

**LOUISIANA LOTTERY CORPORATION
BOARD OF DIRECTORS MEETING
December 16, 2015**

Chairman Kim Carver called the meeting to order at 10:07 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: John Fitzpatrick, Lisa Reardon, J. T. Taylor, Larry Katz, Verge Ausberry, Jr., and Blake McCaskill and First Assistant State Treasurer: Ron Henson.
- B. Members Absent:** Director: 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 Kim Carver asked Director Verge Ausberry 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 October 23, 2015 Board Meeting. Vice Chairman Roy Robichaux **moved** to approve the October 23, 2015 Board Meeting Minutes and Director Taylor **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 with a litigation report regarding the Illinois Lottery being sued for not paying prize winnings. She advised that at one point all MUSL Members and Mega Millions Consortium Members were potentially being served as a part of the same lawsuit. However, that never came to fruition once Illinois passed its state budget and was able to pay prizes again.

Ms. Hudson informed the Board of Directors of an opportunity to merge the North American Association of State and Provincial Lotteries (NASPL), MUSL and the Mega Millions Consortium, proposed by the Michigan Lottery and hurriedly passed at a NASP Meeting in Dallas, Texas earlier this year. Ms. Hudson advised that she will be attending a meeting in January 2016 with members of MUSL, NASPL and Mega Millions to further discuss the benefits and structure of a potential merger.

Additionally, Ms. Hudson updated the Board of Directors on audit-related issues arising from the case of Eddie Tipton, a former MUSL employee convicted of fraud in August 2015 for attempting to pass a jackpot-winning ticket for Hot Lotto, a game administered by the organization. Ms. Hudson stated that she will be working with MUSL and its law firm to look back on what potentially went wrong and what MUSL can do to prevent a similar event from happening again. Ms. Hudson advised that details of the meeting will be presented sometime next month. Additionally, Ms. Hudson said that she will be consulting with the firm concerning the association's human resources policies and practices. Finally, as a member of the Audit Committee of MUSL, Ms. Hudson will be making a trip to Iowa to conduct interviews for the group's internal auditor position.

At this point, Ms. Hudson turned the meeting over to Director of Information Technology, Berk Jackson, to provide information to the Board of Directors regarding the new web portal for board members. Mr. Jackson described the web portal as an "electronic file cabinet," a place where board members may access public documents that are normally distributed prior to or at Committee Meetings and Board of Director Meetings.

After Mr. Jackson concluded his web portal presentation, the meeting was turned back over to Ms. Hudson. At this time, Ms. Hudson welcomed the CEO of Zehnder Communications, Jeff Zehnder. Zehnder Communications is the agency of record for media placement for the Louisiana Lottery Corporation.

Before concluding the President's Report, Ms. Hudson briefly detailed upcoming Lottery Scratch-Off Games to the Board of Directors: *Love to Win*, a six-scene emoticon game that was born from a conversation that she had with local Forum 35 Members, and two Mardi Gras-themed games.

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 comparison of distribution of sales by product for fiscal years 2015 and 2015 which have shifted drastically. She advised that over the last decade, instant sales have surged from 34 percent to 45 percent of sales while Powerball sales have shrunk from 30 percent to 19 percent of sales (26 percent when including Mega Millions). Ms. Fournet pointed out that the effect of this shift is even more pronounced considering the overall growth in the "size of the pie" with 2005 total sales of \$307 million compared to \$452 million in 2015. She added that this trend is continuing in fiscal year 2016. To further clarify the impact of this shift, Ms. Fournet shared product direct costs of 58.6 percent of sales for instant games and 53 percent of sales for

draw-style games. As the popularity of scratch-off games continues, Ms. Fournet stated that the challenge will be finding operational efficiencies.

Ms. Fournet advised that Powerball sales of \$36 million for the first six (6) months of the fiscal year are still the lowest in five years which is \$1.4 million less than 2014 and \$10 million lower than in 2010 when the Louisiana Lottery Corporation experienced very similar jackpot levels. She added that jackpots have been relatively low for players who expect and want jackpots total \$300 million and above. Additionally, Ms. Fournet advised that due to the matrix change that occurred back on October 4, 2015, there should be higher jackpots going forward.

Ms. Fournet reported that Mega Millions sales are \$13.1 million for the first half of the year which is \$3.3 million less than last year. She stated that jackpots have been lower than in the past, which explains the lower sales. Additionally, Ms. Fournet advised that combined Powerball and Mega Millions sales are \$49.1 million for the first six months of this fiscal year which is still higher than Powerball sales of \$46 million for the same time period in 2010 when Powerball was the only multi-state jackpot game in Louisiana.

Ms. Fournet noted that Lotto sales of \$16.8 million are up \$3.5 million from December 2014. She stated that the increase can be attributed to the \$3.225 million jackpot that was claimed earlier this year. The jackpot was the fourth highest cash jackpot ever for Lotto.

In continuing, Ms. Fournet stated that Combined Pick 3 and Pick 4 Sales of \$48.6 million show continued steady growth which is up a little less than \$2 million from December 2014. Ms. Fournet added that Pick 4 sales have been steadily growing to \$4.7 million more than in 2010. Most importantly, she noted that Pick 3 and Pick 4 sales are helping offset the decline in multistate jackpot games sales. Easy 5 with EZmatch sales are \$100,000 higher than 2014. Additionally, Ms. Fournet stated that sales are leveling off for the game, which continues to be a niche game for a certain group of players.

Ms. Fournet stated that scratch-off sales continue to climb and raise the bar month over month. Instant sales of \$101.6 million are up more than \$4.6 million from 2014. She concluded that this continued growth can be attributed to inventory management, as well as the increase in prize payout percentages over the last five years. She explained that through price-point positioning, prize money has been strategically distributed and has led to an increase in \$10 game sales. Due to the State Legislature tapping into the Louisiana Lottery Corporation's unclaimed prize fund and taking \$20 million to plug a state budget gap, Ms. Fournet said the challenge and goal regarding instant games will be to sustain the current prize payout structure for as long as possible.

Ms. Fournet reported overall fiscal year-to-date sales of \$221.5 million through December which is almost \$6 million higher than last year at this time. In addition, sales are performing \$14 million better than budget. She advised that the general operating expenditures were \$200,000 under budget at \$6.4 million through the end of October.

In concluding, Ms. Fournet announced that the Louisiana Lottery Corporation has transferred \$77.7 million to the State of Louisiana thus far through December 2015, which is \$4.8 million ahead of budget.

A copy of the financial presentation is attached.

V. Board Committee Reports

Personnel Committee – Personnel Committee Chairman Larry Katz presented to the Board of Directors **Resolution No. 2015-12-16-1** relative to the Corporation’s Personnel Policies and Rules. This resolution revises the Louisiana Lottery Corporation Personnel Policy’s Procedures to clarify the definition of Disability Leave. Chairman Carver asked for any public comments relative to this agenda item. There being no public comments, Director Ausberry made a **motion** to approve **Resolution No. 2015-12-16-1** and Vice Chairman Robichaux **seconded** the motion. There being no objections, the motion was **approved and passed**.

Personnel Committee Chairman Larry Katz presented to the Board of Directors **Resolution No. 2015-12-16-2** relative to the Corporation’s 457(b) Retirement Plan. This resolution provides for automatic enrollment in the Louisiana Lottery Corporation’s 457(b) Retirement Plan at a default elective deferral rate. Chairman Carver asked for any public comments relative to this agenda item. There being no public comments, Director McCaskill made a **motion** to approve **Resolution No. 2015-12-16-2** and Director Reardon **seconded** the motion. There being no objections, the motion was **approved and passed**.

Finance Committee – Finance Chairman Verge Ausberry announced that a Finance Committee Meeting will be held on Friday, February 5, 2016.

Bylaws Committee – Bylaws Committee Chairman Roy Robichaux advised that there is 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, February 12, 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.

VIII. Adjournment

There being no further business, Chairman Carver invited a motion to adjourn the meeting. Director Katz made a **motion** to adjourn the meeting and Director Taylor **seconded** the motion. There being no objection, the motion was **approved** and Chairman Carver adjourned the meeting at 11:00 a.m.

Date Approved: February 12, 2016.



Wendy Reeves
Executive Administrative Assistant



Larry Katz
Secretary to the Board of Directors



Kim Carver
Chairman of the Board of Directors

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