

We are the calottery®

REPORT TO THE PUBLIC FOR THE FISCAL YEAR ENDED JUNE 30, 2013



INSPIRING



WINNING



INNOVATING



PROMOTING



Lottery Again Breaks Sales Record in Fiscal Year 2012-2013

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In the **2011-2012 Fiscal Year**, the California Lottery was proud to achieve its greatest-ever fiscal year in terms of total sales. We also continued our tradition of sending to our public schools and universities, our sole beneficiaries, needed supplemental funding they use every day for critical educational programs. A large part of the \$4.37 billion the Lottery generated in sales during Fiscal Year 2011-2012 can be attributed to the record-breaking \$656 million *Mega Millions*[®] jackpot which spurred tremendous sales. We didn't quite have a jackpot like that in Fiscal Year 2012-2013, so how could we possibly break our sales record? Well, we just did. And we did it with the support of our players, vendors and 21,000-plus retailers, as well as our hard-working Lottery staff.

At the end of June 2013 we had achieved \$4.45 billion in total sales — an increase of \$80 million over the last fiscal year. While the amount generated for our beneficiary came up slightly short of our record \$1.32 billion amount from last year, the \$1.28 billion we did generate will undoubtedly be welcomed by the thousands of parents, teachers and administrators throughout the Golden State. This amount represents the 13th consecutive year the Lottery has sent more

than one billion dollars to state schools. And through the efforts of our staff, we know that while the amount is only about 1.3 percent of education's overall budget, these dollars help schools in real ways.

We achieved a record sales year by continuing to use the provisions of Assembly Bill 142, which was passed by the Legislature and signed into law by the Governor in 2010. The measure allows the California Lottery Commission to set prize payouts at levels it deems to best increase sales, which in turn allows us to generate more funds for California schools. So far it's working exactly as it was designed. The games we have control over — *Scratchers*[®] products, as well as our Daily Games category — all performed above expectations. The sales of our \$5 and \$10 *Scratchers* tickets helped increase our *Scratchers* sales by eight percent for the year.

Another highlight of 2012-2013 that helped increase our sales was when the California Lottery officially joined *Powerball*[®], our second multi-state game. After years of careful study, the Lottery Commission unanimously approved joining the popular game back in November 2012. We sold our first ticket the morning of April 8 and experienced



Thank you for your continued support. The rest of this report highlights our achievements. We hope you see why we are proud of our work this past year.

record sales from that point forward.

With increased sales and new, higher prize payout games on the market, there were more big winners than ever before. Ronald Willis of Riverside won a \$120 million *Mega Millions* jackpot. The Agnites family won a \$52 million jackpot after purchasing their ticket in Fremont — a truly great story made even better by the fact that we had to release a surveillance photo to find them in the first place! And, scores of other Californians became millionaires thanks to new games with higher prize payouts. In short, people were winning big every day.

It wasn't just our players and California schools that came up big winners in Fiscal Year 2012–2013, even though we did create more millionaires than ever before

and pay out just under \$2.7 billion in prizes to our loyal customers. Our retailers — many of them small businesses in our state — received more than \$300 million in commissions and bonuses for selling our products. For instance, when Mr. Willis won his \$120 million, the 7-Eleven in Riverside where he bought his ticket received a \$600,000 bonus just for selling the big winner! And Kwik Stop, located at 3157 Walnut Avenue in Fremont, received a \$260,000 bonus when the Agnites won \$52 million.

In short, it was a great year for the California Lottery. Each year that passes, we continue to raise the bar that much higher, and I know that we've got a team in place that will help us continue to keep growing to new heights in the current

fiscal year. It's going to take a lot of effort, but we just put forward a new three-year strategic plan that will serve as a road map for future plans, growth and direction. All this has been carefully thought out because we want to be the most successful lottery in the nation. We are a lottery that is single-minded in its focus to maximize supplemental dollars for public schools and our children while simultaneously protecting our players' interests and the integrity of our games. It's a tall order, but when we all work together there's no telling what we'll be able to achieve.

PAULA D. LABRIE | Acting Director

\$4.45 billion in total sales

More than one billion dollars to state schools

Increased Scratchers® sales by eight percent

Ronald Willis won a \$120 million Mega Millions® jackpot

Officially joined Powerball®

The Agnites family won a \$52 million jackpot

Financial Highlights

Sales	FY 2012-2013	28 Years
Scratchers®	\$ 3,010,119,929	\$ 34,347,025,165
SuperLotto Plus®	\$ 375,374,534	\$ 25,597,740,607
Powerball®	\$ 183,567,431	\$ 183,567,431
Mega Millions®	\$ 376,718,523	\$ 3,744,476,505
Fantasy 5	\$ 166,568,764	\$ 3,371,173,483
Daily 3	\$ 135,519,698	\$ 2,230,506,068
Hot Spot®	\$ 154,403,306	\$ 4,361,389,604
Raffle	\$ —	\$ 25,815,927
Daily Derby®	\$ 14,730,216	\$ 525,507,942
Daily 4	\$ 28,871,639	\$ 164,488,737
Total sales	\$ 4,445,874,040	\$ 74,551,691,468
Allocation of investment	\$ —	\$ 61,383,162
Total sales and portfolio restructuring	\$ 4,445,874,040	\$ 74,613,074,630

Prize expenses	FY 2012/2013	28 Years
Total prize expenses	\$ 2,652,095,102	\$ 39,273,355,122
Administrative expenses		
Retailer compensation	\$ 302,946,127	\$ 4,913,873,412
Direct costs	\$ 77,151,306	\$ 1,659,429,304
Operating expenses	\$ 152,892,055	\$ 3,332,809,076
Less bartered operating expenses	\$ (27,900)	\$ (291,610)
Total administrative expenses	\$ 532,961,588	\$ 9,905,820,182
Revenue to education		
Operating income to education	\$ 1,215,815,313	\$ 24,726,035,658
Interest Income	\$ 1,220,691	\$ 416,028,471
Administrative Savings	\$ 45,002,037	\$ 707,863,669
Unclaimed Prizes	\$ 22,312,759	\$ 771,780,491
Other Income	\$ 47,879	\$ 9,756,500
Less bartered operating expenses	\$ (27,900)	\$ (291,610)
Total to education	\$ 1,284,370,779	\$ 26,631,173,178

* As required by law, each year an independent accounting firm audits the California Lottery's financial statements. KPMG LLP conducted an independent audit of the Lottery's annual financial statements and issued an unqualified opinion on those statements as of and for the fiscal year ending June 30, 2013. The State Controller's Office and other independent accounting firms also audit various aspects of the Lottery's operations. For a copy of the audited financial statements, contact the California Lottery Communications Office, 700 North 10th Street, Sacramento, CA 95811. For comprehensive financial information about the California Lottery, log on to www.calottery.com.

How Your Lottery Dollar is Spent

The following graphic breaks down how the Lottery spends the more than \$4 billion that it brings in every year.



Looking Ahead to Fiscal Year 2013-2014 at the California Lottery

The Lottery had another record-breaking year of sales in the 2012-2013 Fiscal Year.

To continue to grow and reach new heights, we're looking at every aspect of our business to see where we can improve practices and be even more efficient and effective.

Looking ahead to Fiscal Year 2013-2014, a number of focus areas have been discussed that should help us meet all our sales goals.

In June 2013, the California Lottery Commission approved a new three-year Strategic Growth Plan for the California Lottery. Included in that plan are a number of different areas where the Lottery can achieve growth, and thus, contribute even more supplemental dollars for California public schools and universities. Among them:

We're looking at every aspect of our business to see where we can improve practices and be even more efficient and effective.

 <p>Offering \$5 and \$10 Scratchers® games, as well as our first-ever \$20 Scratchers ticket</p>	<p>A revised Mega Millions® game offering more lower-tier prize winners and a higher starting jackpot amount</p> 	<p>An upgraded Second Chance Program including a player loyalty program</p> 		
<p>A well thought-out and aggressive retailer recruitment plan</p> 	<p>More events and promotions to help attract new players and retain existing players</p> 			
<p>An expanded Hot Spot® game</p> 	<p>Expansion of the Lottery's Corporate Social Responsibility Program</p> 	<p>Building on our social media efforts to strengthen our status as the #1 Lottery in the nation for social media engagement</p> 	<p>Better customer service through an upgraded IVR system and an expanded Call Center</p> 	<p>Other upgrades to various departments and systems within the Lottery</p> 

INSPIRING



Lottery Funding Delivers Again!

California Lottery Funding Update

The California Lottery really has one goal and one goal only: provide supplemental funding to state public schools, colleges and universities. We are proud to say that we have, once again, come through on our commitment. For the 13th year in a row, the California Lottery was able to contribute more than one billion dollars to support public education in California. That was \$1.28 billion in supplemental funds this fiscal year alone. Along with our hard-working staff, we can attribute this success to the continued popularity of our Scratchers® tickets, the addition of the multi-state *Powerball*® game and, of course, the renewed excitement it generated for us. All this helped us achieve this milestone and celebrate as schools receive this critical funding for

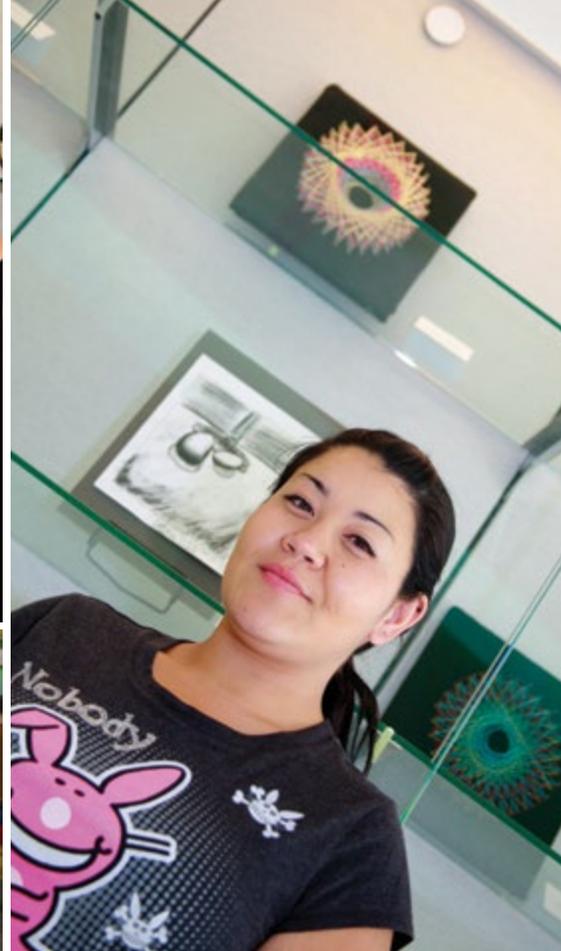
educational programs. Now, watch Lottery TV and witness for yourself how those enhancement dollars go to work on campuses across the state, impacting students and our neighborhoods.

Who Benefits

You don't have to go far to see this Lottery funding in action. As it arrives each quarter, the money is divided between every single public school in the state. That includes K-12, community colleges, UC, CSU, and other specialized districts from every social and economic setting imaginable. From rural schools to inner-city schools, even schools within the confines of the California Department of Corrections and Rehabilitation — Lottery funding is there. The way these schools utilize this funding is varied too.

Varied Uses, All Equally Important

Unlike other forms of public school funding, Lottery supplemental funding allows for greater local control over how it's used. Educators tell us they know exactly what their schools need, so they can use their Lottery funding to better target those specific issues. Glenwood Elementary School in Sacramento purchased plastic pencil boxes loaded with supplies for each of its students, the vast majority of whom come from lower income families. "When you give them a colored pencil or a crayon it's amazing how you can see their work just come to life. They get so motivated and they want to do more," said Sara Henderson, the school's intervention specialist. E.C. Reems Charter School is in one of Oakland's toughest neighborhoods.



calottery.com/happenings/lottery-tv



youtube.com/CaliforniaLottery



facebook.com/calottery



twitter.com/calottery

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They were finally able to stock their library with books using their Lottery money, while Luther Burbank Middle School used their funds to print what they call “consumable books.” Natomas Prep spent some of their funds on Advanced Placement books, while one school in Stockton wired their school for their growing computer lab. All campuses have specific needs for their student populations. We at the California Lottery are proud to do our part, as modest as it may be.

Show me the Money!

We’ve captured many more school use stories, and we encourage you to view these Education Funding reports on the “Happenings” section of our public website, as well as the California Lottery YouTube channel. Check out the links above! If you’re wondering how much money your particular school receives from the Lottery every quarter, you can look that up on our *How Much Money* page under the *Giving Back* tab.

Supporting Student Art

The Lottery is always on the lookout for more ways to support public schools and their accomplishments. One way we’ve done that is by recognizing the outstanding artistic abilities of kids all across the state. Let’s face it, some of the first programs on the cutting block are music and arts

programs. With that in mind, we’ve devoted a large display case at our Headquarters Building in Sacramento just for that purpose. The Lottery’s “Imagination in Education” art display program was developed to showcase a wide variety of award-winning artwork from California students. We’ve seen sculptures, ceramics, photography, digital media and graphics. You name it. If you know of a school in California that has a great art program and would be willing to have their student artwork on display, let us know and we’d love to speak with them! We always want our lobby to look good, and what better way to do that than to show-off the best of California public school talent! Send us an email at PIO@calottery.com and put “Student Artwork” in the subject line.

INSPIRING



*“We use every nickel we can get.
We are grateful for Lottery funding.”*

Jacqueline Cloud, Principal, Johanna Boss High School, Stockton, CA



*“We try to use everything that we can to give
students the best possible experience in the class.”*

Marthaa Torres, Principal, Thurgood Marshall Academic High School, San Francisco, CA



*“When kids are talking, when they’re discussing
the assignment, when they’re discussing the
materials that they’re using—they’re engaged!”*

Dr. Brian O'Rourke, Principal, Luther Burbank Middle School, Burbank, CA



*“Lottery supplemental funding is helping us keep
up with the times and make sure our students have
modern tools such as laptops at their disposal.”*

Catherine Real, Principal, Diamond Bar High School, Diamond Bar, CA

World Lottery Association Level 3 Certification

The California Lottery's responsible gaming efforts are underscored by our prestigious Level 3 Certification from the World Lottery Association (WLA), awarded to us in July 2011. As one of only two U.S. lotteries to hold this designation, the Lottery has started programs to ensure the highest standards of consumer protection and security while taking all reasonable measures to prevent problem and compulsive gambling.

As a WLA member, the California Lottery promotes responsible gaming in all aspects of its activities, including the development, sale and marketing of its products and activities. Together with the engagement of our stakeholders, the Lottery delivers responsible play practices and encourages a positive impact on the environment.

Responsible Gambling

In an effort to continuously improve its Responsible Gaming programs, the California State Lottery placed advertisements in four major California regional newspapers during this year's National Problem Gambling Awareness Week in the first week of March. Additionally, the California Lottery displayed English and Spanish Point of Sale (POS) messaging at Lottery retailers across the state to increase the awareness of problem gambling.

This year the California Lottery received the Responsible Gambling Award from the Office of Problem Gambling for the Lottery's strong and continued support of related programs that include the 1-800-GAMBLER Hotline; the production of six public service announcements that were translated into 12 languages; participation in the annual Problem Gambling Awareness Month; and, joining forces with other state agencies to promote problem gambling awareness.

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Our Contributions:

- 1-800-GAMBLER Hotline
- Six public service announcements that were translated into 12 languages
- Participation in the annual Problem Gambling Awareness Month
- Promote problem gambling awareness



WINNING

Top 10 Largest California Prizes

Fiscal Year 2012-2013

- 1 \$120 million**
Riverside, *Mega Millions*
- 2 \$52 million**
Fremont, *Mega Millions*
- 3 \$35 million**
Bellflower, *Mega Millions*
- 4 \$33 million**
Walnut Creek, *SuperLotto Plus*
- 5 \$30.5 million**
Fresno, *SuperLotto Plus*
- 6 \$23 million**
South San Francisco, *SuperLotto Plus*
- 7 \$15 million**
Walnut, *SuperLotto Plus*
- 8 \$14 million**
Milpitas, *SuperLotto Plus*
- 9 \$14 million**
Clearlake Oaks, *SuperLotto Plus*
- 10 \$14 million**
Mission Viejo, *SuperLotto Plus*

Large Jackpots, Bigger Winners!



\$33 million | Massoud and Homeira Ardalan

Massoud Ardalan loves pumpkin seeds, but they aren't easy to find. So when he found them for sale at Heather Farm Shell in Walnut Creek (Contra Costa County), he made that retailer his regular stop for pumpkin seeds, gas and his Lottery tickets. Unfortunately, on March 6, 2013, he only had \$15 with him — \$10 for gas and \$5 for Lottery tickets — which meant no money for pumpkin seeds. The trade-off worked out well because the fifth line of his Lottery numbers were the ones that counted — they won him a \$33 million *SuperLotto Plus*® jackpot!

The following day Ardalan, a reprographics manager by trade, was having a typical Thursday, dropping his wife Homeira off at work and then going to look for work himself. You see, Ardalan was laid off in November 2012 after being with the same company for 16 years. Once he got home, he had a message from a friend telling him that someone in Walnut Creek had won the \$33 million *SuperLotto Plus* jackpot and

that he should check his tickets. He did. He couldn't believe his eyes — all six numbers matched! He went back to see his wife at the salon where she works as a hairdresser and asked her to come outside because he had something to tell her: "We won the Lottery!" he said. Even as they recounted the story, Homeira's eyes sparkled and she giggled, "I didn't believe him." Ardalan and his wife of 25 years were all smiles as they claimed their multi-million dollar prize.

Ardalan plans to start his own business, possibly in reprographics, and give much-needed jobs to friends and family who are out of work. He also may buy some rental property and a salon for his wife to run. Ardalan explained through laughter, "That's a lot of money, we can do a lot of things, buy a lot of pumpkin seeds! Maybe buy a pumpkin seed factory!"

“Our children know how to cook and how to clean. We’ve tried to stick together whatever was happening.”



\$52 million | Marita and Bladimir Agnite

Chalk this one up to the power of the media! Nearly a month after a winning \$52 million *Mega Millions*® ticket was sold — but not claimed — the California Lottery released a photo to the press asking for help in identifying a potential winner. Officials circulated the image after noting that someone had checked the ticket multiple times at area grocery stores, but had failed to claim their cash. The fear was the winner would mistakenly throw their ticket away! As luck would have it, one day later that person walked into the Lottery’s Sacramento District Office to claim their colossal prize.

The winning ticket was for the *Mega Millions* draw on July 27, 2012. Marita and Bladimir Agnite of Fremont said they didn’t know they had hit the jackpot until a relative called Bladimir, telling him they thought they’d seen his picture on the news. The picture was a screen capture

image taken from surveillance video from a Kwik Stop store in Fremont. That’s where the winning ticket had been sold.

“I scanned it multiple times. The readout said, ‘See the clerk.’ We didn’t see the amount, just ‘see the clerk.’ We didn’t know,” said Bladimir explaining why they had waited over a month to come forward. He heeded the advice from his in-laws to go on the Lottery’s website to see the photo image for himself. Once he saw him and his wife on the screen, he immediately got his wife out of bed to share the news. “He said, ‘We’re wanted!’” said Marita, who added that she was also floored when she saw the picture. “My stomach started...I started crying. He hugged me and we just cried and cried,” said Marita.

What an amazing turn of events. Bladimir had been laid off from his job at a printing company. Marita works as a

nursing assistant at a Bay Area hospital. The humble couple is determined to remain level headed about their win and to keep their children grounded. “They know how to cook and how to clean. We’ve tried to stick together whatever was happening,” said Marita. She sees college in her children’s future. The Lottery winnings will certainly cover those expenses. The money will also cover the cost of a much-needed house. “We have been living with friends. Now we’re renting an apartment,” said Bladimir. Even after the massive win, the Agnites say they don’t want to take anything for granted. So even though she is now a multi-millionaire, Marita believes she will keep working. “You can’t just quit the job. You never know what’s going to happen,” said Bladimir.

WINNING

Large Jackpots, Bigger Winners!

\$120 million

Ronald Willis



\$14 million

Antonio Velasquez

How would you react to winning a *Mega Millions*® jackpot worth \$120 million?

For Ronald Willis, he stayed extremely calm, although there was some giggling that could be heard throughout the claims process at the California Lottery's Inland Empire District Office.

Willis found out from his co-workers that a winning ticket had been sold in Riverside. So when he got home that day he got on his iPad and compared the winning numbers to his ticket - they all matched! "I'm not a yeller or jump around type of guy. When I realized I won, I just stayed calm, sat back and let it soak all in," he explained in his calm, baritone voice.

The ticket successfully matched the numbers 20, 5, 33, 36, 11 and the Mega number of 11. Willis' numbers were not a Quick Pick® — they were his own numbers that he has been playing since *Mega Millions* started in California in

June of 2005 — and they consist of birthdays and anniversary dates. He only plays *Mega Millions* and *SuperLotto Plus*® and always buys six lines for each draw, twice a week, and he says he has a thing for even numbers.

The jackpot ticket was sold at a 7-Eleven location in Riverside, but Willis hadn't ever gone to that retailer to buy his tickets — this was the first time! He happened to be picking up his paycheck and decided to stop at this retailer because it was close to his work. Lucky for that retailer he did, because the retailer will receive a bonus of \$600,000 for selling the winning ticket.

With four children ranging in age from toddler to high school, Willis says they can all plan on becoming future college graduates! Other than that he says, "I want to invest this money and make it grow." Again, remaining as calm as always!

Antonio Velasquez lives in a quaint community. It's the kind of community where everyone knows each other's names — even the Postman's name — or the Postmaster's name, for that matter. So it's no wonder that Antonio's name will sound familiar to those in Lake County. Only now he won't simply be known as Antonio Velasquez, the retired Postmaster — he'll also be known as Antonio Velasquez, the winner of a \$14 million *SuperLotto Plus*® jackpot!

It was Velasquez's son who told him that someone who bought their ticket at Oaks Red & White Store in Clearlake Oaks had won the *SuperLotto Plus* jackpot. When he found out it was him, all he could say was, "Oh my God, oh my God!" Velasquez was quick to call his wife, who is in Greece, but he didn't tell her the whole story. "She knows I won, she just doesn't know how much," he explained. As for what he plans to do with his prize, he says he wants to help his four children and eight grandchildren and also donate money to a couple of his favorite charities.

"I'm not a yeller or jump around type of guy. When I realized I won, I just stayed calm, sat back and let it soak all in."



\$23 million | Julie Cervera

It took more than five months and a surveillance photo released by the California Lottery, but nevertheless, Julie Cervera is one happy — and lucky — woman. Her story is unlike any other in recent Lottery history, and it's a story that ends with a \$23 million *SuperLotto Plus*® jackpot prize. Usually when it takes a person more than five months to come forward and claim their prize it's because they lost their ticket. Or, they just never come forward to claim their prize at all. In Julie's case, she was on the receiving end of a very interesting text message from her daughter the day before she claimed.

Julie's daughter, Charliena, sent her a picture of the exact photo the Lottery released on October 30, 2012. The surveillance video photo shows Charliena buying what turned out to be the *SuperLotto Plus* ticket that won the \$23 million jackpot exactly five months earlier on the evening of May 30. When Julie saw the photo she immediately imagined the worst — for some reason, in her mind, those photos are always associated with people who had just committed a crime. In this case, however, it was a photo of her daughter about to buy the jackpot-winning ticket for her mom.

Now here's where the story gets interesting; Charliena gave the ticket to her mom and Julie then stashed the ticket in the used car she had just purchased. Excited about the car, Julie rolled off to show some friends and completely forgot about the ticket. So, when Charliena called to tell her the good news, she immediately went out to her car and found the ticket right where she left it more than five months ago.

"When she called me, my first thought was, 'please don't be playing a prank on your mom,'" said Julie in describing the moment her daughter called her after sending the photo. "I didn't know what to feel or do." She added that after her daughter sent her a photo of the newspaper account of the win, she put on her "99 Cent Store glasses" and checked the photo. It was then that she realized she was a big winner; but like most Lottery winners Julie had to double-check. So she went to a local retail location and had the clerk check her ticket. "He just said 'wow,'" Julie said, "then he gave me a copy of the numbers from that night." That sealed the deal for her.

When asked how she planned to spend her winnings, Julie said, "I want to take my time and not buy anything crazy." She

then added that she plans to give her daughter Charliena a tidy sum, and help out other members of her immediate family. Julie adopted two special needs kids, and also wants to make sure that the three kids left behind when her son was killed in an accident are also well taken care of. Being a widow herself, Julie has had to take on a lot, and this money couldn't have come at a better time. "I think I have \$1 in my purse right now and my checking account is overdrawn," she said before adding that she might indulge a little and take a trip to Disneyland.

Julie really did claim her prize just in the nick of time. Had she not come forward to claim her prize by the close of business just about three weeks later, she would have lost her fortune, and the unclaimed money would have been transferred to California public schools.

"When she called me, my first thought was, 'please don't be playing a prank on your mom.' I didn't know what to feel or do."

Powerball® Comes to California

April 8th, 2013 marked a huge milestone for the California Lottery as tickets for the long-awaited *Powerball* game finally went on sale. *Powerball* fever quickly spread across California as players purchased a national record-setting \$3,101,816 worth of tickets in just 24 hours!

Exciting launch events took place simultaneously at the Embarcadero Center in San Francisco and at the infamous The Grove in Los Angeles to help us celebrate the addition of *Powerball* to the California Lottery's game portfolio. We were lucky to have actor and Extra! T.V. personality Mario Lopez host the festivities for us in L.A.

If that wasn't enough, for one special night the *Powerball* draw was moved

from Florida to the California Lottery Headquarters office in Sacramento in honor of our first draw.

It didn't take long for California to get its first big winner either. Less than a week after the *Powerball* launch, California had its first *Powerball* millionaire. Tom Ngumi of Buena Park, Los Angeles County, matched five of six numbers and won a cool \$1,306,323 in just our second *Powerball* draw in California's history!

Regarding the addition of *Powerball*, California Lottery Commission Chair Phil Tagami said: "*Powerball* advances our work to help fund education in California. Record sales don't just happen — selling more than \$3 million in tickets requires work by a lot of people. I'd like to commend

Lottery staff all across the state who worked hard to bring the *Powerball* draw to California. It's an amazing job they have done. And remember to play responsibly!"

Powerball is a multistate game played in California (and 42 other states, plus the District of Columbia and the U.S. Virgin Islands). Players pick five numbers from 1 to 59 plus a *Powerball* number from 1 to 35. Draw times are Wednesdays and Saturdays at 7:59 p.m. PST. Tickets are \$2 and can be purchased from any of the more than 21,000 California Lottery retailers. And most importantly, jackpots start at \$40 million, which has enticed millions of Californians to play the game!





“Powerball® advances our work to help fund education in California. Record sales don’t just happen — selling more than \$3 million in tickets requires work by a lot of people.”



Promotions, Promotions and More Promotions!

It was truly a ground-breaking year for the California Lottery, not just because of the addition of *Powerball*®, but we also launched more promotions than ever before. We literally had something for everyone, from a 2nd Chance promotion where you could win a pack of 80 \$5 Scratchers® tickets, to a song contest where the winner received \$5,000 and the chance to play live at our San Francisco *Powerball* launch event.

For our players on social media, we had an Adventure Pet Photo Contest, where participants submitted photos of their adventurous pets for a chance to

win a pack of 80 \$5 Scratchers tickets. During the holidays, we launched a “Spread the Joy” promotion through the California Lottery’s Facebook page that gave participants a chance to win up to \$10,000!

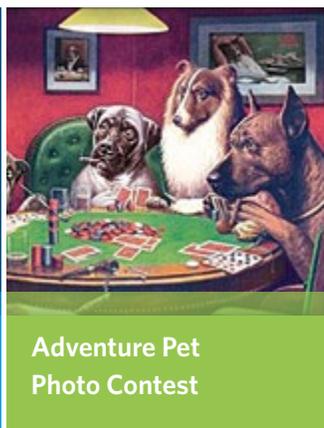
Some promotions were based around our Scratchers tickets, such as the family of Monopoly Scratchers. Players could enter their non-winning Monopoly Scratchers into 2nd Chance for another chance at prizes, including the top prize of a marble bust with your face engraved on it. Seriously, how cool is that?! There was also the \$5 Fortune 55 Scratchers

ticket which had its own fabulous promotion. Players had a chance to play the Pyramid Challenge game for fun, or for real prizes which included a California vacation worth \$7,500!

The California Lottery is always looking for fun new ways to reward our loyal players and give them what they want, which is more chances to win. This year was no exception as we raised the bar and launched more promotions than ever before. Be on the lookout for lots more exciting new promotions to come.



Win a pack of 80 \$5 Scratchers® tickets



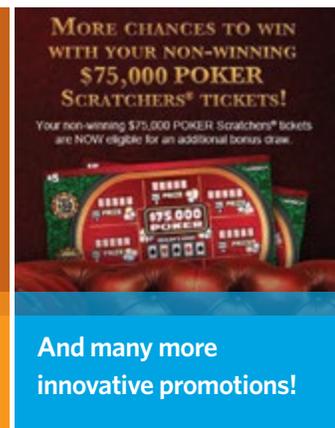
Adventure Pet Photo Contest



“Spread the Joy” Promotion



Monopoly Scratchers® 2nd Chance Prizes



And many more innovative promotions!

Digital Media Program Launch

From smart devices to social sharing, digital media is a significant element of how people connect today. In Fiscal Year 2012–2013, the California Lottery launched an effort to improve internet and digital communication usage in relation to greater participation by our customers. This multi-divisional effort addressed several areas that included Lottery relationships and limited advertising budgets to help maximize supplemental funding to California public schools.

They “Like” us. They really, really “Like” us!

Fiscal Year 2012–2013 marked a record year of social media growth following the successful implementation of a best-practice social media program. Across popular social media platforms, the Lottery built relationships with a diverse audience of consumers and stakeholders interested in two-way communication with our brand.

The Lottery’s mission, our lucky winners, along with a spirit of fun were brought to life through interactive dialog and fresh video content delivered where people want it. Optimization maintained

interest. Additional boosts, driven by *Powerball*® launch content, entertaining extensions and marketing campaigns, helped California close the fiscal year as the number one Lottery in social media reach across Facebook, Twitter and YouTube. We hope to add more social media sites to the list next year.

New Online Experiences

The California Lottery turned to the internet to extend the reach of our limited advertising budget. By tapping into the low-cost, high-impact value of microsites, special online promotions and extended play opportunities, the Lottery debuted new ways for consumers to interact with products that traditionally were not advertised. The Lottery’s 2nd Chance Program also received an upgrade with new promotional draws and extended play features. Feedback from core and new consumers has been positive.

End of Year CA Lottery Social Media Stats (as of June 30, 2013)

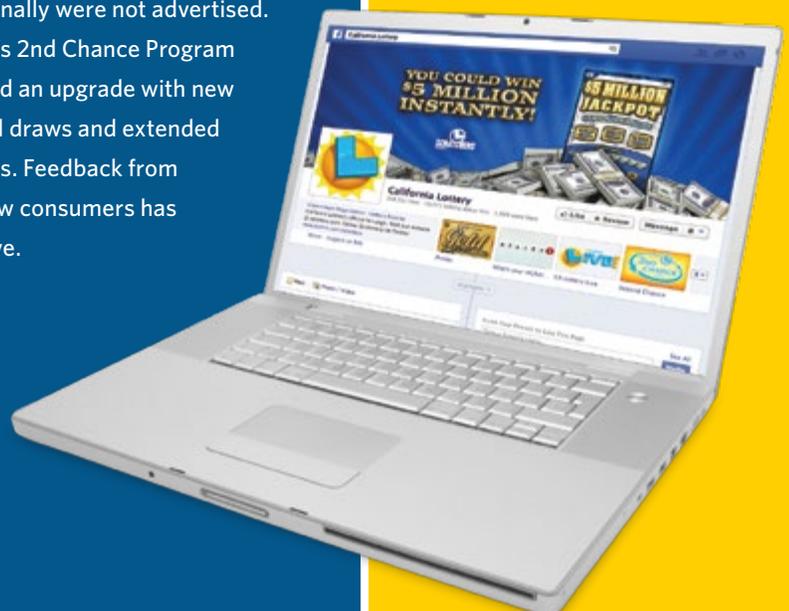
 **119,437 fans**

 **11,406 followers**

 **2,183 subscribers**

 **275 followers**

 **Coming FY 13/14**



21,000+ Retail Locations and Growing

California Lottery Retailer Benefits:

- Increased revenue and profit
- Bonus compensation
- Marketing support from Lottery
- Supplemental funding for California public schools

Sign me up! That’s what an increasing number of California retailers said during Fiscal Year 2012-13. In fact, an additional 140 business establishments began selling our wide selection of popular California Lottery products. To put that number in perspective — it was the first time in five years that we actually increased the net number of Lottery retailers in the state. So what happened? We believe much of that success is attributed to a change in sales strategy, combined with even better customer service.

During FY 2012-13, we started the Lottery’s Retailer Recruitment Division. Initially, five employees were hired with the sole responsibility of helping to attract new retailers – stretching from the Oregon line down to the Mexican border. It’s the first time the California Lottery has had a specialized unit dedicated to recruiting retailers. No question it’s a giant task in a huge state encompassing 164,000 square miles — but it’s working very well! In fact, to help keep up with the demand, nine more people are expected to join the recruitment team in the near future. Highlights of FY 2012-13 include welcoming 85 Rite Aid stores to the California Lottery family, adding an

additional 179 CVS locations throughout the state, and signing San Fernando-based Vallarta — a supermarket chain that caters to the growing Latino population.

Show Me the Money!

During Fiscal Year 2012-13, California retailers earned a whopping \$303 million in commissions and incentives for selling Lottery Scratchers® and Draw Games — an increase of more than \$7 million over FY 2011-12. No other Lottery pays out larger retailer bonuses for jackpot and top prize wins! (California retailers who sell jackpot-winning tickets or Scratchers prizes of \$1 million or more earn one half of one percent of the amount, or a maximum \$1 million!) We enjoyed a number of notable retailer payoffs during FY 2012-13:

- In December 2012, Eddie’s Liquor Jr. Market in Bellflower (Los Angeles County) earned \$175,000 after selling a \$35 million *Mega Millions*® winning ticket.
- Three months later in March 2013, Heather Farm Shell in Walnut Creek (Contra Costa County) received a check for an \$165,000 after selling the winning \$33 million *SuperLotto Plus*® ticket!

Cashing in...Lottery Retailer Style

Since the California Lottery’s inception back in October 1985, retailer profits have totaled a staggering \$4.6 billion – and the numbers are growing. Not only do we depend on our network of 21,000-plus retailers to provide strategic placement of our Lottery products for optimal sales results – these business professionals act as the primary point of contact for our players throughout California. There’s no question these “ambassadors” are a major key to our continued sales success. In return, we put our marketing dollars to work, providing the resources retailers need to keep their cash registers ringing.

Our retail goals for the future are lofty. They include adding up to an additional 4,000 retailers over the next three years. “Retailers are seeing the benefits,” said California Lottery Retail Recruitment Manager David Cole. “By selling Lottery products, we’re bringing them more customers. People are not just going in to buy a Lottery ticket – they also may be getting a bag of chips and a drink. It’s a win-win for everyone!”

Retailer Spotlight

Kwik Market | McFarland, CA



For more than a quarter of a century Ben Garza has been selling California Lottery products at his Kern County Kwik Stop market. Very few retailers have been with us longer! Garza says he rings up an average of \$4,000 worth of Scratchers® and Lottery Draw Games every week — and loves helping to create millionaires and making his customers' dreams come true. But his involvement in the McFarland-area community

Not only does Garza give scholarships to underprivileged kids in the Central Valley — he contributes money to the McFarland Parks and Recreation District, and helps the local Lions Club with food baskets for the needy.

actually makes him a big winner too! Not only does Garza give scholarships to underprivileged kids in the Central Valley — he contributes money to the McFarland Parks and Recreation District and helps the local Lions Club with food baskets for the needy. He also donates cash to his church's Benevolence Fund. Garza estimates he pours at least \$15,000 of his own money back into the community every year - most of it to help kids. Needless to say, the California Lottery is thankful - not only for the generosity to his community, but for his long-standing commitment to help supplement California education through his role as a Lottery retailer since 1987.

"I think there is a parallel in what I do and what (the California Lottery does)," explains Garza. "The biggest impact we both can have on the next generation is education, and it makes me happy to have that kind of influence!" We couldn't have said it better!

Top 10 California Retailers by Sales Volume

(FY 2012-13)

- 1 Primm Valley Lotto
Nipton
- 2 Gold Ranch Lottery
Floriston
- 3 Bluebird Liquor
Hawthorne
- 4 D & G Group Company
San Francisco
- 5 Gallop Liquor
Westminster
- 6 3 Kings Liquor
Torrance
- 7 Kavanagh Liquors
San Lorenzo
- 8 Lichine's Liquor & Deli
Sacramento
- 9 Luong Hao Drinking Water
Los Angeles
- 10 Café Trang
Garden Grove



Important Phone Numbers

Customer Service

1-800-LOTTERY

Corporate Communications

(916) 822-8131

District Offices

San Francisco

(650) 875-2200

Sacramento

(916) 830-0292

East Bay

(510) 670-4630

Central Valley

(559) 449-2430

Van Nuys

(818) 901-5006

Inland Empire

(909) 806-4126

Santa Fe Springs

(562) 906-6356

Santa Ana

(714) 708-0540

San Diego

(858) 492-1700

The California Lottery provides a help line for individuals or families to provide information, counseling and assistance for problem gambling.

Problem Gambling Hotline

1-800-GAMBLER

California Lottery

700 North 10th Street
Sacramento, CA 95811
www.calottery.com