

**LOUISIANA LOTTERY CORPORATION
BOARD OF DIRECTORS MEETING
DECEMBER 14, 2012**

Chairman Verge Ausberry, Jr. called the meeting to order at 10:08 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 Verge Ausberry, Vice Chairman John Fitzpatrick, and Secretary Kim Carver, Directors: J.T. Taylor, Heather Doss, Lisa Reardon, Larry Katz, Roy Robichaux and Ron Henson.
- B. **Members Absent:** None.
- C. **Staff:** President/CEO, Rose Hudson, Senior Vice President/Secretary/Treasurer, Karen Fournet and Senior Vice President/General Counsel, John Carruth.

II. Pledge of Allegiance

Secretary Carver led the Board of Directors and all attendees in our Pledge of Allegiance.

III. Approval of the Minutes of Prior Board Meeting

Director Robichaux **moved** to approve the October 26, 2012, Board Meeting Minutes. 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

President Hudson began by thanking Secretary Carver for a great Personnel Committee Meeting. She also introduced and welcomed the Louisiana Lottery Corporation's new Vice President of Marketing, Quinn Dossett, who recently joined the corporation with more than seven years' experience in marketing for the gaming industry. Mr. Dossett's most recent position was District Marketing Manager for dining services and uniform provider, Aramark.

Ms. Hudson announced that Kimberly Chopin, Communications Manager, attended the 2012 LaFleur's Lottery Conference which was held on November 27-30, where she gave a presentation on leveraging digital media assets and participated on a social media panel. She thanked Ms. Chopin for her participation and complimented her on the presentation and positive representation of the Louisiana Lottery Corporation.

Ms. Hudson informed the Board of Directors that she received a telephone call from Secretary Carver regarding cutting edge work here at the Louisiana Lottery Corporation. He called to make a suggestion that board of director meeting documents be emailed to board members instead of receiving a hard copy in the mail. By doing this, it would be saving on paper and postage. Therefore, Ms. Hudson posed the question to the board members if emailing the documents would be acceptable and a hard copy would be placed at their

designated seat at the board meetings. All board members agreed that this would be acceptable. Therefore, this change will be put in place beginning in 2013.

Ms. Hudson further informed the Board of Directors that she addressed the House Criminal Justice Committee last month in order to provide the members of that committee with an update and overview of the Louisiana Lottery Corporation. She pointed out that while the state faces a \$129 million budget shortfall, the Louisiana Lottery Corporation's transfers last fiscal year were their second highest on record and exceeded the state's expectations by more than \$24 million. Nonetheless, the state's budget situation will have an effect on the Louisiana Lottery Corporation's budget and make it even more challenging to have pay increases approved. As the Louisiana Lottery Corporation moves forward with budget planning for the next fiscal year, Ms. Hudson said that the Louisiana Lottery Corporation will be considering ways to reward employees. Chairman Ausberry suggested that the entire board attend the upcoming Finance Committee Meeting that will be held prior to the Board of Directors Meeting in February, 2013.

Ms. Hudson then turned the floor over to Sr. Vice President & Secretary-Treasurer, Karen Fournet, to present the financial report via Power Point Presentation (hard copy attached).

Ms. Fournet began her report by summarizing weekly sales trends over the last 52 weeks. Ms. Fournet noted that there were eleven (11) Powerball and Mega Millions Jackpots over \$100 million which fueled the Louisiana Lottery's sales successes. Weekly sales during this time period peaked at \$18.4 million during the week of the largest Powerball jackpot ever in November, compared to the \$5.5 million in August during Hurricane Isaac, with \$8.5 million being the average. Ms. Fournet pointed out that instant sales are higher in the spring than in the fall.

Ms. Fournet continued by presenting a graph that compared sales during the week of the \$588 million Powerball jackpot and the world record \$656 million Mega Millions jackpot in March, which demonstrated that the higher Powerball jackpots draw more sales than higher Mega Millions jackpots. She noted that brand recognition is more powerful for Powerball than for Mega Millions, which along with the \$2 price point, contributed to the quicker increase in the sales for Powerball.

Ms. Fournet reported that Powerball draw sales jumped from \$3 million to \$11.5 million for the draw for a total of \$28.6 million during the record run which began in October and ended with the November 28 drawing. Sales reached \$7.9 million on the day of the drawing alone, which is the highest to date this fiscal year.

Ms. Fournet explained that the "last minute" jump in sales is a result of players experiencing jackpot fatigue and that previous jackpot runs have experienced higher sales levels earlier in the run. Players are becoming desensitized to large jackpots and are holding off, expecting more. She further explained that the players' purchases remain relatively stagnant until the jackpot reaches \$200 million to \$300 million. With that being said, combined Powerball and Mega Millions sales for the first six months of the fiscal year totaled \$78.7 million, a whopping \$21 million higher than last year to become the driving force behind this year's sales growth.

Ms. Fournet reported that Lotto sales have dropped off somewhat with the fiscal year sales through December 31 reaching \$13 million compared to \$16.2 million last year. On a similar note, Easy 5 sales during the same time period reached only \$5.8 million compared

to \$7.1 million last fiscal year. She attributed the drop in sales to some cannibalization as players opt for the higher jackpot-driven multistate games and noted that increases in those games more than make up for the drop in Lotto and Easy 5 sales. Still, she noted that the Lottery is exploring ways to revive enthusiasm in our state flagship game, Lotto, and in Easy 5. Easy 5 is the niche game added to the Lottery's draw-style games to replace Cash Quest in 2007 and is running a typical lifecycle. Toward that end, an EZmatch promotion is scheduled for the spring of 2013 to spur interest in the \$1 instant-win add-on component of Easy 5 that will double the top prize and increase its payout.

In regard to Pick 3 and Pick 4, Ms. Fournet stated that sales are right on target compared to last year. Karen noted that increases in the games' payouts coincide with sales growth for these games. While Pick 3 sales were down about \$100,000 for the first six months of the fiscal year due to Hurricane Isaac, Pick 4 sales were up by a similar amount.

Ms. Fournet continued stating that instant ticket sales of \$74.5 million for the first six months are neck-and-neck with the previous years, which have ranged among the most successful. Ms. Fournet presented a graph that emphasized the impact of Hurricane Isaac on instant ticket sales. There was an \$800,000 dip in sales during the month of August, but sales level out in the months following. She addressed the recent initiative of the sales force to manage retailer inventory and ensure the freshest games are making it into the dispensers as quickly as possible.

Additionally, Ms. Fournet reported that overall Lottery sales of \$215.2 million for the first six months of this fiscal year are up \$15 million over last year. She also noted that general and administrative expenses through October 31 are \$600,000 better than budget.

Ms. Fournet concluded by stating that state transfers for the 2012 calendar year are the highest they have been in 20 years with a total of \$161.7 million transferred to the State Treasury Department.

V. Board Committee Reports

Personnel Committee - Personnel Committee Chair Kim Carver reported that the committee heard from Robin Schooling, Vice President of Human Resources, who advised the board on ways to show value to Louisiana Lottery Corporation employees in the face of pay raise restrictions, many of which came from Lottery staff members. These recommendations included floating holidays, telecommuting, bereavement leave and sick leave which will be discussed at the February Board of Directors Meeting.

Committee Chair Kim Carver, made a **motion** to add **Resolution No. 2012-12-14-2** relative to the Louisiana Lottery Corporation's Flexible Spending Plan to the agenda for discussion and consideration. Director Robichaux **seconded** the motion. There being no objections, the motion was **approved** and **passed**.

After **Resolution No. 2012-12-14-2** was added to the Agenda, Committee Chair Kim Carver made a **motion** to approve **Resolution No. 2012-12-14-2** relative to the Louisiana Lottery Corporation's Flexible Spending Plan Provisions to bring it in compliance with the Affordable Care Act. Director Robichaux **seconded** the motion. There being no objections, **Resolution No. 2012-12-14-2** was **approved** and **passed**.

Finance Committee - No report at this time.

By-Laws Committee - No report at this time.

VI. Other Business / Executive Session

At this time, Chairman Ausberry requested a motion to approve **Resolution No. 2012-12-14-1** which is relative to a proposed amendment to the 2012-2013 Fiscal Year Budget regarding expenses associated with the Multi-State Lottery Association. Secretary Carver made the **motion** and Director Robichaux **seconded** the motion. There being no objection, the motion was **approved** and **Resolution No. 2012-12-14-1** was passed.

VII. Announcements

The next meeting of the Louisiana Lottery Board of Directors is scheduled for Friday, February 22, 2013, to be held in the Board of Directors Conference Room of the Louisiana Lottery Corporation Headquarters located at 555 Laurel Street, Baton Rouge, Louisiana.

IX. Adjournment

Before adjourning the meeting, Chairman Ausberry welcomed Quinn Dossett, Vice President of Marketing and wished the entire staff a Merry Christmas and a Happy New Year.

There being no further business, Chairman Ausberry invited a motion to adjourn the meeting. Director Robichaux made a **motion** and Director Fitzpatrick **seconded** the motion. There being no objection, the motion **approved** and Chairman Ausberry adjourned the meeting at 10:46 a.m.

Date Approved: February 22, 2013.

Wendy Reeves
Wendy Reeves
Executive Administrative Assistant

Kim Carver
Kim Carver
Secretary to the Board of Directors

Verge Ausberry, Jr.
Verge Ausberry, Jr.
Chairman of the Board of Directors

Attachment(s): (1) Hard Copy Financial PowerPoint Presentation
(2) Financials

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