowly and safely began to ramp up efforts at our distribution center with members of our sales force jumping in to help pack tickets. As the stay-at-home order ended, the Lottery began a cautious and deliberate return to physical operations, opening offices on a limited basis and devising a plan to pay claims via mail and by appointment only. Also, the sales force is now in the field with limited interaction in-store.

The Lottery will continue to monitor and follow guidance from the Centers for Disease Control and make further adjustments, as needed, continuing to proceed with caution. Toward that end, the strategic planning process that began earlier this year will continue, but the executive retreat has been postponed until late summer or early fall.

Rose also recognized Gregory Warren of the East Baton Rouge Sheriff's office who worked security detail at the Lottery for the last 11 years before losing a battle to COVID-19. A collection of donations from employees was provided to his widow, who was extremely grateful.

Rose then said that she had been struggling how to open dialogue within the organization about the current state of race relations in the United States. She said that this topic isn't new to the Lottery and decided to draw a connection to "respect and trust," which are two of the organization's values to engage on this topic with employees. She said the response has been promising and will lead to further discussions with executive staff.

She then told the board that the Lottery's mobile app will be released soon to the public and that she recently received a renewed commitment from Intralot on working closely together in the future on other technological advances within the Lottery's gaming system.

She notified the board that Act 318 of the 2020 Louisiana Legislative Session lowers the Lottery's transfer mandate from 35% to 25% and will allow the organization to boost sales (and overall state transfers) by increasing the prize payout in the games that are offered to players. She noted that Karen and Susan developed a plan for how to carefully and thoughtfully invigorate our instant and draw-game portfolio to take advantage of the new legislation.

Lastly, she told the board that a bill to discuss online gaming should be heard during the next Louisiana Legislative Special Session to commence in October. She said that legislators seem more open to discussing the bill than they have in the past and that she will keep the board updated on any developments.

The meeting was then turned over to Senior VP, Secretary/Treasurer Karen Fournet.

Karen began by analyzing total monthly sales for fiscal years 2017-2020. While sales started out slower this year due to lower advertised jackpots, they have risen sharply since March when stay-at-home orders were put in place due to the COVID-19 health crisis and are projected to reach \$50.5 million to end June. In fact, May was the most successful month this fiscal year with \$58.9 million in sales driven by scratch-offs, beating out August of 2018 and March of 2019 when we experienced \$700 million-plus jackpots.

Powerball fiscal-year sales are projected to reach \$57.1 million, which is \$33.5 million less than last year and is the worst performance since we first offered the game in March 1995. The decline in sales is due to a 12-month span of low advertised jackpots as well as changes made by the Multi-State Lottery Association (MUSL). Necessitated by the decline in participation nationwide amid COVID-19 stay-at-home orders, game changes included eliminating guaranteed starting jackpots and increases between drawings. Rose mentioned that there have been recent discussions by MUSL about taking the Powerball game international to boost sales. She is following developments and will update the board as more talks occur.

Mega Millions has experienced a similar story with fiscal-year sales projected to end the year at \$38 million, which is \$32.2 million lower than last year when the game experienced a \$1 billion-plus jackpot. Like Powerball, purchases of tickets for the game nationwide are also currently down due to COVID-19.

Combined Powerball and Mega Millions fiscal-year sales are projected to reach \$95.1 million, down a whopping 40% or \$65.7 million from last year.

Lotto fiscal year sales are projected to be at \$21.2 million, a decline of \$700,000 from last year. Changes to boost player interest in the game have been made and will go into effect on Aug. 5. The changes will include raising the starting jackpot to \$500,000, increasing the overall odds by adding two numbers to the matrix, and decreasing the average Lotto match-5 prize from \$2,000 to \$1,000. The changes were made based on feedback received from player surveys conducted last year by Lottery staff at retail locations. The changes mean the Lotto jackpot will reach \$1 million more quickly and frequently.

Sales of Easy 5 and ezmatch are down slightly at \$10.4 million, a \$400,000 decrease from last year, but consistent with prior years. In addition, Karen said that the Lottery is looking at ways to implement an ezmatch-type option with its other games due to player enthusiasm about instant products.

Fiscal year sales of Pick 3 and Pick 4 have experienced fantastic growth at \$117.2 million with an increase of \$12.1 million over last year's totals. These daily games continue to be the star

in the Lottery's draw-game portfolio, with Pick 3 bringing in \$200,000 each day – a higher average than Powerball! The games have experienced good payouts with popular numbers like 333 and 1967 coming up recently. Karen reminded the board that the games have liability limits which prevent the purchase of tickets with number combinations after the sales cap has been reached, to ensure the Lottery can fund these fixed-prize payouts. Because of the success these games have experienced, the Lottery is exploring other similar style games and/or add-on options.

Amid the heavy downturn in multistate game sales, scratch-off sales came to the rescue this fiscal year, reaching a high of \$35.2 million in May, the highest since our first two months of sales in 1991 and contributing to our best quarter ever for scratch-offs. Fiscal year-end sales are projected to reach \$263.7 million even with a slightly decreased average payout of 63.09%. This represents an increase of \$38.1 million over last year. Karen noted that scratch-off sales have experienced a surge since April with COVID-19 limiting other gambling options for players, as gaming establishments were closed.

Karen reported overall fiscal year 2020 sales of \$507.7 million, \$16.3 million lower than last year, but \$29.6 million more than budget due to strong instant game performance. This represents the Lottery's second-best sales year ever!

General and administrative expenses through the end of May are running \$1.9 million under budget at \$16.6 million.

Karen reported that transfers to the state treasury through the end of June are projected at \$178.6 million, which is \$10.8 million better than budget, just \$5.4 million less than last fiscal year and is the second largest total transfer in the Lottery's history!

Lastly, Karen reviewed Act 318, which will go into effect Aug. 1, 2020, and how it will impact the Lottery's instant ticket prize structure for the next fiscal year. The new legislation lowers the Lottery's transfer mandate from 35% to 25%. The bill includes a sunset provision that reverts back to 35% on July 1, 2023, if the revenues received by the state do not increase from the amount budgeted in fiscal year 2020.

For FY2021, the Lottery intends to raise the overall payout on its scratch-off tickets from 63.1% to 64.99%. Tickets at each price point will offer a slightly higher payout percentage to achieve the overall percent increase in winner payouts. The Lottery plans to continue to adjust the strategy, as needed, and will explore ways to enhance its draw style games. Karen also demonstrated the new payout's effect on the unclaimed prize pool, utilizing \$11.4 million while expecting around \$11.2 million.

Karen shared the revised 2021 fiscal plan with \$526.3 million in sales and a \$175.1 million state transfer. As a percentage of sales, this amounts to a 33.3% transfer with average prize payout of 55.8% in prizes.

At this time, the meeting was turned back over to Chairman McCaskill.

V. Other Business

Chairman McCaskill presented to the Board of Directors **Resolution No. 2020-06-26-1** relative to the Supplemental Retirement Plan. Chairman McCaskill asked for any public comments relative to this resolution. There being no public comments, Director Shamburg made a **motion** to approve **Resolution No. 2020-06-26-1** and Director Banks **seconded** the motion. There being no objections, the resolution was unanimously **approved** and **passed**.

Chairman McCaskill presented to the Board of Directors the Discussion of Advertising Media Placement Services Contract. Chairman McCaskill asked for any public comments relative to this contract. There being no public comments, Director Gibbs made a **motion** to approve and Director Morrell **seconded** the motion. There being no objections, the resolution was unanimously **approved** and **passed**.

Chairman McCaskill announced that officers need to be elected for the Louisiana Lottery Corporation Board of Directors for the upcoming fiscal year. He began by taking nominations for the position of Chairman of the Board.

Director Banks nominated Chairman Blake McCaskill for the position of Chairman of the Board. A **motion** was made by Director Banks to approve Blake McCaskill as Chairman of the Board. Director Shamburg **seconded** the motion. There being no objections, Blake McCaskill was **elected** as Chairman of the Board of Directors for the Louisiana Lottery Corporation.

Chairman McCaskill nominated Director Sheridan Shamburg for the position of Vice Chairman of the Board. Director Banks made a **motion** to approve Sheridan Shamburg as Vice Chairman of the Board of Directors. Director Morrell **seconded** the motion. There being no objections, Sheridan Shamburg was **elected** as Vice Chairman of the Board of Directors for the Louisiana Lottery Corporation.

Chairman McCaskill nominated Sean Wells for the position of Secretary of the Board. Director Banks made a **motion** to approve Sean Wells as Secretary of the Board of Directors. Director Shamburg **seconded** the motion. There being no objections, Sean Wells was **elected** as Secretary of the Board of Directors for the Louisiana Lottery Corporation.

VI. Executive Session to Discuss the Performance of the President

Chairman McCaskill asked for a motion to go into Executive Session to discuss the performance evaluation of the president. Director Gibbs made the **motion** and Director Shamburg **seconded** the motion. There being no objection, the motion was **approved**, and the Board of Directors went into Executive Session at 10:32 a.m.

Chairman McCaskill asked for a motion to adjourn the Executive Session and Director Banks made a **motion** to adjourn the Executive Session and Director Sheridan **seconded** the motion. There being no objection, the motion was **approved**, and Executive Session adjourned at 11:00 a.m.

After adjourning from the Executive Session, Chairman McCaskill called the regular meeting of the Board of Directors back to order at 11:05 a.m.

A **motion** was made by Director Sheridan and **seconded** by Director Banks to encourage the President and CEO to give pay raises for employees EXCLUDING the president and CEO based on the recommendation by the President and CEO. There being no objection, the motion was **approved**.

A **motion** was also made by Director Banks and **seconded** by Director Anna Jones to pursue a contract with the President and CEO, to be developed with outside council by board committee made up of Chairman McCaskill, Directors Gibbs, Morrell and Anna Jones. There being no objection, the motion was **approved**.

Chairman/Personnel Committee Chair Blake McCaskill advised that Rose Hudson, President and CEO of the Louisiana Lottery Corporation, received a resounding 238 out of 248 “exceeds expectations”. The other 10 responses were “meets expectations” and there were no “needs improvement”. Chairman/Personnel Committee Chair Blake McCaskill concluded by stating that the nearly unanimous findings of the board are that Ms. Hudson exceeds the expectations in every aspect of her job performance.

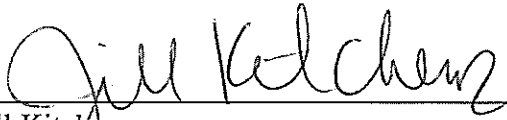
VII. Announcements

The next meeting of the Louisiana Lottery Board of Directors is scheduled for Friday, August 28, 2020, to be held in the Board of Directors Conference Room of the Louisiana Lottery Corporation Headquarters located at 555 Laurel Street, Baton Rouge, Louisiana.

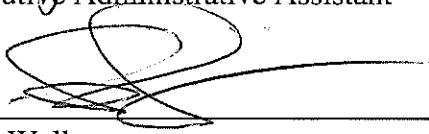
VIII. Adjournment

There being no further business, Chairman McCaskill invited a **motion** to adjourn the meeting. Director Gibbs made a **motion** to adjourn the meeting and Director Morrell **seconded** the motion. There being no objection, the motion was **approved**, and Chairman McCaskill adjourned the meeting at 12:35 p.m.

Date Approved: 10/23/2020



Jill Kitchens
Executive Administrative Assistant



Sean Wells
Secretary to the Board of Directors



Blake McCaskill
Chairman of the Board of Directors