

DELAWARE
STATE
LOTTERY

A PATH FORWARD.

2013 ANNUAL REPORT FOR THE FISCAL YEAR ENDING JUNE 30, 2013



Delaware
Lottery

2013 | YEAR IN REVIEW

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FROM THE DIRECTOR, VERNON KIRK:

Greetings from your friends at the Delaware Lottery!

In Fiscal Year 2012, the Delaware Lottery underwent many changes to successfully transform challenges into new opportunities for building a better gaming future in the First

State. With best wishes, we gave our support to former Lottery Director Wayne Lemons, as he announced his retirement after more than 20 years of dedicated service. We began a new chapter with the celebration of the 20th anniversary and the redesign of the iconic jackpot game POWERBALL®. We launched our first smartphone application and joined social media on Facebook and Twitter to connect with players in new technology spaces. And in the final week of the fiscal year, the Delaware Gaming Competitiveness Act of 2012 (House Bill 333) was passed successfully into law by the Delaware Senate and was signed by Governor Jack Markell on June 28, 2012.

This Bill's passage was a major milestone in Delaware Lottery history and set the stage for what would be the Delaware Lottery's most transformative fiscal year yet. It permitted the Lottery to expand its Retailer network and grow its business operations by issuing Sports Lottery retail licenses to businesses beyond our three racinos. Additionally, it provided the Lottery with the rights to add the game of Keno to its growing product portfolio; thereby making Delaware now one of 14 state lotteries to offer Keno to its players.

Which brings us to FY13. This fiscal year can be best summarized as "a path forward." Sports Lottery and Keno attracted new types of Lottery Retailers. Lottery products were brought to life beyond the traditional counter space as Sports Lottery was rolled out to 31 new and existing retail locations and Keno to more than 80 locations. Many of these new locations included lifestyle venues such as restaurants, pubs, coffee shops, and books and news stores.

Besides making media headlines with Sports Lottery and Keno, the Delaware Lottery had an extremely busy year hiring and training its

new retail staff. The Lottery took steps to introduce and promote its newest game Keno at retail locations statewide with an advertising campaign and in-venue promotions.

As an ongoing commitment to the safety of its players, the Lottery also launched FailSafe® a new form of retail and player protection for Instant Game tickets.

Finally, it gives me great pleasure to announce that for the fiscal period ending June 30, 2013, the Delaware Lottery contributed \$235.3 million to the General Fund. To date, the Delaware Lottery is the state's fourth largest source of revenue, contributing over \$4.1 billion to the General Fund since its inception in 1975. This important revenue source has been used to fund vital and necessary state services to better our local communities.

I am proud of all that we were able to accomplish in FY13, with the help of our staff, State Legislators, our retail providers and you, our loyal players.

Through our combined efforts, the Delaware Lottery reached unimaginable heights during this past fiscal year. We moved the needle in state legislation to introduce more forward ways of thinking and doing business. We launched a new game in new venues, enhanced traditional games, and proved to be a true industry leader.

In the pages that follow, I invite you to see for yourself the milestones achieved in just one short year. I speak for the entire Lottery staff when I say thank you for being with us along this journey. We look forward to showing you what we have in store for next year.

Vernon A. Kirk
Director of the Delaware Lottery

OUR MISSION

The Delaware Lottery exists by law to maximize revenue contributions to the State's General Fund, thereby helping to fund the delivery of governmental services to the people of Delaware.

To accomplish this vital task, we provide leadership and a corporate culture that encourages productive change in order to improve every aspect of the business. We do this through the marketing, sale and distribution of innovative, entertaining and secure Lottery products that ensure the public's confidence in the integrity of the games, Retailers, Agents and Lottery operations.

Additionally, our enhanced and diverse product portfolio, composed of Draw Games, Instant Games, Video Lottery, Table Games, Sports Lottery, and now Keno, appeals to our players' many different play styles and helps drive sales at our retail locations.

WHERE THE MONEY GOES

Established by the State Legislature in 1975 as a means of generating revenue, the Delaware Lottery operates under the state Department of Finance. With the Governor's approval, the Legislature is responsible for allocating the General Fund—the pool of dollars that supports many critical state services. State services that benefit from the General Fund include:

 <p>Delaware's public and higher education system</p>	 <p>Departments of health and social services</p>	 <p>Natural resources and environmental control</p>	 <p>Public safety, judicial and corrections</p>	 <p>Various children, youth and family organizations</p>
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All profits from ticket sales, Video Lottery operations, as well as a portion of profits from Sports Lottery and Table Games, are put toward the State's General Fund. In addition to the Lottery, other sources of income for the General Fund are state taxes, franchise taxes, gross receipt taxes, public utilities taxes and cigarette taxes.

Without the Lottery's contribution to the General Fund, additional tax dollars would be needed to fund these necessary state services. Therefore, the Lottery benefits everyone who lives in, works in, or visits Delaware.

FY13 AT A GLANCE

The Delaware Lottery ended its fiscal year on June 30, 2013, having contributed \$235.3 million to the State's General Fund. The Delaware Lottery is the fourth largest source of revenue for the State.

FY13 BY THE NUMBERS

MORE THAN
\$235.3
MILLION
CONTRIBUTED TO THE GENERAL FUND

- \$168.8 MILLION FROM VIDEO LOTTERY
- \$20.9 MILLION FROM TABLE GAMES
- \$2.3 MILLION FROM SPORTS LOTTERY
- \$43.3 MILLION FROM TRADITIONAL GAMES (DRAW & INSTANT GAMES COMBINED)

MORE THAN **4.6**
MILLION WINNERS!

SINCE 1975, THE LOTTERY HAS....

- Generated more than \$4.1 billion in revenue for the General Fund
- Paid out more than \$1.6 billion in cash and other prizes to winners of Traditional Lottery Games

FINANCIAL REPORTING AND GOVERNANCE

The Delaware Lottery takes great pride in its reporting operations and its ability to maintain a superior level of accuracy and efficiency year after year when producing financial information. In addition to its reporting and auditing requirements as a State of Delaware agency, the Lottery office annually pursues the reporting performance review and attainment of the Certificate of Achievement for Excellence in Financial Reporting (CAFR) award, which represents a significant accomplishment by the government and its management.

To satisfy the CAFR program's top-notch criteria, the CAFR is prepared at the end of each fiscal year under the primary authorship of the Lottery's fiscal administrative officer. Following its preparation, it is then judged by an impartial panel composed of financial statement preparers, independent auditors, academics and other finance professionals.

In June of FY13, the Government Finance Officers Association of the United States and Canada (GFOA) once again awarded the Delaware Lottery with the CAFR award. This marked the 14th consecutive year that the Delaware Lottery was recognized with this award—the highest award in the area of governmental accounting and financial reporting.

DELAWARE STATE LOTTERY

STATEMENT OF NET POSITION | JUNE 30, 2013 AND 2012

	ASSETS	2013	2012
CURRENT ASSETS:			
Cash and investments		\$ 3,498,811	6,951,200
Accounts receivable, net of allowance of \$733,877 and \$733,877, respectively		11,069,870	10,508,174
Investments – restricted for payment of prize liabilities		108,375	273,125
Due from State of Delaware		2,221,882	1,662,868
Total current assets		<u>16,898,938</u>	<u>19,395,367</u>
NONCURRENT ASSETS:			
Capital assets, net		—	—
Investments – restricted for payment of prize liabilities		101,202	207,191
Deposit with Multi-State Lottery		2,446,626	2,437,297
Total noncurrent assets		<u>2,547,828</u>	<u>2,644,488</u>
Total assets		<u>\$ 19,446,766</u>	<u>22,039,855</u>

See accompanying notes to financial statements.

LIABILITIES AND NET POSITION		2013	2012
CURRENT LIABILITIES:			
Prizes liability, including \$108,375 and \$273,125, respectively, of prize installment obligations	\$	4,714,470	4,364,996
Accounts payable and accrued liabilities		7,042,040	6,229,439
Due to the State of Delaware		1,544,941	5,579,050
Total current liabilities		<u>13,301,451</u>	<u>16,173,485</u>
NONCURRENT LIABILITIES:			
Multi-State Lottery reserve		2,446,626	2,437,297
Prize installment obligations, noncurrent		101,202	207,191
OPEB liability		2,597,487	2,221,882
Total liabilities		<u>18,446,766</u>	<u>21,039,855</u>
NET ASSETS:			
Unrestricted		<u>1,000,000</u>	<u>1,000,000</u>
Total net position		<u>1,000,000</u>	<u>1,000,000</u>
Total liabilities and net position	\$	<u>19,446,766</u>	<u>22,039,855</u>

See accompanying notes to financial statements.

DELAWARE STATE LOTTERY

STATEMENTS OF CASH FLOWS | YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 634,702,043	709,210,164
Payments to vendors for goods and services	(37,797,652)	(43,178,056)
Payments to employees for services	(5,723,100)	(5,772,052)
Payments for prizes	(99,020,587)	(85,817,602)
Payments for commissions	(213,494,820)	(248,531,696)
Net cash provided by operating activities	<u>278,665,884</u>	<u>325,910,758</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers to the Delaware Standardbred Breeder's Program	(3,000,000)	(3,000,000)
Transfers to the Delaware Certified Thoroughbred Program	(1,000,000)	(1,000,000)
Transfers to the State of Delaware	(278,389,012)	(321,778,555)
Net cash used in noncapital financing activities	<u>(282,389,012)</u>	<u>(325,778,555)</u>
CASH FLOWS FROM INVESTING ACTIVITY:		
Proceeds from maturity of investments	270,739	634,568
Net cash provided by investing activity	<u>270,739</u>	<u>634,658</u>
Net increase (decrease) in cash and investments	(3,452,389)	766,771
Cash and investments at beginning of year	6,951,200	6,184,429
Cash and investments at end of year	<u>\$ 3,498,811</u>	<u>6,951,200</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 277,795,889	329,061,947
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	—	753
Changes in operating assets and liabilities:		
Accounts receivable, net	(561,696)	(5,093,117)
Deposit with Multi-State Lottery	(9,329)	(40,910)
Prizes liability	243,485	(168,513)
Accounts payable and accrued liabilities	1,197,535	2,150,598
Net cash provided by operating activities	<u>\$ 278,665,884</u>	<u>325,910,758</u>

See accompanying notes to financial statements.

DELAWARE STATE LOTTERY

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION | YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
REVENUE:		
Video lottery, net	\$ 396,775,063	475,729,991
Video lottery expired jackpots and credit slips	365,495	327,050
Casino license fees	3,000,000	10,750,000
Sports lottery	25,422,927	17,846,827
Table games	65,591,850	74,963,837
Online games	96,657,250	88,973,520
Instant games	47,451,154	45,712,056
Total revenue	<u>635,263,739</u>	<u>714,303,281</u>
COST OF GAMES:		
Video lottery commissions	159,688,216	190,984,854
Prize costs, net of reversions	99,264,072	85,649,089
Gaming vendor fees and costs	33,147,920	37,637,540
Online and instant games commissions	8,961,607	8,386,594
Sports lottery commissions	1,688,851	1,669,025
Table games commissions	43,356,213	49,551,096
Total cost of games	<u>346,106,879</u>	<u>373,878,198</u>
Gross margin	<u>289,156,860</u>	<u>340,425,083</u>
OPERATING EXPENSES:		
Advertising and promotions	3,202,516	2,860,010
Payroll and related benefits	6,292,138	6,173,495
Other general and administrative	1,866,317	2,328,878
Depreciation expense	—	753
Total operating expenses	<u>11,360,971</u>	<u>11,363,136</u>
Operating income	<u>277,795,889</u>	<u>329,061,947</u>
NONOPERATING EXPENSES:		
Transfers to the Delaware Standardbred Breeder's Program	3,000,000	3,000,000
Transfers to the Delaware Certified Thoroughbred Program	1,000,000	1,000,000
Transfers to the State of Delaware	273,795,889	325,061,947
Change in net position	<u>—</u>	<u>—</u>
Net position at beginning of year	<u>1,000,000</u>	<u>1,000,000</u>
Net position at end of year	<u>\$ 1,000,000</u>	<u>1,000,000</u>

See accompanying notes to financial statements.

PRODUCT | GAMES FOR ANY WAY
LINES | YOU LIKE TO PLAY

FY13 PRODUCT HIGHLIGHTS: KENO MAKES ITS DELAWARE DEBUT!

On January 22, 2013, the Delaware Lottery officially launched Keno, becoming just one of 14 state lotteries in the nation to offer this fun, fast-paced, bingo-style game to players.

The addition of Keno to the Delaware Lottery's product mix followed the passage of House Bill 333—the Delaware Gaming Competitiveness Act of 2012—that was signed into law by Governor Jack Markell. The bill's passage opened the door to futuristic opportunities, such as online gaming (iGaming), but more important, allowed the Lottery to issue Sports Lottery and Keno retailer licenses to Delaware businesses operating outside of the state's racinos.

As a result, Keno was made available to adults 18 years of age and older at more than 80 new and existing Lottery retail locations throughout Delaware. It expanded retail locations to include new lifestyle venues such as restaurants, pubs, coffee shops, and books and news retailers. New licensing partnerships allowed the Lottery to make its products available to new customers through expanded locations to increase customer traffic and retail sales. Likewise, our traditional Lottery Retailers saw Keno as a chance to expand their product offering and grow their Lottery business.

To celebrate its Delaware debut in January, the Delaware Lottery hosted a Keno kickoff party at Fraizer's Restaurant in Dover. The event was well attended by restaurant patrons and players, Lottery staff, as well as local media and government officials. Delaware Lottery Director Vernon Kirk led the kickoff party with some opening remarks and a warm welcoming of guests. Former Lottery Director Wayne Lemons was on hand to assist with the unveiling of a Keno monitor to the public through a formal ribbon-cutting ceremony.

DURING ITS FIRST SIX MONTHS, KENO SALES TOTALED \$2.5 MILLION AND PAID OUT PRIZES WORTH MORE THAN \$1.3 MILLION TO MORE THAN 255,000 WINNERS.

The Lottery continues to add new Keno Retailers on a monthly basis, bringing the total number of Keno Retailers operating in the state of Delaware to more than 100 to date.





SPORTS LOTTERY EXPANDS INTO 31 RETAIL LOCATIONS

Like Keno, House Bill 333 gave the Delaware Lottery an opportunity to expand Sports Lottery into new types of retail locations. On August 8, 2012, just weeks after the House Bill's passage, the Lottery announced that Pro Football Parlay Card wagering and Championship Futures Game wagering would be offered to adults 21 years and older at 31 retail locations in Delaware. These 31 new licensed Delaware Sports Lottery Retailers were an addition to Delaware's existing Sportsbook locations at its three racinos (Delaware Park, Dover Downs Hotel & Casino, and Harrington Raceway & Casino) and included select restaurants, pubs, nightclubs, and existing Lottery retail agents throughout the state.

During the 2012-2013 pro football season, parlay wagering cards for weekly pro football games were made available each Wednesday at all new Sports Lottery and the existing Sportsbook locations. Early Bird parlay cards were available daily throughout the 2012-2013 preseason and on Mondays and Tuesdays during the regular season. Additional sports wagers could still be made and larger prizes paid out at the three Sportsbook locations.

As with Keno, opening up Sports Lottery to additional venues not only gave players more options to play the Lottery in some of their favorite social gathering places, but also expanded partnerships between the Lottery and the Delaware business community. These newly found business partnerships, combined with our existing Lottery Retailer network, helped increase the Lottery's customer flow and drive sales at point-of-sale.

As Sports Lottery entered its fourth season in FY13, the Delaware Lottery is pleased to announce that Sports Lottery wagering accounted for 81,388 Delaware Lottery winners, an increase compared to last fiscal year's 55,481 winners. Sports Lottery also achieved total sales of more than \$25.4 million and contributed more than \$2.3 million to the General Fund. The Delaware Lottery's relationship with the three Sportsbooks continues to generate additional revenue while drawing non-residents to the state and helping to defray the tax burden.

HOT LOTTO GETS HOTTER

In May 2013, HOT LOTTO® underwent a matrix change to accommodate the addition of the Tennessee Lottery, which joined Delaware and the group of 15 states authorized to sell the game. The new matrix required some additional changes to the HOT LOTTO prize structure. The jackpot became a cash-only payout, doing away with an annuity, and the Lottery would now pay federal withholding taxes on behalf of the winner(s). The game also featured larger set cash prizes and the Match 5 prize level increased from \$10,000 to \$30,000.

The HOT LOTTO game successfully reached sales of more than \$3.2 million in FY13.



TRADITIONAL GAMES: DRAW GAMES & INSTANT GAMES

Our Traditional Games, which encompass both Draw Games and Instant Games, offer a variety of play styles, payout scales, odds and price points for a wide audience appeal. Multi-state jackpot games, like POWERBALL® and MEGA MILLIONS®, offer players multimillion-dollar jackpots while Delaware-only games, such as PLAY 3/PLAY 4 and DELAWARE CASH 5®, offer great odds of winning to create more winners.

The Lottery's family of Draw Games, which was enhanced this fiscal year by the addition of Keno, produced sales of more than \$96.6 million. Draw Games also accounted for more than 1.6 million of the Lottery's total winners that claimed prizes from Traditional Games in FY13.

Instant Games retained popularity among players, accounting for a healthy portion of overall receipts that totaled over \$47.4 million in sales in FY13 with prize payouts over \$30.2 million to more than three million winners.

Overall, Traditional Games combined produced total sales of more than \$144 million and contributed \$43.3 million to the General Fund.





In FY13, Video Lottery contributed \$168.8 million to the State's General Fund. To date, there are more than 6,500 Video Lottery machines operating in the state. Delaware Park hosts more than 2,250 Video Lottery machines, Dover Downs offers more than 2,450, and Harrington Raceway features over 1,800 Video Lottery machines.

Video Lottery also had its share of big winners in FY13. Video Lottery game history was made when a woman from New Castle, Del., became the very first million-dollar International Games Technology (IGT) MegaHits™ jackpot winner. Ellisa Young, who waived her anonymity, won \$1,453,960 playing the Wild Sapphire MegaHits progressive machine at Delaware Park Racetrack & Casino on October 24, 2012. It was also the first time a player in Delaware had won IGT MegaHits, a wide area progressive jackpot game available in three states: Delaware, West Virginia and Rhode Island, managed by the Multi-State Lottery Association (MUSL) and IGT.

Also in this fiscal year, 15 lucky patrons won \$50,000 or more on a single spin of a Video Lottery machine. Of those 15, three won \$100,000 or more, including the MegaHits progressive jackpot winner at Delaware Park.

The Delaware Lottery works hand-in-hand with its racinos to ensure that the best and latest Table Games are available to the residents of Delaware and surrounding states. The Poker Rooms offer a wide variety of games and some of the best tournaments and promotions on the east coast. All three casinos hosted multiple poker tournaments. Prizes included cruises and poker tournaments in Las Vegas and the Dominican Republic. Some tournaments featured cash prizes in excess of \$100,000.

Two of the casinos also hosted private poker tournaments and celebrity tournaments, as well as charity tournaments. Multiple large progressive jackpots were paid out during the year with the largest over \$115,000 in a single gaming day.

In addition to tournaments and promotions, Table Games also tend to have the largest single wins by patrons. Overall, Table Games contributed more than \$18.3 million to the State's General Fund in FY13.

WOO-HOO! WE'VE GOT WINNERS!

One of the biggest rewards for the Delaware Lottery is seeing winners come through our door to claim large prizes, in addition to the thousands of smaller cash prize payouts redeemed at our many local Retailers.

With a new product like Keno and more Lottery Retailers added to our growing network, we were able to offer our players more ways to play and win in FY13. The number of winners that claimed prizes from both Draw Games and Instant Games in FY13 reached a grand total of more than 4.6 million.



FY13 NUMBER OF WINNERS:

MORE THAN **1**
MILLION

DRAW
GAMES
WINNERS!

MORE THAN **3**
MILLION

INSTANT
GAMES
WINNERS!

MORE THAN
81,000

SPORTS
LOTTERY
WINNERS!

MORE MILLIONAIRES IN FY13!

- A \$1 million POWERBALL® winner
- A \$2 million POWERBALL winner with Power Play®
- Two \$50 million POWERBALL winners (One of the \$50 million tickets was split for a three-way win)
- A \$1.5 million MegaHits™ Video Lottery winner

To date, the Delaware Lottery is happy to report that 80 Delaware Lottery players have hit it big and claimed prizes of a million dollars or more.

RETAILERS: PARTNERING WITH THE DELAWARE BUSINESS COMMUNITY

Lottery Retailers are the backbone of our business operations and serve as the front line to the sale of our products. Because of this, the Lottery strives to create mutually beneficial relationships by offering attractive products to a variety of operators. By offering Lottery games, Retailers are able to enhance the shopping experience and create additional income opportunities.

The services provided by Retailers not only expand their businesses and help produce revenue for the state, but also provide jobs in our local communities. Our Retailers continue to be the vendors of fun and excitement, forging our valued player relationships through customer interface and engagement on the Lottery's behalf.

It's these relationships that create a positive impact on keeping business thriving in Delaware.

In FY13, the Lottery added 55 licensed Retailers to its growing network, including new Sports Lottery and Keno Retailers. Each year, as the product offering expands, the Lottery continues to gain interest from new and prospective Retailers.

RETAILER NETWORK AVAILABILITY AND ACCESSIBILITY

To date, the Lottery network is composed of 578 licensed Retailers throughout the state who provide daily contact with players through the sale of Lottery tickets. From corporate partners like Kmart, to smaller mom-and-pop convenience stores like Mike's Food Mart, the Lottery continues to identify and license new retail outlets, fulfilling its obligation to ensure its products are accessible to all adult citizens, including persons with disabilities.

With the expansion of Sports Lottery and the addition of Keno, our Retailer portfolio spread into new types of locations throughout the three counties and now includes lifestyle venues such as Buffalo Wild Wings, McGlynn's, Grotto Pizza, Stanley's Tavern, and Fraizer's Restaurant. As part of the licensing process, the Lottery will continue to require that its Retailers provide access to Lottery products in their stores for all customers in accordance with Lottery rules and regulations and guidelines required by the Americans with Disabilities Act (ADA).

BIG WINNER LOCATIONS AND RETAILER INCENTIVES

During FY13, the Delaware Lottery experienced an increased number of large jackpot winners and million-dollar cash prize payouts. Building on last year's newly added game enhancements to POWERBALL[®], which increased starting jackpots to \$40 million and raised the ticket price point to \$2, POWERBALL maintained its momentum with huge jackpot swells. On May 18, POWERBALL reached a new record jackpot that skyrocketed to over half a billion dollars (\$590.5 million).

Our Retailers also benefit from swelling jackpots and the excitement they generate because it leads to increased foot traffic in their stores. When our players win, our Retailers win with the Lottery's competitive Retailer incentive programs. The Lottery pays periodic bonus commissions to Retailers meeting the requirements of the Delaware Lottery Retailer incentive program. Retailer incentive programs are based on increases in sales for certain Lottery games and sales for an incentive bonus period as compared to previous sales periods. There are also additional incentives paid year-to-year for Retailers to increase their Lottery business.

THIS PAST YEAR, THE DELAWARE LOTTERY AWARDED THE FOLLOWING RETAILERS WITH \$10,000 CASH BONUSES:

CUTRONA LIQUORS | WILMINGTON, DELAWARE

for selling a \$50 million POWERBALL jackpot winning ticket (October 2012)

DELAWARE CITY LIQUORS | DELAWARE CITY, DELAWARE

for selling a \$1 million POWERBALL winning ticket (April 2013)

JAY'S LIQUORS | WILMINGTON, DELAWARE

for selling a \$2 million POWERBALL with Power Play[®] winning ticket (May 2013)

SUPER G SUPERMAKET | REHOBOTH BEACH, DELAWARE

for selling a \$50 million POWERBALL jackpot winning ticket split three ways (June 2013)

FAILSAFE PROGRAM

The Lottery announced a new form of player protection in FY13 that provided a secure keyless entry validation method for Instant Game tickets. FailSafe® instant validation information was placed on newly issued Instant Game tickets through a 2-D barcode contained under the scratch-off play area.

The institution of FailSafe was an effort to streamline ticket validations at the terminal in a safe and secure way to benefit both Retailers and players. For Retailers, FailSafe meant faster validation. Prior validation required that clerks scan each Instant ticket's barcode and enter a PIN. With Failsafe, the 2-D barcode is now all that is required for Retailers to validate an Instant ticket making it a true keyless validation.

The new 2-D barcode also makes it possible for players to check Instant Games tickets to determine whether a ticket is a winning or non-winning ticket via the Quick Check, self-check, terminal found in all Retail locations. The Lottery learned that players typically feared missing out on winning tickets and would continuously ask Retailers to double-check their non-winning tickets. Using the Quick Check terminal, players instantly know a ticket's status before presenting the ticket to a retail clerk for validation or prize redemption, depending on the amount won.

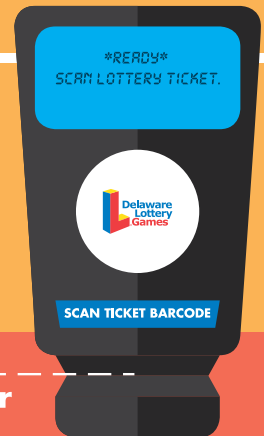
While the FailSafe program was being rolled out statewide, the Lottery provided Retailer staff training to ensure understanding and functionality of the program and to guarantee all safety and security measures of the new feature worked accordingly. To build player awareness and understanding of the new feature, the Lottery hosted statewide in-store Retailer promotions where players who purchased Instant tickets were shown how to validate their ticket using the Quick Check terminal.

HOW TO CHECK YOUR INSTANT TICKET IN 2 EASY STEPS

STEP 1



Use the Ticket Checker to scan the 2D barcode (if imaged) under the scratch-off play area.



STEP 2



Watch the screen tell you if your ticket's a winner and the amount won.



INSTANT GAMES

You must be 18 years old to play, Delaware Gambling
Helpline: 1-888-850-8888, DOC# 25-07/12/9/1 Printed 9/12

XFINGERS CHALLENGE



Throughout the year, the Delaware Lottery offers many programs, promotions and incentives geared toward Retailers to show support and appreciation of the valued service they provide.

One of the most popular annual Retailer events is the Lottery's XFingers Challenge. XFingers was designed as a friendly statewide competition among Retailers to determine which licensed Delaware Lottery terminal operators can most adeptly operate Lottery terminal machines. It was designed to benefit the Retailers and give recognition to those who represent the Lottery and its products on a daily basis. Contestants were required to produce a variety of online game tickets. All contestants completed the same script and the fastest time won. The top five finalist from each county advanced to the final round.

All Retailers participating in the competition were awarded a t-shirt, an Instant Game ticket, and the chance to spin the Lottery prize wheel for other great prizes.

This year, the Delaware Lottery also offered a random opportunity through the Lottery terminal to receive a form that could be redeemed for a \$5 Lottery coupon at the XFingers preliminary rounds.

The final competition, held at Dover's Modern Maturity Center on May 15, 2013, was followed by a dinner and awards ceremony that celebrated and honored all finalists and participating XFingers Challenge competitors.

The FY13 XFingers Challenge also named a new leading titleholder. Zach Zimmerman from C&C Country Maid in Newark, Del., earned the grand cash prize total of \$1,500 for having the "fastest fingers" in both the preliminary and final rounds.



PLAYER ENGAGEMENT: CONNECTING TO THE COMMUNITY

From emerging technology to grassroots promotions, there are many ways the Lottery interacts and communicates with both core and prospective audiences. Building on challenges in FY12 to adopt new tactics, it was essential to give the Lottery a more competitive edge while maintaining relevance in a modern retail world. This fiscal year, the Lottery took a more active approach toward social media to increase following and garner additional exposure. Where FY12 focused on generating brand awareness and the Lottery's social presence, FY13 was geared toward leveraging social media to place more of a focus on player engagement messaging.

JOINING THE CONVERSATION: FACEBOOK AND TWITTER

Social media was a key channel in promoting the launch of Keno and its network of new retail locations. The social campaign portion of the Keno product launch was immensely successful in terms of social engagement. Keno party social media posts garnered 70,559 impressions and generated 722 engagements to assist in building player awareness for Keno and letting Delaware Lottery customers know where they could play.

The Lottery continues to use its social media pages to inform, educate and engage in conversations with its followers, who include current players and Retailers. Discussions range from Lottery products, jackpot awareness, and prize winnings to players' weekend plans and Lottery-sponsored events.

Efforts to expand Lottery's social media have resulted in the Lottery's Facebook page increasing from more than 800 'Likes' in FY12 to more than 6,000 'Likes' in FY13. Twitter has grown from 232 'Followers' to more than 380 'Followers' in FY13. As the numbers continue to rise, the Lottery looks for new content to engage its social followers and explores different ways to leverage its social media outlets.



IN THE COMMUNITY: EVENTS & SPONSORSHIPS

The Delaware Lottery participates in a variety of statewide events and sponsorships that support and engage our local communities. Events and sponsorships are an opportunity for the Lottery to interact with current and potential players on a more personal level. Events and sponsorships also serve an important role in connecting the local community with our corporate and commercial partners in the places where they conduct business.

Throughout the year, the Lottery sponsors more than 20 community events, partnering with organizations that are aligned with the Lottery's brand mission of providing fun and entertainment. Some of these valued partners include: Delaware State Fair, World Championship Punkin Chunkin, Dover Days, Wilmington Blue Rocks, and the University of Delaware and Delaware State University Athletics.

Community festivals are another way for the Lottery to insert its brand and bridge the connection between the Lottery, local businesses and Delaware citizens. The Lottery supported the following local festivals in FY13: June Jam, Nanticoke Riverfest, St. Anthony's Italian Festival, Middletown Peach Festival, Riverfront Blues Festival, Wyoming Peach Festival, and Apple Scapple Festival.



PROMOTING RESPONSIBLE PLAY

To ensure fulfillment of its responsibility to the public, the Lottery follows State of Delaware ethics guidelines and standards developed by the lottery industry association of the North American Association of State and Provincial Lotteries (NASPL) in all its advertising, marketing and communications activities.

As a component of its civic responsibility, the Lottery helps fund programs offered by the State's Department of Health and Social Services for problem gamblers. The Lottery contributed more than \$1.9 million in FY13 to help fund gambling-related programs offered by the Department of Health and Social Services through the Delaware Gambling Helpline.

The Lottery further supports responsible play with messages in advertising, at point-of-purchase, and in other communications: "Play Responsibly" and "It's the Law: You must be 18 years of age or older to purchase Delaware Lottery tickets." When jackpots are high, public statements are issued to include gambling assistance numbers and to remind players not to spend more than they can afford for Lottery tickets. We delivered our fair share of responsible play messaging in FY13, especially during the extremely high POWERBALL® jackpot run that took place from November 2012 to May 2013 that resulted in a \$590 million jackpot.

Player safety is also enhanced through age restrictions and security procedures for claiming winning tickets. The Lottery and its licensed Retailer network support laws to restrict use and marketing of its products to players 18 years of age and older. For added security, in-store Quick Check scanners allow players to check their own tickets and signs at point-of-sale remind players to sign their tickets.

The Lottery's website is designed to comply with the accessibility guidelines developed through the Web Accessibility Initiative (WAI) and the Web Presentation Guidelines for State of Delaware Agencies.

Finally, the Delaware Lottery helps players protect themselves through a Delaware Law that allows them to maintain their anonymity and withhold their name and likeness from being used for promotional purposes. After all, winner privacy is our policy.

