

LOUISIANA LOTTERY CORPORATION
BOARD OF DIRECTORS MEETING
April 26, 2019

Chairman Blake McCaskill called the meeting to order at 10:01 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, Vice Chairman Butch Gautreaux; Directors: Larry Cager, Sheridan Shamburg, Whalen Gibbs, Jr., Sean Wells, Cynthia Hedge-Morrell, and Roman P. Banks.
- B. Members Absent:** Director: Carmen Jones 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 led the Board of Directors and all attendees in our Pledge of Allegiance.

The meeting began with Board Member introductions as two new Board Members, Cynthia Hedge-Morrell and Roman Banks, were welcomed to the Board of Directors for the Louisiana Lottery Corporation.

Cynthia Hedge-Morrell of New Orleans formerly served as a New Orleans City Councilwoman and will now serve as an at-large member of the Louisiana Lottery Corporation Board of Directors.

Roman Banks of Baton Rouge is the Director of Athletics for Southern University and will now serve as a 6th Congressional District member of the Louisiana Lottery Corporation Board of Directors.

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 22, 2019 Board Meeting. Director Shamburg **moved** to approve the February 22, 2019 Board Meeting Minutes and Director Wells **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 welcoming the two new board members and thanking them for their interest in becoming a part of the Louisiana Lottery Corporation.

Ms. Hudson introduced Noah Kressler of the law firm Baker Donelson, who was invited to give a brief training session to Board Members on board governance. The session included information on the rules and responsibilities of a board, fiduciary duties and liabilities.

After the training session, Ms. Hudson reminded Board Members that their financial disclosures are due to the Louisiana Board of Ethics by May 15, 2019.

Ms. Hudson advised the Board Members that the gaming study conducted by Spectrum Gaming Group for Louisiana Economic Development was recently released. The report included a recommendation for the State of Louisiana to lower the Louisiana Lottery Corporation's thirty-five (35%) percent revenue state transfer mandate as a way to maximize revenue. Ms. Hudson stated that Louisiana Lottery Corporation Staff will begin having internal conversations about the recommendation and will visit with legislators and Governor John Bel Edwards in the coming months to discuss strategy going forward.

In concluding, Ms. Hudson gave Board Members copies of the Louisiana Lottery Corporation's "MarComm" marketing and communications dashboard. The report was created to give Board Members and Louisiana Lottery Corporation Staff a quarterly snapshot of the company's communications and marketing efforts.

At this time, Ms. Hudson turned the floor over to Karen Fournet, Senior Vice President/Secretary/Treasurer, to present the financial report via Power Point Presentation.

Ms. Fournet began by analyzing total monthly sales for fiscal years 2016-2019. Sales in July started out at \$40 million and jumped to \$72.1 million in October due to the historic \$1.537 billion Mega Millions jackpot. Since then, monthly sales have followed seasonal fluctuations and are projected to reach \$39.9 million for April.

Powerball fiscal-year sales through the end of April are projected to be \$77.7 million, which is \$6.1 million less than last year. Ms. Fournet noted that jackpot fatigue continues to impact sales levels, due to the number of large jackpots occurring within a brief period of time and the Powerball game's competition with the Mega Millions jackpot.

Ms. Fournet then showed a comparison of Powerball draw sales leading up to the \$759 million jackpot won on August 23, 2017; the \$688 million jackpot won on October 27, 2018; and the most recent \$768 million jackpot won on March 27, 2019. Sales for each jackpot run remained the same until approximately the sixteenth (16th) draw, when they began to rise dramatically. The sharpest increase occurred during the jackpot run leading up to the \$759 million jackpot with sales for the twenty-first (21st) draw totaling \$7.5 million. The next large jackpot run of \$688 million performed differently than any other jackpot run. For the first time ever at the end of a large jackpot run, we experienced a decrease in sales from one draw to the next draw. This phenomenon was due to the excitement over the record \$1.537 billion Mega Millions jackpot that was hit a few days before on

October 23, 2018. The most recent jackpot run of \$768 million took 26 draws, the longest jackpot run in recent history. Sales for the last draw of this jackpot run only reached \$3.7 million, which is ½ of the draw sales for the last draw of the \$759 million jackpot in August of 2017. Jackpot fatigue is a significant factor in the recent lower draw sales.

Mega Millions fiscal-year sales through the end of April are projected to be \$61.1 million, which is \$25.6 million higher than last year due to the record jackpot at the end of October. Overall, Mega Millions sales continue to increase due to the matrix change of October 2017 and improved brand recognition.

Combined Powerball and Mega Millions fiscal-year sales through the end of April are projected to be \$138.8 million, up \$19.5 million from last year due to large advertised jackpots.

Lotto sales are at \$18.4 million, which is \$800,000 lower than this time last year. Ms. Fournet stated that the Lotto has experienced a slight decline in sales since the Mega Millions matrix change in October 2017.

Ms. Fournet advised that sales of Pick 3 and Pick 4 continue to hold steady with a slight increase at \$87.4 million through April, up \$3.8 million from this time last year. These continue to be the most stable games in the Louisiana Lottery Corporation's product mix, generating over 20 percent of overall sales. The increase in all online sales as a percentage of total sales is vital to support the instant ticket prize structure.

Scratch-off sales have increased through the end of April to \$186.6 million, up \$5.2 million from last year with average prize payouts holding steady at 63.35 percent. Ms. Fournet said in the past we had focused on sales efficiencies in inventory management whereas we are now working on studying prize distribution to maximize sales since increasing prize payouts is not currently feasible.

In continuing, Ms. Fournet reported overall sales through the end of March are projected to be \$440.2 million, \$27.9 million higher than last year.

Toward that end, general and administrative expenses through the end of April are running \$1.1 million under budget at \$14.2 million.

Lastly, Ms. Fournet reported that transfers to the Louisiana State Treasury through the end of April are projected at \$154.7 million, which is \$17.8 million better than budget.

A copy of the financial presentation is attached.

At this time, the meeting was turned back over to Ms. Hudson.

Ms. Hudson introduced members of her Executive Team to the Board Members.

V. Other Business

There was no other business to discuss at this time.

VI. Announcements

Chairman McCaskill advised Board Members to check the Board Portal for new committee assignments.

The next meeting of the Louisiana Lottery Board of Directors is scheduled for Friday, June 28, 2019, to be held in the Board of Directors Conference Room of the Louisiana Lottery Corporation Headquarters located at 555 Laurel Street, Baton Rouge, Louisiana.

VII. 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 Vice Chairman Gautreaux **seconded** the motion. There being no objection, the motion was **approved**, and Chairman McCaskill adjourned the meeting at 11:18 a.m.

Date Approved: June 28, 2019

Wendy Reeves
Wendy Reeves
Executive Administrative Assistant

[Signature]
Sean Wells
Secretary to the Board of Directors

Blake McCaskill
Blake McCaskill
Chairman of the Board of Directors

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