

**LOUISIANA LOTTERY CORPORATION
BOARD OF DIRECTORS MEETING
October 28, 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. Chairman Carver took a moment to congratulate Rose Hudson on being inducted into the Public Gaming Research Institute's Lottery Industry Hall of Fame following a successful ten (10) years of service as the Louisiana Lottery Corporation President.

I. Attendance

- A. **Members Present:** Chairman Kim Carver; Vice Chairman Roy Robichaux and Directors: Verge Ausberry, Jr., J. T. Taylor, Heather Doss, Lisa Reardon Blake McCaskill and Sean Wells.
- B. **Members Absent:** Director: Butch Gautreaux; 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 Director Heather Doss 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 August 26, 2016 Board Meeting. Director McCaskill **moved** to approve the August 26, 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 thanking Chairman Kim Carver for the recognition of being inducted into the Public Gaming Research Institute's Lottery Industry Hall of Fame.

Ms. Hudson announced that Quinn Dossett will be honored by the Sales and Marketing Executives of Greater Baton Rouge with a 2016 Excellence in Sales & Marketing Award on November 29, 2016.

Additionally, Ms. Hudson spoke briefly on the recent North American Association of State and Provincial Lotteries (NASPL) Conference that was held in Atlanta, Georgia during the week of October 3, 2016. She stated that it was one of the best NASPL Conferences yet. Vice Chairman Roy Robichaux resounded that evaluation and also pointed out that the organization will be in good hands with Rose Hudson as its newly-elected president.

In continuing, Ms. Hudson asked Kimberly Chopin, Louisiana Lottery Corporation Director of Communications, to speak about two awards the Marketing Team won at the Southern Public Relations Federation Conference held in September 2016. Ms. Chopin advised that the Louisiana Lottery Corporation received an Award of Excellence for the Exchange Retailer Newsletter and an Award of Excellence for the "Love to Win" Emojigram Twitter Promotion.

Ms. Hudson thanked Jeff Zehnder of Zehnder Communications for his company's work in training Louisiana Lottery Corporation staff on crisis communications on October 26, 2016. She advised that Kimberly Chopin, Director of Communications, is working to update the Louisiana Lottery Corporation's Crisis Communications Plan to incorporate tips learned during the training session.

Ms. Hudson advised the Board of Directors about the Multi-State Lottery Association (MUSL) audit that was held this week. MUSL performs these member audits every two years in order to monitor business practices. She stated that although there are some things to correct, she is pleased overall with Louisiana Lottery Corporation processes and thanked Charles Armstrong, Vice President of Security, and his staff for their hard work.

In concluding, Ms. Hudson told the Board of Directors about a mobile app that the Louisiana Lottery Corporation is working on with Intralot. She advised that she plans to speak with the head of Intralot in Singapore next week to continue moving the project forward.

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 2014-2017. She advised that sales in July started off strong at \$43.4 million with two large multistate jackpots, but dropped to \$33.3 million during August due to the flooding. Since then, sales have steadily climbed to \$35.5 million through the end of October, slightly behind previous years. Ms. Fournet estimated that the flooding caused a sales decrease of approximately \$1 million.

Additionally, Ms. Fournet stated that approximately 109 retailers were affected by flooding, but at this time, only about 35 retailers are still temporarily disabled. The Louisiana Lottery Corporation continues to work with these retailers to get them back online and ready to sell again.

Ms. Fournet reported that Powerball sales for the first four months of fiscal year 2017 are at \$29.2 million, which is \$4.1 million more than last year. The increase in sales can be attributed to the \$487 million jackpot in August. However, current sales level is behind previous years with similar jackpots, an indication of jackpot fatigue. Ms. Fournet also noted that it is taking longer for sales

to grow and this is often influenced by the spacing of large jackpots. The closer the jackpots are together, the longer it takes the public to get interested. As an example, Ms. Fournet noted that it took 20 drawings to reach a \$1.58 billion jackpot in January 2016, but 24 drawings to reach the \$487 million jackpot in July 2016 (following a \$430 million jackpot two months earlier).

Ms. Fournet reported Mega Millions sales for the first four months of fiscal year 2017 are \$11.1 million which is \$2.3 million more than last year. This increase is due to the \$540 million jackpot in August. Combined Powerball and Mega Millions sales through the first four months of the fiscal year 2017 are \$40.3 million which is \$6.4 million higher than this time last year. This is also due to the high jackpots for each game.

Ms. Fournet stated that Lotto sales are holding steady at \$8.3 million. She added that sales are down \$4.9 million from this time last due to lower jackpots.

Regarding sales of Pick 3 and Pick 4, Ms. Fournet stated that these games have increased slightly to \$32.3 million, and continue to be the most stable games in the Louisiana Lottery Corporation's mix, with an annual growth rate of five (5%) percent. Players enjoy the ease of play and lower odds with these games even when the games experience years of average payouts. Ms. Fournet noted that there seems to be a shift in players moving from playing Pick 3 to Pick 4.

Ms. Fournet noted that scratch-off sales are beginning to level off compared to past years. Instant sales of \$62.8 million are down \$3.1 million from last year. She attributed about \$1 million to the flood, but the rest of the drop is due to the gradual decrease in prize payout percentages necessitated by the Louisiana Legislature's sweep of the Louisiana Lottery Corporation's unclaimed prize fund. The fund was swept to the tune of \$20 million during the 2015 Louisiana Legislative Session. 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 we monitor the Unclaimed Prize Fund. Additionally, Ms. Fournet advised that the current scratch-off prize payout levels are at 62.75 percent compared to last year's 62.99 percent.

Ms. Fournet reported an overall estimated end of fiscal year sales of \$147 million through October 2016 which is \$1.6 million lower than last year at this time, noting that last years was the best sales year ever.

Before concluding, Ms. Fournet reported that general and administrative expenses are running \$300,000 under budget at \$4.8 million through September.

Lastly, Ms. Fournet reported that the Louisiana Lottery Corporation has transferred \$51.5 million to the State of Louisiana thus far through October 2016 which is \$1.6 million or 3.2 percent higher than budget.

A copy of the financial presentation is attached.

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

Ms. Hudson announced to the Board of Directors that the Powerball Game Development Committee is scheduled to meet in December 2016 in Austin, Texas in order to determine what, if any, changes should be made to the Powerball Game Directive to improve ticket sales.

Additionally, from an industry perspective, Ms. Hudson informed the Board of Directors about a Selection Committee for a consultant to assist in developing a plan for lotteries doing business together across jurisdictions and further defining the roles of the multiple organizations serving the industry, including NASPL, MUSL and the Mega Millions Consortium. An apparent winner has been selected, however, the committee has concerns about moving forward. It is possible that a hire will not be made due to pending changes of leadership at other lotteries within the organizations.

In concluding, Ms. Hudson noted that while in Atlanta, Georgia attending the NASPL Conference, leadership met with the Jeff Freeman, head of the American Gaming Association, that is pushing for the legalization of sports betting. She added that the industry's first priority is the protection of state's rights in all matters of gaming.

V. Board Committee Reports

Personnel Committee – Secretary 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

Director Verge Ausberry inquired regarding the new Labor Overtime Law. Ms. Hudson advised that Kenyetta Sewell, Director of Human Resources, performed an evaluation in regard to this law and there will be a \$15,000 increase in salaries for employees that are being affected. She added that the December date stands firm.

VII. Announcements

The next meeting of the Louisiana Lottery Board of Directors is scheduled for Friday, October 28, 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

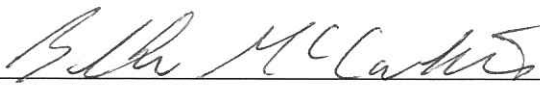
There being no further business, Chairman Carver invited a motion to adjourn the meeting. Vice Chairman Robichaux made a **motion** to adjourn the meeting and Director Lisa Reardon **seconded**

the motion. There being no objection, the motion was **approved** and Chairman Carver adjourned the meeting at 10:36 a.m.

Date Approved: December 14, 2016.



Wendy Reeves
Executive Administrative Assistant



Blake McCaskill
Secretary to the Board of Directors



Kim Carver
Chairman of the Board of Directors

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