



craig douglass
communications

Patty —
The attached is for
your information.

Thanks

CRAIG
9-22-11

September 20, 2011

Ms. Diane Lamberth
Arkansas Lottery Commission
725 Eagle Mountain Boulevard
Batesville, Arkansas 72501

Dear Diane:

It was with a great deal of interest I became aware through the media and others of Ernie's resignation. While any enterprise is affected by turnover, particularly at the top of the organizational structure, the current environment and situation in which you and the Commission now find yourselves can provide a number of opportunities for a new start. One such opportunity is the concept of re-founding the Arkansas Scholarship Lottery under your leadership and the combined leadership of your Commission.

What do I mean by a "re-founding of the Arkansas Scholarship Lottery?"

Seems to me a number of critical marketing, public relations and general communications strategies have been left unattended during the recent tenure of the executive management of the lottery. While it is not the Commission's responsibility to manage the day-to-day operations of the lottery, nor is it your mission to develop and execute strategies important to the lottery's success, I do believe, as I have communicated a number of times before, it is important for the Commission to have a hand in the establishment, protection and perpetuation of the lottery brand. This, to me, is a key responsibility in the governance of organizations whose livelihood depends on consumers and associated stakeholders. Re-founding the Arkansas Scholarship Lottery, then, would take into account many of the original ideas I suggested to you and the originally appointed commissioners in my April 14, 2009, binder on the start-up. (I have enclosed a copy of that document.)

Early in that document, on page 5, I stated the following: "...to maintain vital credibility, commissions and boards routinely communicate their expertise in effective governance to the general public, as well as to legislative committees, through a corporate communications strategy regarded just as important to the overall success of the lottery as the games' marketing, advertising and promotion."

Part of that corporate communications strategy would be a clear and concise plan on how you intend to go about the search process for a new executive director. Many times organizations are best served to initially conduct that search from within. However, if I may offer some unsolicited public relations advice, you may want to focus outside of the organization, and make that known,

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so there will be no question what the key managers' roles are as you go through this process: executing their responsibilities to expertly manage lottery sales and the net proceeds to fund scholarships. It would be distracting for key managers to be spending valuable time and energy vying for executive director.

Re-founding the Arkansas Scholarship Lottery also means re-visiting two other recommendations in the April 14, 2009, document provided to you. Those would be the important areas of internal and external communications.

Because I believe strongly that the core of any successful lottery is its marketing expertise – because lotteries are marketing enterprises – it is well to remember that marketing is a communications function, and communications is a marketing tool. As stated in the 2009 document, “Internal communications, too, is critical to the on-going operation of lotteries setting the standard for open, transparent, methodical, timely, comprehensive, relevant and effective communications among all stakeholders.” Likewise, from an external standpoint, we noted, “And, as it relates to governance, experiential marketing begins with communicating the governing commission’s or board’s approach to its duties and responsibilities.”

The search process is an ideal opportunity to demonstrate the type of clear-eyed approach the Commission will take in its future governance of the lottery. Overseeing the internal operation will be critical during this period. And smartly managing the public relations aspect of the search vis-à-vis the Legislative Oversight Committee, the Governor, the media, higher education interests, retailers, lottery consumers and the public at large, can instill in all stakeholders a renewed confidence in the lottery, a confidence that is directly related to sales. I call it reputation management and marketing. And it is vital to the brand, its attributes and values.

So where am I going with all of this? You certainly know of my interest in the lottery since before day one of its inception. Because of that interest, and the experience I have with lotteries since 1993, if there is anything I can do to assist the Commission in the communications and management strategies necessary to effect a successful search and transition, please let me know. I believe you need a well-thought-out plan, on paper, that includes recognition of this process and its impact on continuing operation of the lottery and future sales.

Best regards,

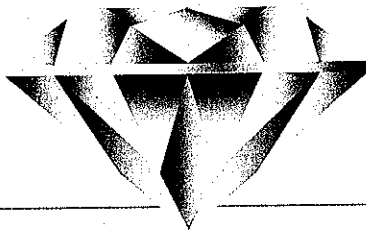
Craig Douglass

CD/cd

Enclosure

cc: Arkansas Lottery Commission

Executive Summary
LaFleur's 14th Annual Lottery Symposium
April 5-8, 2009
Washington, D.C.



ARKANSAS
Scholarship
LOTTERY

Prepared for the Arkansas Lottery Commission
by
Craig Douglass
April 14, 2009



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communications

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Executive Summary
Prepared for the Arkansas Lottery Commission
LaFleur's 14th Annual Lottery Symposium
April 5-8, 2009
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BACKGROUND

TLF Publishing Company and Teresa and Bruce LaFleur have been tracking state and provincial lotteries for over 25 years. LaFleur's research publications, including the World Lottery Almanac, Principles of Lottery Marketing, Fiscal Reports, Retailer Surveys, and the LaFleur Magazine, are recognized across the industry as the resource for lottery facts, figures and case studies.

This year's symposium attracted executives, directors and managers from 26 lotteries in the United States, Canada, the Virgin Islands, Ireland and Italy. Also in attendance were vendors including GTECH, Scientific Games, Intralot, Bally Technologies, Pollard Banknote, IGT, as well as a host of lottery consultants, miscellaneous suppliers, researchers, testers, and promotional marketing companies.

The presentations (Symposium Agenda, enclosed as an addendum), covered all aspects of lottery operation, technology, sales and marketing. In addition, we had the opportunity to discuss lottery "launches," start-ups, branding and re-branding with a number of states' directors, presidents and CEOs, and staff. Suggestions, recommendations and experiences gleaned from those conversations are included in this summary.

As additional background for your information, I have included a history of lotteries and the types of authority with which other states' commissions or boards are vested, as well as first-sales dates of U.S. lotteries.





OBJECTIVES

This Executive Summary's objectives are:

- To provide you with a perspective on the lottery industry as it relates to your responsibilities as an Arkansas Lottery Commissioner;
- To utilize information provided by others in the industry with regard to lottery start-up;
- To outline an organizational approach the commission may follow, ensuring continued trust by the general public (with the ultimate goal of maximizing gross sales and net proceeds to scholarships);
- To suggest initial internal and external communications strategies the commission may choose to address; and
- To provide an overview on operational areas of which the commission may want to be aware.

Information provided on the above topics are not my opinions, but opinions suggested by those with whom I spoke and those to whom I listened during the three-day symposium. Comments, however, may be included as a sidebar to some of the information provided, but will always be identified as a "*Comment*."

An industry philosophy with regard to the operational objectives of state-sponsored lotteries is worth noting here:

"It Begins with the Players."

Every penny that comes into a state's lottery comes out of the pocket of the players. It is our responsibility to give them a lottery experience that is fair, honest, entertaining, responsible, fun and "the best deal" possible.

"It Ends with the Cause."

The only justification for having state-sanctioned gaming is to provide money for the benefit of the citizens of that state. It is not about vendors, suppliers or lottery executives. It is about the beneficiaries of the lottery proceeds. For them, it is incumbent upon us to operate with integrity, promote effectively, and be accountable to the public for every action we take.





THE LOTTERY ENVIRONMENT

Economic and Competitive Challenges

Lotteries are a consumer product sold primarily at retail. Consequently lottery games – instant and online – that comprise a full-line of lottery products, are subject to the same economic forces as other retail products requiring discretionary income. Lotteries directly compete with other retail products for the discretionary dollar.

Due to the current recessionary economic environment, lottery gross sales were down in 18 jurisdictions in 2008, with 22 jurisdictions reporting reduced gross sales in the fourth quarter alone. In this decade, prior to 2008, lotteries in the U.S. enjoyed steady growth from a total gross sales of \$45.1 billion in 2003, to \$52.7 billion in 2007. Of that amount, 30% on average was directed to government transfers.

Comment: For Arkansas, competitive casino-style gaming at the Mississippi, Oklahoma and Louisiana borders, and expanded racetrack gaming opportunities in Hot Springs at Oaklawn, and West Memphis at Southland, have the potential to negatively impact initial lottery sales. "Initial lottery sales" would be characterized as potential sales during the start-up months, prior to lottery branding and game promotion programs taking hold, through advertising, marketing and public relations campaigns. Pent-up demand and expectations from Arkansans who choose to play, may mitigate soft lottery sales during the initial period of play, if demand and expectations are properly managed. They can co-exist.

Nationally, in addition to challenging economic conditions, illegal Internet gaming is now drawing an estimated \$7 billion in revenue that could otherwise be available to the states through other forms of gaming, including discretionary lottery play.

Add to the above an increase in unemployment, a reduction in disposable income, and stagnant consumer confidence, and the short-term outlook for an economic foundation on which lotteries may build incremental sales is challenging, though not impossible.





Lottery Customers

State-by-state research indicates the most frequent lottery player's age is 35 or older. Those 18-24 have the lowest levels of participation, and women generally have lower rates of play than do men. Because in the U.S., peak spending on lottery games occurs between the ages of 50-64, the greatest percentage of current lottery customers are identified as Baby Boomers.

Industry analysts point out that to increase lottery sales, current customers will have to be maintained and incented to increase play, while lotteries work to attract new, younger customers through the development of more relevant and exciting games, as well as through more savvy distribution utilizing marketing communications via the Internet, text messaging, social networks, and the like.

Comment: To ensure a successful start to the Arkansas Scholarship Lottery, a younger demographic of player may need to be included in the traditional mix of lottery target audiences, taking advantage of the "newness" of lottery play for our state across a broad range of demographics, not losing sight, however, of core lottery players. Reaching the younger market with appropriate marketing communications strategies – including effectively communicating the lottery's integrity, fairness, trustworthiness, fun, excitement and ultimate beneficiary in the form of higher education scholarships regardless of income – may be critical to the lottery's first-year launch. Research relevant to Arkansas could also be considered as the Arkansas Scholarship Lottery Act refers to commission powers, including, "To conduct market research as necessary and appropriate."

Lottery Products

As a consumer product sold at retail, the Arkansas Lottery Commission's responsibility may include the approval and oversight of policies related to the development of games and their sale, as promoted by retail advertising and marketing programs, (including in its deliberations, the input of the Retailer Advisory Board the commission is mandated to establish). In this policy-making role, commissioners would need to be aware of the type, style and mix of games necessary to maximize net proceeds for scholarships.





The overall games portfolio in the U.S. ranges from the most popular instant games (42 states), to Cash Lotto (39 states), Powerball (29 states), and Pick 3 and Pick 4 (27 and 29 states, respectively). Among instant tickets, there are a myriad of different formats, configurations, themes, and pay-offs. Suffice it to say, successful governing commissions have a working knowledge of what the games are, how they work, and the most effective means of promoting sales. Assurances of accountability to the playing public, winners and education beneficiaries are also a key value of which the commission should be aware.

Comment: Researching and testing games, plus a balanced mix of game products are key to an effective start-up, maximizing sales and to keeping the lottery new, fun and exciting to those Arkansans who chose to play. In successful lottery states, governing commissions and boards maintain an up-to-date working knowledge of the retailing aspect of product development. They consider not only product, but price, promotion and distribution in order to perform their responsibilities of policy and oversight. (They do not, however, perform day-to-day operational duties related to administrative and technical activities.)

It was clear from the multiple presentations from other states' lotteries, that to maintain vital credibility, commissions and boards routinely communicate their expertise in effective governance to the general public, as well as to legislative committees, through a corporate communications strategy regarded just as important to the overall success of the lottery as games marketing, advertising and promotion.





PRELIMINARY MARKETING CONSIDERATIONS

Internal Communications

Marketing is a communications function; communications is a marketing tool.

Governing commissions and boards establish internal communications policies to ensure as smooth and error-free organization and start-up process as possible. Internal communications, too, is critical to the on-going operation of lotteries, with the commission, executive management and staff of the lottery setting the standard for open, transparent, methodical, timely, comprehensive, relevant and effective communications among all stakeholders.

Stakeholders should be identified from the inside out, and networked. The general public, media, retailers, governmental oversight, advisory groups (if any), net proceeds beneficiaries, players and winners, all make up a lottery cohort to whom philosophical, operational and promotional messages should be communicated on a regular basis.

Comment: In an internal communications context, Arkansas Scholarship Lottery stakeholders would include, among others, the Department of Higher Education; local two-year and four-year, non-profit public and private colleges and universities; high schools; the Legislative Oversight Committee; the Retailer Advisory Board; the commissioners themselves; the executive director and his or her staff; other lottery employees and field representatives; key vendors; retailers; targeted statewide media, and a growing coalition database built on information willingly provided by Arkansans who choose to play or participate.

External Communications

Prior to the development of games and the sales and marketing strategies necessary for their full deployment through retail distribution, advertising, public relations and promotion, the Arkansas Scholarship Lottery brand should be fully developed and marketed. By "lottery brand," we mean the defined recognition values and attributes associated with the lottery name and identification. Nationwide, lotteries advise considering how and to whom the lottery is known; how it competes with other





consumer products; what it holds in terms of benefits for those who play; what its salient features are; why it should be preferred as a product for discretionary purchase; how it is priced, marketed and promoted, and what its public purpose is. All of these values and attributes make up the brand.

Many lotteries term brand-building as mandatory to effectively promoting the overall “lottery experience.” And, as it relates to governance, experiential marketing begins with communicating the governing commission’s or board’s approach to its duties and responsibilities.

The lottery brand begins with the process by which the lottery is permitted, established or enabled, organized, governed, and the manner in which it is communicated to the public and other associated interest groups, all from the starting point of its organizational beginnings.

Managing Expectations

From the general public’s point of view, the primary focus shifts from lottery inception almost immediately to the type and style of games a lottery will offer. And what the possible pay-outs will be. Long before a lottery’s operations are in place, retailers licensed, vendors selected and a portfolio of games are developed or chosen, media attention centers on jackpots, odds of winning, retail sales methods, interstate compacts (Powerball and Megamillions), and the available net proceeds for the selected or mandated beneficiaries.

Lottery governing bodies are encouraged to manage the expectations of the retail aspects of the lottery – playing and winning – by focusing on the step-by-step development of fair, honest, convenient, accurate, responsible and accountable operations. “Under promise and over deliver” is a phrase often heard in the halls of lottery headquarters around the country. Consequently managing expectations is designed to achieve a “winning” position for the lottery even before the first scratch-off ticket is sold. Lotteries that under perform, or are perceived to under perform, have a difficult time capturing the imagination and support of the playing public once an expected outcome is unrealized. Managing the performance expectation is critical to the lottery’s initial start-up.





Comment: Much has been made of the amount of available money that will be transferred from lottery net proceeds to the Arkansas Academic Challenge scholarships. Even though the enabling legislation and new Arkansas Scholarship Lottery Act include a guideline for scholarship award amounts based on a scale of net proceeds, it may be wise for attention to focus on maximizing sales from which net proceeds is derived. While many, if not most, states have a set minimum percentage of gross sales that must be dedicated as net proceeds, Arkansas law rightly mandates the Arkansas Lottery Commission to decide how best to maximize net proceeds. Focusing on maximizing gross sales and net proceeds may be the best approach, rather than predicting possible scholarship amounts, (at least until the February 2010 legislative session, at which time the initial scholarship amounts will be decided).

Exploring Pent-Up Demand

There were no less than a half-dozen research presentations by state and provincial lotteries, and by consultant and vendor companies during the three-day symposium. Research is an effective tool to determine how best to develop, position, promote and measure the effectiveness of games marketing. Important, too, is the ongoing assessment of the perceptions of a particular state's lottery brand by the public, and which public and player demands are going unmet.

One notion that deserves exploration during the start-up process is how best to determine the degree of the marketplace's pent-up demand for lottery games. Determining the breadth and depth of demand, and, indeed, the qualitative and quantitative scope of that demand through research would be helpful in guiding the commission (and the subsequent executive management of the lottery) through the most effective setting of goals and objectives, and executing strategies and tactics.





ORGANIZATION ISSUES

Getting to Know You

A consistent idea among lottery executives is the importance of facilitating positive group dynamics among its governing body. To that end, a getting-to-know-you meeting may be advisable prior to the initial organization meeting. The dynamics among commissioners, understanding individual interests and strengths vis-à-vis the many levels of lottery governance, could assist in the organization structure.

Comment: As one state's lottery governing board member agreed, "You don't want many, if any, five-to-four votes on your commission."

Organization Meetings

A series of preliminary organizational meetings could be planned within a week or two of the final appointments to the commission, and occur over the next 30-45 days. These meetings require commissioners deciding on leadership positions in the form of chairman, vice chairman, secretary and others, thus beginning to address commission structure.

Additional structural issues may include the division of responsibilities among commissioners in the form of subcommittees dealing with such important initial issues as executive recruitment, office requirements, retailer network criteria, legal and financial relationships, vendor research, marketing communications, legislative and education liaisons, etc. Many of these tasks will require Requests for Proposal or Requests for Qualification, requiring development of the appropriate RFP/RFQ templates to move the actions forward.

Key First-Steps

A key to understanding and executing the commission's governance responsibilities is a full working knowledge of the Arkansas Scholarship Lottery Act. To that end, it is suggested that at the first meeting, presentations be scheduled by legal counsel, those who drafted the act, to fully explain each section of the act and the sections' impacts on the commission's future tasks. In addition, each of the two parts of the scholarship section of the act could be presented by legal counsel, as well as with input from higher education.





As outlined in the act, specific ethical and legal requirements should be noted. Plus, the commission could consider, if deemed appropriate, its own ethical code, consistent with the act's legal mandates as they regard commissioners, employees, retailers, vendors, and others. An adopted Code of Ethics or Standards of Conduct and Operation would continue the all-important acknowledgement of the need to aggressively communicate honesty, integrity, fairness, transparency and openness, with an appropriate recognition to responsible play and gambling addiction concerns.

Comment: As part of the code or standards issue, a clear statement of position on the Arkansas Freedom of Information Act could be addressed. This statement would include examples of when necessary confidentiality would be employed in order to protect the lottery's competitive advantage relative to surrounding states, other forms of gaming, as well as against peer consumer retail products.

Possible Meeting Agenda Items

The initial organizational meetings most likely will take place over 30-45 days. An appropriate, central location would be chosen and preliminary meeting dates, including possibly three scheduled meetings, would be determined as convenient to all participants. Those initial meetings may include the following agenda items:

1. Introduction of Commissioners
2. Presentation of the Arkansas Scholarship Lottery Act – general
3. Presentation of the Arkansas Scholarship Lottery Act – specific to Arkansas Lottery Commission powers, duties and responsibilities
4. Presentation of Arkansas Freedom of Information Act
5. Election of Officers or Interim Officers
6. Discussion of Committee Structure – including Personnel, Finance and Legal, Retailer, Vendor, Higher Education Liaison, Marketing
7. Discussion of Interim Legal Counsel
8. Consider Drafting Standards of Conduct or Ethics Code
9. Consider Drafting Request for Proposal for Website Development



10. Consider Drafting Criteria for Interim Office Space Lease
11. Consider Drafting Criteria for Interim Staff
12. Consider Drafting Preliminary Start-Up/Organizational Budget
13. Discussion of Search Process for Director (see #5 Personnel Committee)
14. Discussion of Outside Information and Operational Resources – including the National Association of State and Provincial Lotteries (NASPL) and like organizations; other state lottery boards, commissions and staff

Next Steps

Facilitating commission communications in advance of the organization meetings may be delegated to a central point of contact. Once the initial organization meeting takes place, more formal communications policies may be established.

Comment: The University of Arkansas System Office, located at 2404 N. University Avenue in Little Rock, is willing to host the initial organization meetings in the board room of the system office. This space is ideal for meetings of this type as it is a central location with ample parking, as well as offering meeting facilities that can accommodate presentations of all types, breakout rooms for individual meetings, video and recording capabilities, etc. Once a meeting date and time is set, the University of Arkansas System Office will assist in making the necessary arrangements as required by the commission.





ADDENDUM—Agenda of LaFleur's 14th Annual Lottery Symposium

Acknowledgments

We would like to thank the following: D.C. Lottery & Charitable Games Control Board (co-host of the symposium) as well as our Program Sponsors (GTECH Corporation, INTRALOT, Inc. and Pollard Banknote) and our Luncheon Sponsor (Bally Technologies).

Sunday, April 5

5-7 p.m.—Opening Reception
(Location: Chinese Room)

Monday, April 6

8-9 a.m. Breakfast (Sponsor: Artitalia Group)

Main Session
(Location: Colonial Room)

9-9:15 a.m.
From Research to Implementation
Kevin Johnson, Director of Marketing & Communications, D.C. Lottery

9:15-9:30 a.m.
Business Intelligence Deployment
Bruce Jones, Director, IT, D.C. Lottery

9:30-9:45 a.m.
Managing the Scratcher Product Line
Billy Parson, Director, Sales, D.C. Lottery

9:45-10 a.m.—Interactive Break

10-10:30 a.m.—Coffee Break

10:30-10:45 a.m.
Marketing on Facebook, Part I
Jane Gregory, Vice President, Account Director, BBDO Atlanta

10:45-11 a.m.
Marketing on Facebook, Part II
Deborah Riley Draper, Director, Experiential Marketing, BBDO Atlanta

11-11:15 a.m.
Illinois Lottery: Experiential Marketing
Sarah Cummins, Director of Marketing, Illinois Lottery

11:15-11:30 a.m.—Interactive Break

11:30-11:45 a.m.
GTECH Sponsor Presentation
Innovating Lotteries Online
Gary Shaw, Chairman, StMinver Ltd.

11:45-12 noon—Interactive Break

12-2 p.m.—Symposium Luncheon
(Location: Chinese Room)
Sponsor Presentation: Bally Technologies
Warren White, Vice President, Software Development, Bally Technologie

2-2:15 p.m.
Mots Caches: Edition du luxe
Nathalie Gemme, Category Manager, Loto-Québec

2:15-2:30 p.m.
Digital Signage
Brad Wiebe, Marketing Director, WCLC

2:30-2:45 p.m.—Interactive Break

2:45-3:15 p.m.
U.S. Lotteries: Achieving Strong Results in a Weak Economy
 Andrew Goldberg, Chairman of the U.S. Corporate and Financial Practice, Burson-Marsteller
 Clare Walker, Consultant, Business & Financial Services Group, Frost & Sullivan

3:15-3:30 p.m.—Interactive Break

3:30-3:45 p.m.
Pollard Banknote Sponsor Presentation
Innovating Lotteries Online
Suzanne Harden, Sr. Integrated Marketing Mgr., Licensed Products, Pollard Banknote

3:45-4 p.m.
INTRALOT Sponsor Presentation
John Pittman, Vice President, Marketing, INTRALOT, Inc.

4-4:15 p.m.—Interactive Break

4:15-4:30 p.m.
Licensed Product Management
Margaret DeFranciso, President & CEO, Georgia Lottery Corporation

4:30-4:45 p.m.
Licensed Property Games...The Good, the Really Good and the Ugly
Paula Otto, Executive Director, Virginia Lottery

4:45-5 p.m.
Instant Game Enhancements
Glenn Strong, Instant Games Product Manager, Michigan Lottery

5-5:15 p.m.—Interactive Break

5:15-6:45 p.m.—Private Meeting for Lottery Marketing & Sales Directors
(Location: New York Room)

AGENDA





AGENDA

Tuesday, April 7

8-9 a.m. Breakfast (Sponsor: Artitalia Group)

8:45-10:15 a.m.—Breakout Session
GTECH New Media (Independence Room)
Session A: The Games People Play
Presenters: Richard Sagman, Sr. Product Manager, Gaming, StMinver Ltd. and Wendy Lawrence, Group Marketing Director, GTECH New Media & Sports Betting
Session B: How Do You Manage the People that Play Games
Presenter: Gary Shaw, Chairman, StMinver

Main Session
(Location: Colonial Room)

9-9:15 a.m.
Being a New CEO Takes Courage, Fortitude, and a Little Luck!
Anne Noble, President & CEO, Connecticut Lottery Corporation

9:15-9:30 a.m.
Is The Lottery Recession Proof?
Paul Lauzon, Sr. Vice President & Managing Director, Ipsos

9:30-9:45 a.m.—Interactive Break

9:45-10:15 a.m.—Coffee Break

10:30-12 noon—Breakout Session
GTECH New Media (Independence Room)

10:15-10:30 a.m.
Texas Lottery Sales/Marketing Initiatives
Robert Tirloni, Products Manager, Texas Lottery

10:30-10:45 a.m.
Florida's Launch of Powerball
Dennis Harmon, Deputy Secretary, Florida Lottery

10:45-11 a.m.—Interactive Break

11-11:15 a.m.
Washington Lottery's Brand Marketing
Theresa Danforth, Marketing Director, Washington's Lottery

11:15-11:30 a.m.
Repositioning Lotto 6/49
Nathalie Prychitko, Dir., Lottery Services, OLG

11:30-11:45 a.m.
Evolving Our Corporate Brand,
Alison Stultz, Category Manager, Corporate Brand, Atlantic Lottery Corp.

11:45-12 noon—Interactive Break

12-2 p.m.—Main Luncheon
(Location: Chinese Room)

12-2 p.m.—Private Lottery Marketers Luncheon & GTECH New Media Presentation
(Location: Independence Room)

2-3:15 p.m.—Breakout Session
GTECH New Media (Independence Room)

2-2:15 p.m.
Maryland Lottery: Mobile Marketing
Barbara Frederick-Jones, Senior Advertising Manager, Maryland Lottery

2:15-2:30 p.m.
Mobile Marketing Works
Brad Beckstrom, Managing Partner, ApolloBravo Mobile Marketing

2:30-2:45 p.m.
Veikkaus Oy: Mobilizing for Good Causes
Andre Chaker, Director, New Business Development, Veikkaus Oy

2:45-3 p.m.—Interactive Break

3-3:15 p.m.
Italian Gaming Market
Michael Staskin, Director, Marketing & Communications, SISAL SpA

3:15-3:30 p.m.—Interactive Break

3:30-3:45 p.m.—Coffee Break

3:45-4 p.m.
\$100 Million Cash Spectacular
Kim McGlothlen, Director, Sales & Marketing, Arizona Lottery

4-4:15 p.m.
California: Make Me A Millionaire
Michael Brennan, Deputy Director, Sales & Marketing, California Lottery

4:15-4:30 p.m.
Nebraska Lottery's Promotional Efforts
Neil Watson, Public Information Officer, Nebraska Lottery

4:30-4:45 p.m.—Interactive Break

Wednesday, April 8

9-10:30 a.m. Advertising Showcase
(Location: Virginia Room)





ADDENDUM – North Carolina Education Lottery Timeline

August 31, 2005

Legislation creating lottery signed into law

September, 2005

NCEL Commission members appointed

October 6, 2005

Initial meeting of NCELC

November 17, 2005

Tom Shaheen appointed Director, NCEL

December 5, 2005

Tom Shaheen begins work

December 12, 2005

NCELC voted to join multi-state Powerball

January 12, 2006

Retail applications posted on web

January 30, 2006

Instant ticket and online games contracts awarded to GTECH

February 3, 2006

5028 retail applications received

February 13, 2006

First retail equipment installed

March 6, 2006

First retailer trained



March 9, 2006

First scratch off tickets unveiled

March 10, 2006

Tickets delivered to warehouse

March 18, 2006

4000th retailer installed

March 27, 2006

Lottery advertising begins

March 28, 2006

Instant tickets shipped to all approved retailers

March 30, 2006

Education lottery begins retail sales

March 30, 2006

Education lottery website live

March 31, 2006

First \$100,000 winner comes to Headquarters

April 18, 2006

Two new scratch off games introduced

May 30, 2006

Powerball sales began

May 31, 2006

First Powerball draw and first Powerball \$200,000 winner

June 7, 2006

Player wins \$1 million by powerplaying Powerball





July 22, 2006

Staff moved into permanent offices-Yonkers Road

August 26, 2006

Live Powerball drawing in Durham

September 29, 2006

Unveil Carolina Hurricanes ticket

October 6, 2006

Carolina Pick 3 sales began

October 19, 2006

First transfer to beneficiary programs--\$50 million

October 20, 2006

Broke \$500,000,000 in sales

October 27, 2006

Carolina Cash 5 sales began

October 29, 2006

First Carolina Cash 5 jackpot winner

October 31, 2006

First Holiday Tickets, first \$10 ticket on sale

November 29, 2006

First Powerball Jackpot winner--\$74.5 million

December 8, 2006

Retired first instant scratch-off games

February 16, 2007

Powerball Jackpot winner, Jackie Alston, comes forward





March 30, 2007

First anniversary-NASCAR promo-first second chance drawing

May 11, 2007

Sizzlin' Millionaire Raffle tickets go on sale

May 12, 2007

Sales surpass \$1 billion

June 30, 2007

Sizzlin' Millionaire Raffle tickets sell out

July 4, 2007

First raffle draw

July 10, 2007

Introduce "Big Ol' Bucks" tickets and BOB the pirate

September 10, 2007

Carolina Cash 5 Mustang Madness-first promo to give away cars

September 26, 2007

Phil Morgan wins the first Cash 5 Mustang

September 26, 2007

32 players pick 4 of 5 white balls and Powerball based on TV show

November 11, 2007

Merry Millionaire Raffle tickets go on sale

November 21, 2007

NCEL conducts its first interim raffle draw for MMR

December 27, 2008

Merry Millionaire Raffle draw





January 8, 2008

\$100 Million Cash Spectacular ticket with 73% prize payout goes on sale

February 12, 2008

Farmville man wins first \$1M annuity with \$100 M Cash Spectacular

February 29, 2008

Monthly sales top \$100 million

March 27, 2008

Harley ticket launched

March 31, 2008

Mid-day Pick 3 draw begun

April 17, 2008

First Harley Fat Boy awarded

May 3, 2008

Total sales top \$2 B

May 16, 2008

NCEL 200 NASCAR Craftsman Truck Series race

May 17, 2008

Live Powerball drawing at Lowe's Motor Speedway

June 7, 2008

Annual sales top \$1B

June 30, 2008

Transfers to education \$350 million meet legislative budget

August 1, 2008

First Ford F-150 Lariat awarded





August 5, 2008

\$130M Blockbuster goes on sale-first win for life grand prize

August 4, 2008

NCEL drawing room completed and ready to handle entries for second chance drawings

September 8, 2008

Charlotte college student wins first \$1M annuity with \$130 M Blockbuster





ADDENDUM – History of Lotteries

HISTORY OF LOTTERIES

Lotteries in the Ancient and Medieval World

Scholars disagree on who started the ancient tradition of lotteries, but there are references in the Bible. In Chapter 26 in the Book of Numbers, Moses used a lottery to award land west of the River Jordan.

For centuries lotteries have been used to raise funds for public purposes in many areas, from Michelangelo's work in the Sistine Chapel to universities, museums, and social service activities.

Augustus Caesar, during his reign from 27 B.C to 14 A.D., is credited with sponsoring the first public lottery to raise funds to repair the City of Rome. Lotteries are also said to have taken place in Bruges, Belgium and L'Ecluse, France in 1420 and Modena, Italy in 1476.

Ancient Lotteries

c. 100-44 B. C.: Forms of lotteries date back to Caesar.

100 BC: The Hun Dynasty in China created keno. Funds raised by lotteries were used for defense, primarily to finance construction of the Great Wall of China.

1446: In one of the first recorded European lotteries, the widow of the Flemish painter Jan Van Eyck holds a raffle to dispose of his remaining paintings.

1465: Belgium lotteries used to build chapels, almshouses, canals and ports.

1515: Six names were drawn for election to the Senate in Genoa, Italy; later the names were changed to numbers. The word "lottery" is believed to come from the Italian word "lotto", meaning destiny or fate.

1530: Florence, Italy held a "Number Lottery" with cash prizes.

1539: King Francis I of France authorized a lottery to replenish depleted funds in the treasury. Many of these funds had been flowing to foreign lotteries.



1567: Queen Elizabeth I establishes the first English state lottery. Prizes include cash, plate, and tapestry, with 400,000 tickets offered for sale. Proceeds restored Britain's harbors.

1612: King James I of England created a lottery in London. Proceeds were used to aid the first British colony in America — Jamestown, Virginia. Interestingly, Anglican churches held two of three winning tickets for the first draw.

1726: The Netherlands formed what is now the oldest lottery still in operation.

1753: A lottery is held in England for the establishment of the British Museum.

1759: At the urging of Casanova, Louis XV founded the Loterie Royale of the Military School (later on Saint-Cyr) in France. With the advent of this lottery, other lotteries were outlawed and the funds were to be used to reduce the State's debts. The King thus created a monopoly, which became the forerunner of the Loterie Nationale. The lottery was a keno-style game where players chose to bet on 1,2,3,4, or 5 numbers between 1 and 90.

A French lottery drawing in the 1780s

Early Lotteries in the Colonies and North America

1700s: Many of our Founding Fathers played and sponsored lotteries. Some examples:

- + Benjamin Franklin used lotteries to finance cannons for the Revolutionary War.
- + John Hancock operated a lottery to rebuild historic Faneuil Hall in Boston.
- + George Washington operated a lottery to finance construction of the Mountain Road, which opened westward expansion from Virginia.
- + Thomas Jefferson, \$80,000 in debt at the end of his life, used a lottery to dispose of the bulk of his property.

1775 – 1806: Lotteries helped finance construction of churches and universities (Harvard, Yale, Princeton, Dartmouth, and Columbia).

1776: Lotteries were authorized to raise money for the Colonial Army.





1789: Lotteries were most active during the period following the adoption of the Constitution and prior to the establishment of effective means of local taxation and the wave of anti lottery reform in the 1830s. Before 1790, America had only three incorporated banks. Therefore, lotteries were standard sources for public and private financing.

1790 to the Civil War: Fifty colleges, 300 schools and 200 churches were erected with lottery proceeds. Most notably, universities such as Harvard, Yale, Princeton and Columbia were funded by lotteries.

1790 to 1860: Twenty-four of the 33 states financed civic improvements such as courthouses, jails, hospitals, orphanages, and libraries through lotteries.

1817: In Lower Canada (Quebec), a law was enacted to formally ban all types of games. The law failed due to "a taste for gaming that existed in every class."

1820 through 1878: Corruption in privately operated lotteries becomes rampant. Many award fewer prizes than advertised or award no prizes at all. Governments find themselves unable to regulate these lotteries and as a result begin to consider prohibition.

1820s: New York passed the first U.S. constitutional prohibition of lotteries.

1849: First reference to a lottery in Canada used to finance the Ontario, Simcoe and Huron Union Railway.

1856: The Act Concerning Lotteries expressly forbade all types of lotteries in Canada. This Act especially affected the French and Catholic clergy, who for close to a century had financed its good works with lottery proceeds.

1878: All states except Louisiana prohibit lotteries, by statute or constitution.

1890: Congress bans all lottery materials from the mail.

1895: Congress bans all lottery materials from interstate commerce. Last modern U.S. State Lottery in Louisiana was abolished.



1905: The U.S. Supreme Court reaffirmed the states' use of police powers to control gambling, effectively ending the Louisiana Lottery and other gambling in the U.S. No state was directly involved in the operation of a gambling enterprise, and lotteries were prohibited in most states by constitutional provisions for the next 60 years.

Modern Lotteries

1912: "Totalizator" was legalized, making racetracks the only legal betting place in Canada.

1917: The Queensland State Lottery of Australia was the first lottery to start operations in the 20th century.

1930: Irish Sweepstakes were launched with great success in the American and Canadian markets because of the abolition of lotteries in these countries.

Lotteries Since 1960

1964: The New Hampshire Legislature created the state lottery, the first legal lottery in this century; it was labeled a "Sweepstakes" and tied to horse races to avoid the 70-year-old federal anti lottery statutes.

Lou Smith of Rockingham Park racetrack sells the first New Hampshire Sweepstakes ticket to Governor John W. King on March 12, 1964

1967: New York became the second state to attempt a lottery.

1969: Amendments to the Criminal Code of Canada legalized gambling and gave provinces the authority to operate lottery schemes and casinos and to license charitable or religious organizations to carry out specified lottery schemes.

1970: New Jersey started a state lottery. Tickets were 50 cents for a weekly drawing. Manitoba and Quebec began the first modern Canadian lotteries.

1971: Led by New Jersey, which in its first fiscal year sold close to \$73 million in tickets, lottery sales nationwide surpassed the \$100 million mark for the first time.

1971: Automated Wagering began the world's first online system in New Jersey.





1973: The Olympic Lottery Corporation of Canada received its charter and began selling tickets to provide funding for the 1976 Olympics in Montreal. The provinces of Alberta, Ontario, New Brunswick, Newfoundland, Prince Edward Island and Quebec, as well as the Northwest Territories, participated in the Olympic Lottery.

1973: Fiscal year sales for all lotteries surpassed \$500 million.

1973: Scientific Games developed the first secure instant ticket.

1974: Massachusetts offered the first scratch-off ticket.

1974: The provinces of Manitoba, Saskatchewan, Alberta and British Columbia, plus the Yukon, formed the Western Canada Lottery Corporation.

1974-76: The Interprovincial Lottery Corporation was created through an act of the Ontario Legislature, and shortly after was federally incorporated with the western provinces.

1975: Federal law was amended to allow lotteries to advertise on radio and TV.

1975: New Jersey introduced a statewide, online network of several hundred Clerk Activated Terminals (CATs) implemented by Autotote.

1976: The Delaware State Lottery began taking bets on National Football League games (called the Delaware Sports Lottery). The NFL lost a legal battle to ban this type of wagering. The Sports Lottery was abandoned after 14 weeks.

1976: Newfoundland, New Brunswick, Nova Scotia and Prince Edward Island formed the Atlantic Lottery Corporation.

1976: Lottery sales surpassed \$1 billion for the first time.

1978: Both New York and Massachusetts introduced off-line lotto, a European player selection game in which the player selects six numbers between 1 and 30.

1978: Quebec joined the Interprovincial Lottery Corporation.

1979: The Atlantic provinces joined the Interprovincial Lottery Corporation, thus creating a true nationwide lottery in Canada.





- 1985: Tri-State Lotto, the first multi-state lottery, linked the state lotteries of Maine, New Hampshire and Vermont.
- 1986: The Illinois Lottery introduced the first instant game with the concept of qualifying "entry" tickets for a grand prize drawing.
- 1986: North Dakota becomes the first state to vote against starting a state lottery.
- 1988: the New York Lottery introduced Keno.
- 1988: The Multi-State Lottery Association began with Oregon, Iowa, Kansas, Rhode Island, West Virginia and the District of Columbia as initial members.
- 1989: South Dakota became the first state in the U.S. to license and regulate video lottery games.
- 1989: The Oregon Lottery began accepting bets on NFL games, later adding other professional sports teams.
- 1991: The Virginia Lottery awarded first instant ticket vending machine contract.
- 1996: The Big Game began with Georgia, Illinois, Massachusetts, Maryland, Michigan and Virginia as initial members.
- 1998: The Multi-State Lottery Association recorded a world-record lottery jackpot to date of \$295.7 million for its Powerball game.
- 1999: Maria Grasso of Boston wins a lump sum prize of \$104 million in The Big Game, the largest prize ever won by a single individual to date.
- 1999: Thirty-seven states and the District of Columbia operate a lottery in the U.S., while lotteries are legal in all Canadian provinces and territories. More than 100 foreign lotteries exist and many have operated for centuries. Some countries, like Mexico, France and Japan, have national lotteries. The World Lottery Association lists 63 member nations — one on every continent except Antarctica.
- 2000: winners from Michigan and Illinois share the largest lottery jackpot in history to date. Both winners of the May 9 Big Game drawing elect to receive cash payments of approximately \$90 million as their share of the \$363 million (annuity) jackpot.





2002: Jack Whittaker of West Virginia becomes the largest single jackpot winner to date with a Powerball win of \$314 million.

2005: Oklahoma becomes latest state to establish a state-run lottery.

2006: The largest jackpot in history to date of \$365 million is awarded on February 18 Powerball drawing. Eight co-workers at a Lincoln, Nebraska food processing plant, shared the prize.

2006: North Carolina becomes latest state to establish a state-run lottery.

2008: Arkansas voters pass a constitutional amendment authorizing the establishment of a state-run lottery to fund higher education scholarships.





ADDENDUM – Lottery Authorities; Lottery Launch Dates

Lottery Jurisdiction	Lottery Governance Board or Commission	Advisory or Authoritative
Arizona	Commission	Advisory/Contractual Authority
Atlantic	Board (Corporation)	Authoritative
British Columbia	Board (Corporation)	Both - depending on the issue
California	Commission	Authoritative
Colorado	Commission	Authoritative
Connecticut	Board (Corporation)	Authoritative
Delaware	Under Department of Finance	
District of Columbia	Under Office of the Chief Financial Officer	
Florida	Commission Abolished 6/30/01	
Georgia	Board (Corporation)	Authoritative
Idaho	Commission	Authoritative
Illinois	Board	Advisory
Indiana	Commission	Advisory
Iowa	Public Enterprise	Authoritative
Kansas	Commission	Both
Kentucky	Board (Corporation)	Authoritative
Loto-Québec	Board (Corporation)	Authoritative
Louisiana	Board (Corporation)	Authoritative
Maine	Commission	Advisory
Maryland	Commission	Advisory
Massachusetts	Commission	Authoritative
Mexico	Board	Authoritative
Michigan	Under Department of Treasury	
Minnesota	Under Governor	
Missouri	Commission	Authoritative
Montana	Commission	Authoritative
Nebraska	Under Department of Revenue	
New Hampshire	Commission	Authoritative
New Jersey	Commission	Advisory
New Mexico	Board	Authoritative
New York	Under Department of Tax and Finance	
North Carolina	Commission	Authoritative
North Dakota	Commission	Advisory
Ohio	Commission	Authoritative
Oklahoma	Board of Trustees	Authoritative
Ontario	Board (Corporation)	Authoritative
Oregon	Board	Authoritative
Pennsylvania	Under Department of Revenue	Authoritative
Puerto Rico	Under Department of Treasury	
Rhode Island	Under Department of Revenue	Authoritative
South Carolina	Commission	Authoritative
South Dakota	Commission	Authoritative
Tennessee	Board (Corporation)	Authoritative
Texas	Commission	Authoritative
Vermont	Commission	Authoritative
Virginia	Board	Both
Virgin Islands	Commission	Authoritative
Washington	Commission	Authoritative
Western Canada	Board (Corporation)	Authoritative
West Virginia	Under Department of Revenue	Authoritative
Wisconsin	Under Department of Revenue	





ARKANSAS Scholarship LOTTERY

Lottery Jurisdiction	Date of First Instant Sale	Date of First On-Line Sale
Arizona	1-Jul-81	1-Oct-84
Atlantic	1-Nov-83	4-Jun-82
British Columbia	4-Nov-83	3-Jun-82
California	3-Oct-85	14-Oct-86
Colorado	24-Jan-83	24-Jan-89
Connecticut (passive)	1-Feb-72	
Connecticut	9-Sep-75	16-Mar-77
Delaware	10-Feb-76	19-Jan-78
District of Columbia	25-Aug-82	22-Aug-83
Florida	12-Jan-88	29-Apr-88
Georgia	29-Jun-93	10-Aug-93
Idaho	19-Jul-89	15-Feb-90
Illinois (passive)	8-Aug-74	
Illinois	21-Oct-75	19-Feb-80
Indiana	13-Oct-89	30-Apr-90
Iowa	22-Aug-85	30-Apr-86
Kansas	12-Nov-87	3-Feb-88
Kentucky	4-Apr-89	16-Oct-89
Loto-Québec	1-Jun-77	1-Jun-78
Louisiana	6-Sep-91	22-Jan-92
Maine (passive)	1-Jun-74	
Maine	27-Jun-75	10-Jun-80
Maryland (passive)	15-May-73	
Maryland	10-Feb-76	29-Jul-76
Mexico (passive)	14-Feb-91	n/a
Massachusetts (passive)	22-Mar-72	
Massachusetts	1-May-74	1-Apr-81
Michigan (passive)	13-Nov-72	
Michigan	7-Oct-75	6-Jun-77
Minnesota	17-Apr-90	14-Aug-90
Missouri	20-Jan-86	1-Oct-86
Montana	24-Jun-87	9-Nov-89
Nebraska	11-Sep-93	21-Jul-94
New Hampshire (passive)	12-Mar-64	
New Hampshire	29-Jan-75	30-Aug-82
New Jersey (passive)	16-Dec-70	
New Jersey	16-Jun-75	22-May-75
New Mexico	27-Apr-96	20-Oct-96
New York (passive)	17-Jun-67	
New York	1-Sep-76	2-Sep-80
North Carolina	30-Mar-06	31-May-06
North Dakota	n/a	25-Mar-04
Ohio (passive)	13-Aug-74	
Ohio	4-Jun-76	3-Dec-79
Oklahoma	12-Oct-05	10-Nov-05
Ontario	1-Mar-84	18-Nov-78
Oregon	25-Apr-85	20-Nov-85
Pennsylvania (passive)	7-Mar-72	
Pennsylvania	27-May-75	1-Mar-77
Puerto Rico	n/a	8-Nov-90
Rhode Island	11-May-76	1-Feb-78
South Carolina	7-Jan-02	7-Mar-02
South Dakota	30-Sep-87	15-Nov-90
Tennessee	20-Jan-04	1-Mar-04
Texas	29-May-92	7-Nov-92
Vermont	14-Feb-78	10-Nov-80
Virginia	20-Sep-88	22-May-89
Virgin Islands	1-Apr-94	n/a
Washington	15-Nov-82	18-Jan-84
Western Canada	13-Jun-81	4-Jun-82
West Virginia	9-Jan-86	25-Nov-86
Wisconsin	14-Sep-88	10-Aug-89



Walter Skelton
13812 Longtree Dr.
Little Rock, Arkansas 72212
September 26, 2011

Personal & Confidential

Mr. Ernie Passailaigue
Director, Arkansas Lottery commission
P O Box 3838
Little Rock, Arkansas 72203

Dear Mr. Passailaigue:

My youngest daughter studied at the Univ. of Georgia, and I learned from her the great good the Georgia lottery has done for their college students. When I first learned of the attempt to establish such a lottery here I was a supporter, and still am. It is something of a commentary on our people that so few actually establish an education fund for their children. Regardless, from the beginning our lottery began to give our students a chance they may not have had otherwise. Your talent and perseverance, along with that of your staff has been outstanding and I wish to congratulate you and them on their signal achievement. At the same time, I feel you are due an apology from the people of this State, who are often swayed more by the superficial than the substantive. As such they are easily led and influenced by those who reflexively hate the idea of a lottery. The politicians hate it because they see all that money coming in and they cannot get their hands on it. The religious hate it because, they just hate it. The yellow dog Democrats hate it because it wasn't their idea, it was Bill Halter's idea, and they can't control it. All of the above see no particular conflict with going over to Mississippi or elsewhere for a little fling with the slots or whatever. They also seem to think it is a waste of taxpayer money, in spite of the fact that it is entirely voluntary, and the ones playing it universally like it.

Unfortunately, you as the original Director, organizer, CEO and successful General Manager, have also become the lightning rod for their discontent. Well, to hell with them! You have done a tremendous job under adverse circumstances. As one supporter of both the lottery and your efforts, I want to apologize for the vicious and unwarranted attacks made upon you by our enlightened electorate, and wish you well. You deserved much better. But as they say, no good deed...

Now that you are leaving, the vultures are circling to see if they can get in on the largess. Every has-been legislator is already bombarding the Board to take advantage of their "government experience", God help us! Please convince Ms. Lambert and the board members to resist the tender entreaties of the various politicians who appointed them, and the other various political wannabees, and choose someone who:

- a) is not and never has been elected to anything,
- b) is competent by objective business standards-a CPA for instance, or recognized business leader,
- c) is not or never has been a lawyer or public employee, and
- d) optional- been in combat, because it is one skill that can really be useful in dealing with the combination of small town Arkansas religious zealots, "educational experts" and political electees or appointees "who just want to do God's work and serve the people of Arkansas."

Mr. Barden of your staff would seem to be the obvious choice, but given the climate, may be considered not native enough. Given the choice, I'd make him an offer he couldn't refuse.

Good luck on your next venture, and don't let the Arkansas experience worry you. Give Julie Baldrige my best. She is the only person in the lottery office that I know, and I am pleased she was named interim director.

Yours,

Walter Skatton