

**LOUISIANA LOTTERY CORPORATION
BOARD OF DIRECTORS MEETING
February 22, 2013**

Chairman Verge Ausberry, Jr. called the meeting to order at 10:04 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 Present:** President/CEO, Rose Hudson, Senior Vice President/Secretary/Treasurer, Karen Fournet and Senior Vice President/General Counsel, John Carruth.

II. Pledge of Allegiance

Vice Chairman Fitzpatrick 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 December 14, 2012, Board Meeting Minutes. Director Reardon **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 and congratulating the Marketing Department on winning a SoMe Award through the Baton Rouge Social Media Association (BRSoCMe). Ms. Hudson explained the award was presented to the Lottery for its "Gifts Even a Scrooge Would Love" social media campaign that took place over the holidays.

Ms. Hudson announced that the Lottery has installed 18 WinStations across the state, with two remaining to be installed. She explained that the Lottery vending machines are designed to increase the overall sales at individual store locations with high traffic and sales potential. She advised that the Lottery will be monitoring sales to determine success factors before considering additional WinStation locations in the coming year.

Ms. Hudson informed the Board of Directors, upon their approval of the proposed budget for the 2013-2014 fiscal year, she will be presenting it to the Joint Legislative Committee on the Budget and will attempt to meet with legislative staff members to discuss it beforehand. The proposed budget contains an estimated \$401.9 million in revenue with \$140.7 million in state transfers, as well as a 4 percent increase in salaries. Budgeted revenue is allocated as follows: 52.82 percent prize expense, 35 percent state transfer, 1.76 percent in vendor fees, 5.58 percent retailer compensation, and just 4.84 percent in administrative expenses.

Lastly, Ms. Hudson showcased the recently launched licensed property game, MONOPOLY™ scratch-off, and previewed a television commercial featuring Mr. Monopoly.

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 monthly Powerball sales this fiscal year which demonstrated the game's volatility since they vary with jackpot levels. Ms. Fournet provided an example, during the timeframe plotted, by pointing out a high of \$22.6 million for November 2012 when the jackpot reached \$588 million in contrast to a low of \$6.8 million for December 2012. Therefore, she concluded that it is difficult to forecast Powerball sales because jackpot size and frequency cannot be predicted.

Ms. Fournet continued by stating that Mega Millions sales were less volatile, but have inched down over the past eight months from a high of \$2.7 million in July 2012 to \$1.7 million in February 2013. With 67 draws this year, the game has had an average jackpot of \$35 million. Since the Mega Millions jackpot starts at \$12 million (compared to Powerball's \$40 million), it takes longer to grow and players are responding to that scenario.

Ms. Fournet pointed out that by combining the two multi-state game sales together, the real sales success story for 2012 and 2013 is told. Combined Powerball and Mega Millions sales for the first eight months of FY13 were \$97.8 million as compared to \$63.3 million in 2011 before Mega Millions and Powerball's game change.

In regard to Lotto, Ms. Fournet stated that the cannibalization caused by these mega-jackpot games has impacted Lotto, even though Lotto has experienced the highest number of jackpots, over \$700,000 in at least the last five fiscal years. Lotto sales for fiscal year 2013 are \$16.7 million compared to \$20.4 million in fiscal year 2010. For that reason, Ms. Fournet concluded that the Lottery is looking at marketing efforts to remind players of Lotto's unique benefits.

Ms. Fournet explained that instant ticket sales of \$102.2 million for 2013 are neck and neck with last year despite the effects of Hurricane Isaac. She noted that sales in recent weeks have been particularly strong and predicted the Lottery would finish the fiscal year better than last year as the 2010 strategy of supplementing scratch-off price payouts is continued.

In regard to Pick 3 and Pick 4 games, Ms. Fournet advised that sales remain constant.

In concluding, Ms. Fournet reported that the Lottery is doing about \$1 million better than budgeted for expenses. Additionally, transfers of \$98.9 million are \$11.8 million better than budget. First Assistant State Treasurer Ron Henson inquired regarding surplus transfers and Ms. Fournet advised that the Lottery has transferred more than \$40 million in surplus over the required 35 percent since its inception.

Additionally, First Assistant State Treasurer Ron Henson also asked if Mega Millions sales were expected to continue to drop. In response, Ms. Fournet stated that sales have leveled off some, but cautioned that predicting sales was difficult since it is highly dependent on jackpot levels. Ms. Hudson added that possible changes to Mega Millions and Powerball are being considered by MUSL, especially with California joining Powerball and Puerto Rico also considering joining.

V. Board Committee Reports

Personnel Committee - Personnel Committee Chair Kim Carver made a **motion** to approve **Resolution No. 2013-2-22-1** relative to the Louisiana Lottery Corporation's Amendments to Personnel Policies and Rules. Director Taylor **seconded** the motion. There being no objections, the motion was **approved** and **passed**.

Finance Committee – Chairman Ausberry and Finance Committee Chair Fitzpatrick thanked Karen Fournet, Jimmy Goodrum and Christina Price for their work in preparing the annual budget.

Finance Committee Chair John Fitzpatrick reported that the Finance Committee met last week to review the 2013-2014 Budget. Subsequently, Finance Committee Chair Fitzpatrick made a motion to approve **Resolution No. 2013-2-22-2** relative to the approval of the 2013-2014 Fiscal Year Budget. Director Robichaux **seconded** the motion. There being no objections, the motion was **approved** and **passed**.

By-Laws Committee - No report at this time.

VI. Other Business

No other business.

VII. Announcements

The next meeting of the Louisiana Lottery Board of Directors is scheduled for Friday, April 26, 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 Taylor made a **motion** and Director Reardon **seconded** the motion. There being no objection, the motion **approved** and Chairman Ausberry adjourned the meeting at 10:28 a.m.


Date Approved: April 26, 2013.



Wendy Reeves
Executive Administrative Assistant



Kim Carver
Secretary to the Board of Directors



Verge Ausberry, Jr.
Chairman of the Board of Directors

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

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