

**LOUISIANA LOTTERY CORPORATION  
BOARD OF DIRECTORS MEETING  
December 17, 2014**

Chairman John Fitzpatrick called the meeting to order at 10:17 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 John Fitzpatrick and Directors: Verge Ausberry, Jr., Heather Doss, Roy Robichaux, Blake McCaskill, Larry Katz, Lisa Reardon and J. T. Taylor.
- B. **Members Absent:** Vice Chairman Kim Carver and 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 John Fitzpatrick asked Quinn Dossett to lead the Board of Directors and all attendees in our Pledge of Allegiance.

**III. Approval of the Minutes of Prior Board Meeting**

Chairman Fitzpatrick began by asking if anyone had any questions or corrections to the minutes of the October 24, 2014 board meeting. Director Taylor **moved** to approve the October 24, 2014 Board Meeting Minutes and Director Robichaux **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 announcing that sales for the Monopoly Millionaires Club Game will be suspended after the December 26, 2015 drawing due to uninspiring performance and the resulting potential financial risk. As a result, many lotteries in the MultiState Lottery Association (MUSL) are nervous about moving forward with such sweeping changes to Powerball, so they voted to hold off the implementation of Powerball matrix changes until July 15, 2015. Ms. Hudson added that it is quite possible that MUSL may vote on further changes to the game before implementation, but specifics have yet to be discussed.

Chairman Fitzpatrick asked Ms. Hudson if the Louisiana Lottery was smart in its decision to not join the Monopoly Millionaires Club Game. Ms. Hudson replied that she believes it was the right decision for Louisiana and thanked the staff members for the extensive research and due diligence that ultimately led to the decision not to join.

Ms. Hudson continued by announcing Louisiana Lottery Corporation personnel changes. Communications Assistant Natalie Ducote will be departing the Lottery in early January to attend graduate school at the University of New Orleans. Additionally, Ms. Hudson welcomed Donald Chube as the Lottery's new Community Relations Sponsorship Coordinator and noted that he holds a master's degree in Public Administration and comes from the hospitality industry.

Before turning the floor over to Sr. Vice President & Secretary-Treasurer, Karen Fournet to present the financial report via Power Point Presentation, Ms. Hudson showed the latest television commercial featuring the Lottery's new \$10 Gold Rush Scratch-Off Game.

Ms. Fournet began with a historical look at fiscal year sales for 2004; she noted that Pick 3 and Pick 4 accounted for 21 percent of sales, Powerball accounted for 35 percent of sales, and Instant Games accounted for 33 percent of sales. Ms. Fournet stated that these percentages were prior to major Powerball game and price-point change and before the addition of Mega Millions to the Lottery's draw-style game portfolio.

Continuing, Ms. Fournet compared the sales percentage breakdown to fiscal year 2014 with Pick 3 and Pick 4 steadily accounting for 20 percent of sales, Powerball dipping to 23 percent, Mega Millions claiming 9 percent and Instant games growing to 40 percent. The trend toward instant accounting for a higher percentage of total sales has continued for the first half of the current fiscal year with instant sales jumping to 45 percent of sales and Powerball and Mega Millions accounting for 24 percent.

Ms. Fournet advised that this shift matters most when looking at each product line's direct cost – the costs of funding instant tickets versus the costs of funding draw-style games. These percentages include expenses for prizes, vendor commissions and courier costs. The cost for instant games is roughly 58 percent of sales, while the cost of producing draw-style games is roughly 53 percent of sales. Ms. Fournet noted that as the trend toward instant sales making a larger percentage of total sales continues, the Lottery has to be wary of the costs associated with its growth. While this has been the case in other states, most do not have the 35 percent transfer mandate and that flexibility makes it less of a budgetary issue.

Ms. Fournet informed the board that Powerball's fiscal year-to-date sales are currently at \$36.9 million, \$20.8 million below last year. She pointed out again that the fall in sales is due to lower jackpots and shorter jackpot runs because of the added player population of California.

Ms. Fournet reported that Mega Millions year-to-date sales are \$15.9 million, compared to \$21.6 million at this time last year. She pointed out that the sales are lower at this point because at this time last year, Mega Millions had experienced the \$636 million jackpot run. This fiscal year, the highest run Mega Millions has seen was the \$321 million run it had earlier in the year.

When the games are combined, Ms. Fournet stated that the games are currently at \$52.8 million which is \$26.5 million below last year's sales figures for the same timeframe.

Ms. Fournet advised that Lotto continues to do well, currently at \$13.3 million in sales for the year. Though Lotto is \$1.1 million below last year's sales at this time, Ms. Fournet believes the cannibalization from Powerball and Mega Millions has leveled off its effect on the game.

Pick 3 and Pick 4 continue to show consistent growth, currently standing at \$46.3 million for the year as compared to \$44.2 million last year at this time. Ms. Fournet noted that the consistency of Pick 3 and Pick 4 sales is especially important in light of the additional costs of producing instant games, which she had discussed earlier.

As for Easy 5, Ms. Fournet reported that sales are \$400 thousand lower than sales this time last year (currently at \$5.3 million), but she believes the game is also leveling off after the effects of cannibalization.

Ms. Fournet advised that scratch-off sales continue to soar. The Louisiana Lottery has seen sales reach over \$17 million in a single month twice this fiscal year so far. By comparison, this only happened once the entire fiscal year of 2014. Instant sales stand at \$95.2 million, \$9.9 million or 11.6 percent higher than this time last year. Ms. Fournet stated that sales could reach \$200 million by the end of the year, nearly double what they were in 2004.

Ms. Fournet reported that overall fiscal year-to-date sales are at \$212.9 million, which is \$15.9 million lower than last year at this time. She added that because the Louisiana Lottery budgeted conservatively due to the unpredictability of large multistate jackpots, sales are still doing \$6.8 million better than budget.

In concluding, Ms. Fournet advised the Board that the Louisiana Lottery is ahead of budget relative to state transfers as \$74.7 million has been transferred to the State of Louisiana so far in the Fiscal Year 2015.

A copy of the financial presentation is attached.

## **V. Board Committee Reports**

**Personnel Committee** – No report at this time.

**Finance Committee** – Director Verge Ausberry reported that the Finance Committee met with Vice President of Finance/Controller Jimmy Goodrum and JP Morgan to review the Louisiana Lottery Corporation's investments. Mr. Goodrum reported that the review went well.

**Bylaws Committee** – No report at this time.

## **VI. Other Business**

Ms. Hudson advised that the Board of Directors will have a Finance Committee Meeting to review the 2015-2016 Annual Budget on Friday, February 20, 2015.

## VII. Announcements

The next meeting of the Louisiana Lottery Board of Directors is scheduled for Wednesday, February 25, 2015 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 Fitzpatrick invited a motion to adjourn the meeting. Director Robichaux made a **motion** to adjourn the meeting and Director Ausberry **seconded** the motion. There being no objection, the motion was **approved** and Chairman Fitzpatrick adjourned the meeting at 10:42 a.m.

Date Approved: February 25, 2015.



Wendy Reeves  
Executive Administrative Assistant



Roy Robichaux  
Secretary to the Board of Directors



John Fitzpatrick  
Chairman of the Board of Directors