

**LOUISIANA LOTTERY CORPORATION
BOARD OF DIRECTORS MEETING
April 26, 2013**

Chairman Verge Ausberry, Jr. called the meeting to order at 10:10 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, and Roy Robichaux.
- B. Members Absent:** 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

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

III. Approval of the Minutes of Prior Board Meeting

Vice Chairman Fitzpatrick **moved** to approve the February 22, 2013, 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

Ms. Hudson began by advising the Board of Directors that she attended the March 22, 2013 hearing of the Joint Legislative Committee on the Budget wherein the Lottery's budget was approved without opposition. Ms. Hudson acknowledged that the support of Representative James Fannin and former board member Senator Ronnie Johns was of great assistance with this process. She added that the Lottery will make use of the newly approved budget as it pertains to helping the State of Louisiana. Specifically, Ms. Hudson mentioned technology changes that will accompany the distribution of iPads to all sales reps which will provide in-store, real-time

data to assist them with retailer sales strategy and managing inventory. This project executed in conjunction with our consultant GCR will roll out in July and an overview will be showcased at the next board meeting.

Ms. Hudson announced changes to the Mega Millions game structure which will be effective on October 19, 2013. The Mega Millions matrix will change to 5 of 75 and 1 of 15 with a graduated, 30-year annuity jackpot prize to support faster growing jackpots which players demand, especially with the added population of Florida which will join the game this year. Other changes include better overall odds of winning, a \$1 Megaball-only prize, longer jackpot odds and a \$1 million match-5 prize. Potential changes to the Megaplier add-on option to coincide with the matrix change are being discussed. Powerball changes are likely to follow in calendar year 2014.

Ms. Hudson informed the Board of Directors regarding House Concurrent Resolution No. 3 (HCR3), sponsored by Mike Huval. The resolution proposes a joint study of Internet gaming by the House Committee on the Administration of Criminal Justice and the Senate Committee Judiciary B. The resolution passed out of committee 5-3 and was debated as if it was an actual bill. Ms. Hudson continued by stating that she does not foresee any resulting bill advancing to the Governor, and a veto is likely if it does. The Louisiana Lottery was not specifically mentioned in the resolution, but we have a great wealth of knowledge concerning Internet gambling which we are prepared to make available.

Additionally, Ms. Hudson advised the Board of Directors regarding Senate Concurrent Resolution No. 7 (SCR7) sponsored by Fred Mills. This bill would have encouraged the Louisiana Lottery to develop a scratch-off ticket that benefits veterans and soldiers. The resolution was deferred by Senate Committee Judiciary B since it involved a redirection of Lottery proceeds, which would require a constitutional amendment.

Finally, Ms. Hudson advised the Board of Directors regarding Senate Bill 133 (SB133) sponsored by Jody Amedee. This particular bill would require Lottery Board Members to disclose the names of all of their businesses or professional clients, or any corporation in which they own a controlling interest or maintain a business or professional relationship with at the time of their appointment to the Board. The bill retains the present law but clarifies that the disclosure of said information should be ongoing and submitted to the Legislative Auditor. Ms. Hudson indicated that the Louisiana Lottery is considering the recommendation of an amendment that would remove the LOMCSA at-large seat since it remains unfilled.

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 Powerball sales for the last 10 months ending in April 2013. The game has experienced lots of volatility during this time period with the lowest sales at \$6.8 million in December 2012 and the highest sales at \$22.6 million for the record jackpot in November 2012. Ms. Fournet noted that \$100 million jackpots are no longer having as significant an impact on sales as they once did. Mega Millions jackpots over the same time period were more stable with a high of \$2.7 million in July of 2012 and a low of \$1.8 million in February 2013. However, the \$123.4 million in combined sales of Powerball and Mega Millions

for the first 10 months of the fiscal year are \$6 million higher than this time last year. There have been five Powerball jackpots above \$200 million so far this year, including the record \$588 million jackpot. Mega Millions sales have been flat during this period due to lower jackpots, having only one above \$100 million. The goal of introducing changes to Mega Millions is to grow jackpots. Powerball and Mega Millions are similar games with similar odds, but it is clear that Powerball has higher brand recognition among Louisiana players. Ms. Fournet noted that combined sales of these two games continue to have strong, positive impact on sales, although signs of jackpot fatigue are readily evident as jackpots reach higher levels in shorter periods of time.

Ms. Fournet continued by advising the Board of Directors that Lotto sales of \$21 million through April 30, 2013 are down \$4.6 million compared to last year which she attributes to the continued cannibalization of the game. In an effort to increase Lotto awareness and sales, the marketing and sales teams are planning Lotto promotions during the month of May.

Also, Ms. Fournet stated that in April, ezmatch prize payouts increased to 66.25 percent during the ezDay\$ of April promotion. Ms. Fournet noted that players responded well, resulting in about an \$18,000 weekly increase in ezmatch sales for the first three weeks of promotion.

Ms. Fournet also reported that instant sales for the first 10 months of the fiscal year are \$134.3 million, surpassing last year's record. She also stated that the success is due to the recent changes in inventory management and delivery strategies, as well as increased average payouts of 62 percent. During the month of March alone, sales spiked to \$16.7 million, and we are approaching \$160 million in sales this fiscal year. Ms. Fournet stated we would continue this prize payout increase strategy in fiscal year 2014, bumping up payouts to 62.5 percent.

Ms. Fournet advised the Board of Directors that total sales for the first 10 months of fiscal year 2013 were \$362.2 million compared to \$359.5 million last year. General and administrative expenses are running \$1.5 million under budget as of the end of February 2013.

Additionally, Ms. Fournet presented a March 2013 report from the Legislative Fiscal Office that detailed the contributions of gambling entities. The Louisiana Lottery represents 5.05 percent of the \$3.7 billion net of prizes spent on gambling in Louisiana. However, Louisiana Lottery transfers represent 16.9 percent of the total \$837.9 million in gaming industry proceeds to the state, which is more than three times its share as compared to other forms of gaming.

Ms. Fournet concluded her report by highlighting our year-to-date transfer of \$127 million to the State of Louisiana advising that this amount exceeds the \$111 million budgeted by \$15.7 million.

V. Board Committee Reports

Personnel Committee - Personnel Committee Chair Kim Carver announced proposed changes to the Louisiana Lottery IT Policy addressing the addition of sales staff iPads; the policy changes will require board action in June.

Personnel Committee Chair Kim Carver also presented two resolutions to the full board concerning the Louisiana Lottery's 457b Retirement Plan and Supplemental Retirement Plan.

Personnel Committee Chair Kim Carver made a **motion** to approve **Resolution No. 2013-4-26-1** relative to the increase of the supplemental plan maximum discretionary contribution by the Louisiana Lottery from 2 percent to 4 percent. Director Fitzpatrick **seconded** the motion. There being no objections, the motion was **approved** and **passed**.

Personnel Committee Chair Kim Carver made a **motion** to approve **Resolution No. 2013-4-26-2** relative to the addition of a second-tier match to the current 457(b) retirement plan that would provide a 50 percent match of up to 1.5 percent when an employee contributes an additional 3 percent of their salary in the plan. Director Robichaux **seconded** the motion. There being no objections, the motion was **approved** and **passed**.

In concluding the Personnel Committee Report, Personnel Committee Chair Kim Carver thanked Jimmy Goodrum, Vice President of Finance, and his staff for their help with structuring employee benefits. He also thanked Robin Schooling, Vice President of Human Resources, for her contributions to the Lottery and wished her well on her future endeavors. Chairman Ausberry concurred and also recognized Ms. Hudson for her tireless efforts at the Legislature in securing funding for employee compensation and benefits.

Finance Committee – No report at this time.

By-Laws Committee - No report at this time.

Retirement Investment Committee – Retirement Plans Investment Committee Chair John Fitzpatrick reported that the committee had met previously today and at that time Rae Willis with the Principal Financial Group and Jimmy Goodrum, Vice President of Finance, presented an annual report. He reported that the committee felt that the report was done well and they are confident that the Louisiana Lottery Corporation's Plan is in order and being managed well.

VI. Other Business

Ms. Hudson discussed **Resolution No. 2013-4-26-3** which is relative to the Data Network & Telephone System Contract. Director Robichaux made a **motion** to approve **Resolution No. 2013-4-26-3** and Director Taylor **seconded** the motion. There being no objections, the motion was **approved** and **passed**.

VII. Announcements

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

There being no further business, Chairman Ausberry invited a motion to adjourn the meeting. Director Reardon made a **motion** and Director/Secretary Carver **seconded** the motion. There

being no objection, the motion **approved** and Chairman Ausberry adjourned the meeting at 10:54 a.m.

Date Approved: June 28, 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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