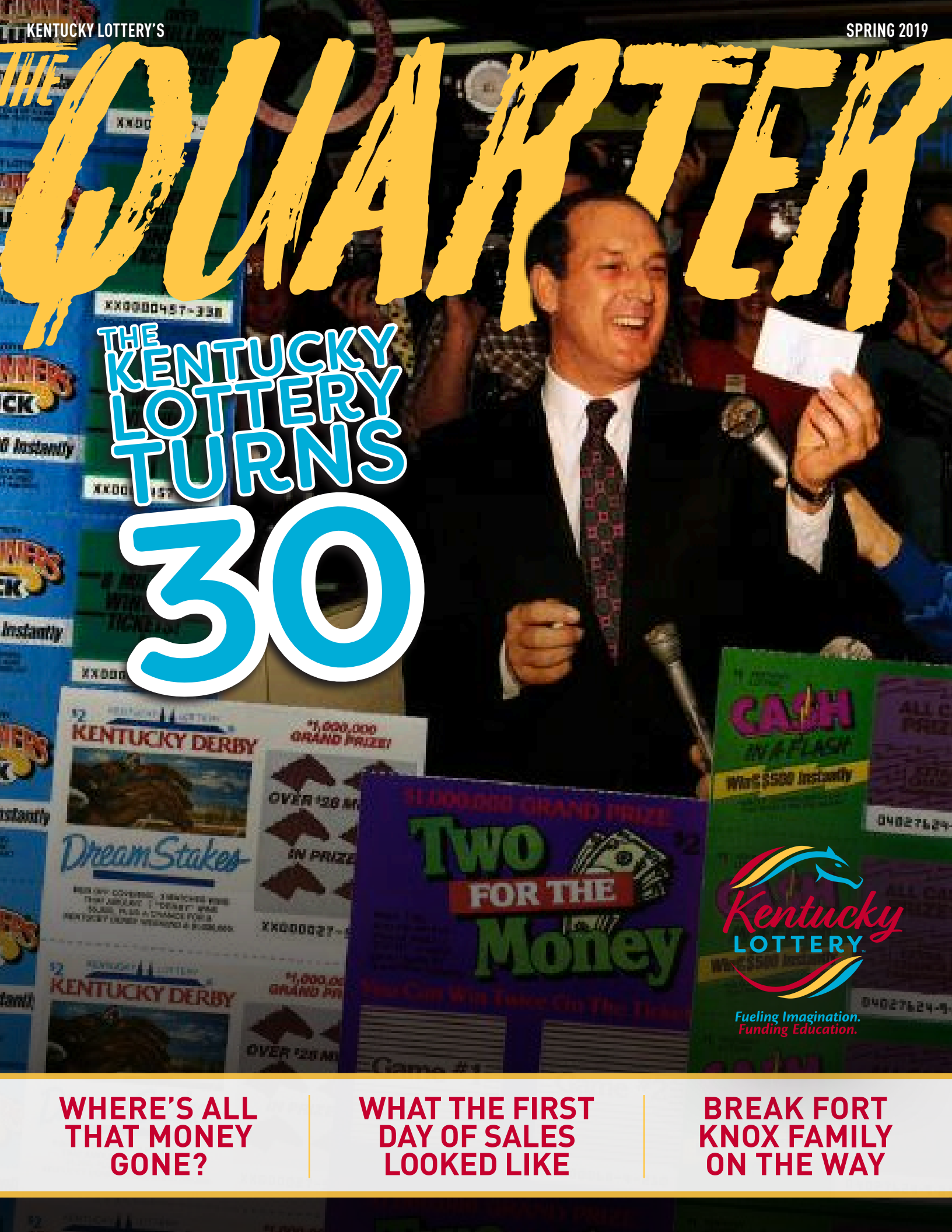


THE QUARTER

THE KENTUCKY LOTTERY TURNS 30



KENTUCKY DERBY
 \$12
 \$1,000,000 GRAND PRIZE!
 OVER \$20 MILLION IN PRIZES
 DreamStakes

TWO FOR THE MONEY
 \$1,000,000 GRAND PRIZE
 \$200,000 GRAND PRIZE

CASH BY FLASH
 Win \$500 Instantly
 Kentucky LOTTERY
 Fueling Imagination. Funding Education.

WHERE'S ALL THAT MONEY GONE?

WHAT THE FIRST DAY OF SALES LOOKED LIKE

BREAK FORT KNOX FAMILY ON THE WAY

THE PRESIDENT'S CORNER

In April 1989, I was living in Dublin, Ohio and working as a district manager for Pfizer Pharmaceuticals. My three daughters ranged in age from an elementary school student to a high school student, and life was good.

If you'd have told me I'd ever work in the lottery industry – let alone be President and CEO of the Kentucky Lottery – well, let's just say I'd have been surprised!

But here I am, and here we are, three decades after that first ticket was sold. We've accomplished some great things, most notably providing \$3.4 billion to the scholarship and grant programs we've funded over the past 20 years – and for all you've done to make that happen, I say "thank you."

While looking back is good, looking forward is critical. And to that end, we're laying the groundwork for another three decades of success and beyond.

Most notably, our first \$30 Scratch-off ticket arrived in your store a few weeks ago. We feel very confident this new price point will be a hit with players. We'll also be building on this new Break Fort Knox ticket with an entire family of games. New draw games are on the way, new ways to market our products in your store are in the pipeline... all with the end goal of driving more customers to your location and increasing your sales and commissions.

One of the easiest ways to make sure your sales stay strong is to keep your Scratch-off ticket dispensers full. Our estimates show close to \$20 million annually is lost simply due to not having tickets out and available when players want them. And I've heard from players over and over – if you're out of stock on a game they want, they'll go elsewhere to buy it. Keep those dispensers full, and keep those commission checks coming your way!

As always, let me know if you have any questions or concerns. You can reach me at Tom@KYLottery.com.

Thank you for your hard work and your ongoing partnership. Together we're making a difference!



Tom Delacenserie
Kentucky Lottery
President and CEO



THREE DECADES OF SERVICE TO THE COMMONWEALTH

On an early morning in Louisville on April 4th 1989, then-Governor Wallace Wilkinson stepped in front of a huge wall of cameras and microphones at the Thornton's gas station on Preston Highway in Louisville. He walked to the cash register, handed over \$3, and bought the first two tickets sold for the brand-new Kentucky Lottery.

Neither of the two tickets Wilkinson bought that morning turned out to be winners. However, after \$20 billion in sales during the past 30 years, Kentucky Lottery players have received over \$12 billion in prizes – and our retail partners have made \$1.25 billion in profits.

"Thanks to our incredible network of retailers and the confidence the people of Kentucky have shown in our games, we've been able to achieve significant growth and support a variety of programs in the Commonwealth over the past three decades," said KLC's President and CEO Tom Delacenserie. "We know Kentucky's most deserving students are counting on us, and our mission of 'fueling imagination and funding education' is more important than ever."

More than 3,100 Kentucky Lottery retailers have shared in the \$1.25 billion in profits. Lottery products not only provide a source of income through commissions and bonuses, they also help drive people into stores to buy tickets.

For nearly two decades, Lottery proceeds have been dedicated to college scholarship and grant programs. They're administered by the Kentucky Higher Education Assistance Authority, or KHEAA.

"Providing Kentucky families with the necessary education and training to compete in today's global economy is the best investment the Commonwealth can make for the future," said Gene Hutchins, KHEAA executive director. "The Kentucky Lottery continues to be a critical partner in providing the needed resources to fulfill that commitment."



Modern-day Lottery sales in Kentucky launched on April 4, 1989 with two tickets - the \$1 Beginner's Luck and the \$2 Derby Dreamstakes.



“WHERE’S ALL THAT MONEY GO, ANYWAY?”

Everyone from retailers to elected officials will tell you this is one of the questions they used to hear most frequently from players. So of the more than \$5.3 billion you’ve helped earn for the Commonwealth since 1989, where’s it gone?

COLLEGE SCHOLARSHIP AND GRANT PROGRAMS

The largest chunk of proceeds – around \$3.4 billion – have gone to fund programs to help Kentucky students stay home to attend college. Lottery proceeds began shifting to college scholarship and grant programs in 1999.

To put this in perspective, from every dollar of non-loan college student financial aid awarded in Kentucky, 95 cents of it comes straight from Kentucky Lottery proceeds.

These proceeds have funded every dime of the popular KEES scholarship ever awarded. Our proceeds are also dedicated to the need-based College Access Program and Kentucky Tuition Grants.

In addition, through executive order of Governor Bevin, we also fund the Work Ready Scholarship Program. This enables any Kentuckian to return to school to get a degree or certificate in a high-demand field. Also funded is the Dual Credit Program, where high school students complete college classes for credit before they graduate. In many cases, students have already completed more than half their first semester of college before they ever step foot on campus.

Learn more at kylottery.com/wherethemoneygoes.



GENERAL FUND

From 1989 through 1999, the General Assembly sent lottery proceeds to the General Fund. This is the funding used to run our state, and the largest single expenditure from the General Fund is for primary and secondary education (K-12).

SEEK SCHOOL FUNDING

For two of those years (1993-1994) \$214 million of this General Fund money went to the SEEK program. This stands for Supporting Excellence in Education in Kentucky, and is a school funded program established by KERA to provide money to support elementary and secondary education in the state.

LITERACY DEVELOPMENT

From 2000 to 2018, the Collaborative Center for Literacy Development at UK received the first \$3 million each year in lottery proceeds. A total of \$54 million went to this program during that timeframe. The program works to promote reading skills among both children and adults across the Commonwealth.



AFFORDABLE HOUSING TRUST FUND

From 1999 to 2003, unclaimed lottery prizes were directed by law to this program. The Affordable Housing Trust received \$21 million in unclaimed prizes, used to help build nearly 2,770 housing units for low-income Kentuckians in all 120 counties.

VETERANS BONUSES

For the Lottery’s first three years (1989 to 1991), the General Assembly used proceeds to fund \$32 million in recognition bonuses to Kentucky veterans of the Vietnam War.



WHY DON’T MORE PEOPLE KNOW ABOUT THIS?

According to Lottery research, about 60% of Kentuckians don’t feel like they get enough information on where our proceeds are spent. One of the main culprits for this is the fact that for 25 years it was literally against the law for us to publicize these programs.

When the Lottery was established in 1989, there was a beneficiary advertising restriction in the state law which laid out how the Kentucky Lottery was to be operated. It said that no programs which benefitted from Kentucky Lottery proceeds could be mentioned in any advertisement. Kentucky was the only state in America that had or ever has had such a restriction. Finally, in the 2014 state budget bill, the restriction was overturned. Shortly after that was when our “Fueling Imagination, Funding Education” tagline was launched, and we continue to do beneficiary awareness in order to let people know the impact of your great work!

HOW HAVE WE PROGRESSED OVER 30 YEARS?

One of the best ways to see how the Kentucky Lottery has evolved over the past three decades is to look back over annual reports. The documents show how the company evolved through each year, and milestones reached along the way. Here are some highlights:

1990 – “The Kentucky Lottery is the envy of other states. By the time we sold our first ticket, just five months after drafting and passing enabling legislation, it was obvious we had a winner. Kentuckians are showing that we did indeed want the lottery.” —Governor Wallace Wilkinson



▲ 1991 – “Since the KY Lottery began, many Kentuckians said they wanted mega-jackpots. In January 1991, the KY Lottery provided the people of Kentucky with one of America’s biggest jackpot games – Lotto America. Although the prize pool is shared by 16 states, all the profits from Lotto America tickets sold in Kentucky stay in Kentucky. The game has already produced jackpots as high as \$39,000,000 in its first six months.” *Lotto America would undergo a name change to Powerball in 1992.*

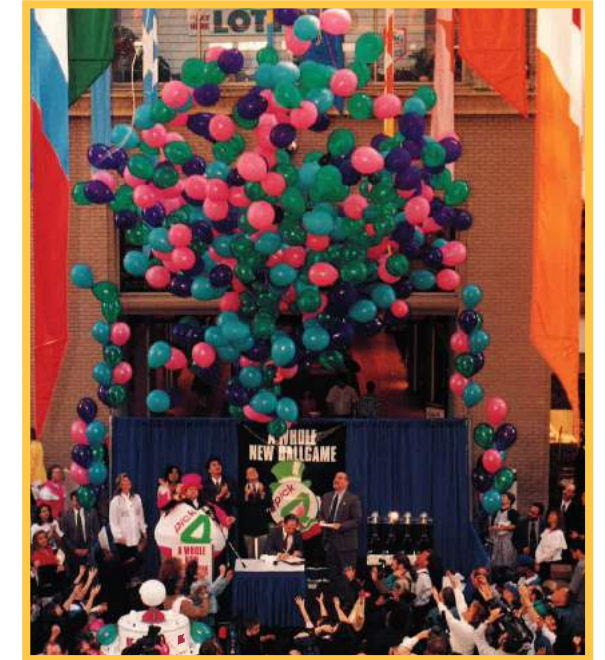
◀ 1992 – “The KY Lottery’s family of Instant Scratch-off games reached new heights in FY92. As many as 12 games were on sale at any time.” *The KY Lottery now has up to 40 Scratch-off tickets in the marketplace at a time.*

1993 – “The Kentucky Lottery’s main computer made 270,400,000 transactions last year, including generating on-line game tickets and validating all winning tickets.” *The KY Lottery’s computer system performed 726,293,001 transactions in 2018.*

▶ 1994 – “Among record-breaking landmarks, the Kentucky Lottery celebrated its fifth anniversary by launching a new game – Pick 4. Sales of this game were \$4.7 million for the year.” *Pick 4 sales in FY18 were \$43.5 million.*

1995 – “Since 1989, the Kentucky Lottery has paid its retailers nearly \$150 million – money that’s been reinvested in Kentucky communities and businesses, creating jobs and other economic development.” *Lottery retailers have now been paid \$1.255 billion since 1989.*

1996 – “The Kentucky Lottery has a new slogan – Somebody’s gonna win. Might as well be you.”



1997 – “The Lottery has introduced a new 24 hour a day, 7 days a week automated winning numbers hotline. We also have a new Homepage on the World Wide Web at www.kylottery.com where players can obtain winning numbers and other important information.” *The website received 2 million visits in its first year. The site now receives more than 27 million visits annually.*

1998 – “Fiscal Year 1998 will be remembered as another landmark year for the Kentucky Lottery Corporation. We surpassed \$1 billion paid to the state treasury.” *The KY Lottery has now generated more than \$5.327 billion for the Commonwealth.*

1999 – “In 1989, the Revenue Cabinet projected the Kentucky Lottery would generate an average of \$60 million to \$80 million per year for the Commonwealth. However, in the last 10 years, the lottery has averaged over \$110 million for the state.” *In FY18, the Lottery generated \$262.8 million for the Commonwealth.*

2000 – “Research confirms lottery players typically spend more in their shopping baskets than non-lottery players. And that means even more money plopping into the cash registers of Kentucky Lottery retailers.” *A 2018 survey showed Lottery players spent 70% more on in-store purchases than non-lottery players.*

2001 – “Players can now enter second chance drawings on select Scratch-off tickets through the Kentucky Lottery’s Internet website, as the KLC became one of the nation’s first lotteries to offer Internet promotions.” *Players submitted 444,104 tickets via the KLC’s website last year.*

2002 – “The KY Lottery provided more than \$3.7 million to the KY Housing Corporation’s Affordable Housing Trust Fund. Over the past four years, the General Assembly has used nearly \$18 million in unclaimed prize money to build over 5,000 units of safe housing for needy citizens in all 120 Kentucky counties”. *Unclaimed prizes stopped going to this program in 2004, and now go to a reserve program for the KEES scholarship.*

2003 – “In December, the Powerball jackpot reached \$315 million, the largest jackpot in Powerball history and the third-largest ever offered in the world.” *This would later be dwarfed by the \$1.586 Powerball jackpot of January 2016, a new world record.*

2004 – “The KLC led the nation in pull-tab sales during FY04. Sales of this product were \$28.7 million, more than any other US state lottery.” *Pull-tab sales eventually waned, and were discontinued in 2010.*

2005 – “The March 30, 2005 Powerball drawing saw four KY Lottery players win the game’s second prize of \$100,000. Statistically, there should have been four winners of this prize across the entire US – instead there were 110. The New York Times investigated the anomaly, and found the numbers had been printed in a fortune cookie.” *The second prize in the Powerball game is now \$1 million.*

2006 – “Scratch-off tickets broke through a record-breaking barrier in FY06 as sales topped the \$400 million mark for the first time. This product category has experienced growth of more than 66% since FY99.” *Scratch-off sales last year were \$613.1 million, and have grown 120.7% between 1999 and 2018.*

2007 – “The KLC launched the first mega-game Scratch-off ticket, ‘\$75,000,000 Cash Blowout’ with the largest amount of prizes ever in a Kentucky Scratch-off game. More than 5 million of the tickets were printed.” *The current “100X The Cash” Scratch-off ticket offers \$100 million in prizes.*



◀ **2008** – “A group of 22 employees from Nukote International, a printing firm in Bardstown, won a \$61.5 million Powerball jackpot. This is the largest office pool jackpot ever won in Kentucky.” *This record still stands.*

▶ **2009** – “As part of the lottery’s 20th anniversary, KLC staff hit the road with 10 promotional stops in the state’s largest media markets. KLC Sales Representative Ann Damron feeds cake to one of the more interesting attendees!” *Ann Damron now serves as the KLC’s Lexington Regional Manager.*



2010 – “Rob and Tuesday Anderson, a couple from Georgetown Kentucky, claimed the largest single lottery jackpot in Kentucky history on January 6th. Their winning ticket for the \$128.6 million jackpot was produced by mistake after Rob asked for three individual tickets and the retailer printed all three lines on one ticket.” *This still stands as the largest lottery jackpot winner ever sold in Kentucky.*

2011 – “We hope the upcoming conversion of Powerball to a \$2 game will grow jackpots to the levels our players enjoy.” *This \$2 conversion helped enable a world record – see the 2016 entry!*

2012 – “More than 95% of all non-loan student financial aid awarded in Kentucky comes straight from the sale of Kentucky Lottery tickets.” *This impressive number still stands.*

▶ **2013** – “Four KY Lottery players won the chance to play “The Las Vegas Game Show Experience” after winning on a Scratch-off ticket by the same name. The event included elements of many favorite game shows, including The Price Is Right, Family Feud and Let’s Make A Deal.”



◀ **2014** – “Keno, a fast-paced draw game popular in social settings, was launched in KY in FY14. Sales of the \$1 game began November 4th in almost 400 retail establishments across the Commonwealth.” *Keno is now sold in over 3000 locations, as well as through the KLC’s website.*

2015 – “Our work is cut out for us in FY16, and we’ll do our very best to succeed. We know you’re counting on us.” *The final sentence of Arch Gleason’s annual report letter. Arch passed away just before the end of FY16.*

▼ **2016** – “A single Powerball jackpot in January 2016 reached \$1,586,400,000, shattering the world record for the largest jackpot in history.” *This record still stands.*

2017 – “The KLC broke the one billion dollars in sales level for the first time in its 28-year history, becoming one of only 19 lotteries in the United States to surpass this mark.” *The KLC remains a billion dollar lottery.*

▼ **2018** – “The lottery introduced Gemini touchscreen vending machines in FY18. The front of the device features a 42-inch touchscreen monitor which displays 28 Scratch-off games and all draw games for sale. More than 200 of these devices will be placed in FY18.” *There are now more than 465 Geminis in use across the state.*



WHAT IT WAS LIKE BEING A RETAILER ON APRIL 4, 1989

CHARLIE MARTHA

C & T Market (#18655), Harrodsburg

"That first day was really cool and exciting. People were going crazy. There was tremendous excitement. The technology has really improved over the last 30 years. We used to have to hand-stamp every Scratch-off ticket when we sold one."



TOM HODGE

Convenient 40 (#98064), Shelbyville

"Not only did we have to hand-stamp each ticket to show where it was sold, tickets could only be cashed at the store they were sold. To be honest, in the beginning, I thought the lottery was a nuisance. Now, it's truly an integral part of our business. While the other things like cigarettes and sodas have become less important, the lottery has become more important."

JOE COLLETT

Collett's Carryout (#18267), Florence

"The main thing I remember about that first day is how people were so excited about not having to drive to Ohio to buy their lottery tickets. The delivery of lottery tickets is a whole lot quicker than it was in those first few years. There were times I'd have to go to the regional office to pick them up."



SUZANNE KEMPLIN

Ft. Thomas Carryout (#18960), Ft. Thomas

"That first day was really scary. People were needing help with learning how to play, and we were right there with them at the same time trying to figure it out. We started out just selling Scratch-off tickets, and by the time we decided to sell the first draw game (Lotto Kentucky) there was a waiting list to get the equipment because so many people had signed up."



TONY MELLO

Salings Grocery & Bait Shop (24513), Mammoth Cave

"When I started selling lottery tickets, there were only three stores that sold it in the county. People were saying it was the most evil thing the state could do. I wasn't worried about my local church-going folks being upset with me. I really wasn't worried when I saw sales were good."

DON CUBERT

Cubert's Qwik Stop (#19414), Shelbyville

"That first day was very busy. People were standing in line buying lots of tickets. It was a big deal when they came to put all the Lottery equipment in our store. The ease of selling and cashing tickets has improved. We used to have to hole punch every ticket we cashed. It amazes me that we sell a \$25 Scratch-off game, when we started out with a one-dollar ticket. The number of tickets has also increased, where we only sold two games on the first day."

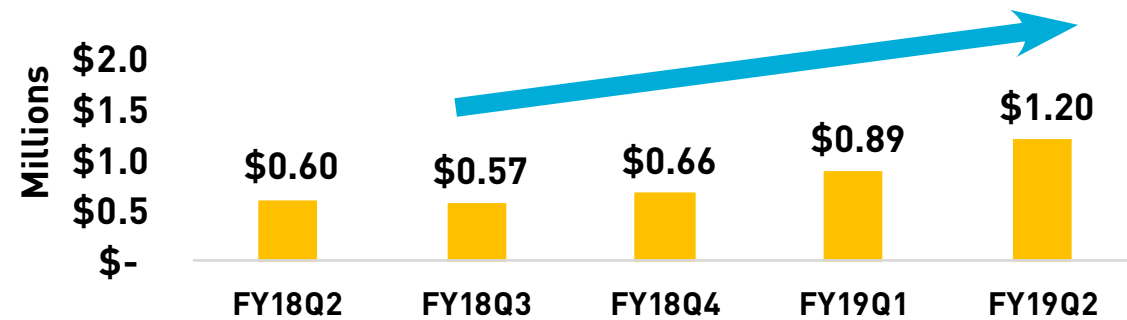


RETAILER SCRATCH-OFF INCENTIVES

HOW CAN I EARN MORE \$\$ FOR MY STORE?

The success of the Kentucky Lottery's New Retailer Incentive Plan has resulted in higher incentive payouts for retailers. Scratch-off Incentives in FY19Q2 increased by nearly 35% from FY19Q1 and increased a whopping **99.5%** over FY18Q2, topping \$1.2 million dollars!

SCRATCH-OFF RETAILER INCENTIVES - QUARTERLY TREND



With the new **Excellence in Execution** and **Best of the Best** Incentive opportunities, there are now 3 different ways to earn big bucks as a lottery retailer! Here's a quick recap:

SECTION 1 - BASED ON SALES GROWTH

Retailers must have had sales all of the previous fiscal year and meet or exceed sales goal for the quarter.

WEEKLY AVERAGE	BONUS EARNED
<\$1,500/week	Does not Qualify
\$1,500 - \$2,999	Flat \$50
\$3,000 - \$4,499	0.25%
\$4,500 - \$6,499	0.40%
\$6,500 - \$8,999	0.50%
\$9,000 - \$11,999	0.60%
\$12,000 or more	0.70%
\$25,000 - \$29,999	0.80%
\$30,000 and more	0.90%

SECTION 2 - EXCELLENCE IN EXECUTION

Retailers must be active all 13 weeks of the associated quarter to qualify for this section of the plan. Retailers can earn an incentive by achieving the below success markers each quarter:

- Activating all new games by **Wednesday** of launch week
- Minimum of 24 facings at retail including at least 8 games at the counter (meaning if a retailer has a vending machine they must carry at least 8 additional games at the counter)
- 10% or less Out of Stock based on conditions upon LSR arrival at the store and system reports
- Compliance with the exact game Plan O Gram program
- Placement of at least one semi-permanent Scratch-off Game Specific Point of Sale Item

WEEKLY AVERAGE	BONUS EARNED
<\$1,500/week	Does not Qualify
\$1,500 - \$2,999	\$50
\$3,000 - \$4,499	\$150
\$4,500 - \$6,499	\$300
\$6,500 - \$8,999	\$750
\$9,000 - \$11,999	\$1,000
\$12,000 or more	\$1,500
\$25,000 - \$29,999	\$2,000
\$30,000 and more	\$2,500

SECTION 3 - BEST OF THE BEST

Retailers can earn an incentive by carrying at least 24 games at the counter and 24 games in a vending machine. Retailers must exceed \$4,500 per week in Scratch Off sales and have sales and qualifying game facings all 13 weeks of the associated quarter to qualify for this section of the plan.

WEEKLY AVERAGE	BONUS EARNED
<\$4,500/week	Does not Qualify
\$4,500 - \$6,499	\$100
\$6,500 - \$8,999	\$250
\$9,000 - \$11,999	\$500
\$12,000 or more	\$1,000
\$25,000 - \$29,999	\$1,500
\$30,000 and more	\$2,000

MARKETING EFFORTS CONTINUE TO PROMOTE NEW BRANDING

Look for our new logo in station partnerships statewide. We'll also be promoting the new brand and celebrating our 30th anniversary at surprise and delight events all over Kentucky this spring and summer.

BIG MONEY MONDAY FOR APRIL

The spotlight ticket will be the \$10 Bluegrass Blowout, and all the in-store POS for placement will be focused on this launch. You should already see the materials as Reps have been placing and pre-selling during the month of March.



MORE BIG MONEY MONDAYS COMING!

May 6 and June 17 are the scheduled marketing launch dates to help us finish the fiscal year strong! Both launches will be supported with game specific POS and TV, Radio and digital campaigns that will drive players to your stores!

FY 2020 is on the horizon. We plan to have "perfect vision" and we can't wait to share it with you!

RETAILER HOTLINE UPDATE

Be sure to listen carefully when calling the retailer hotline. The prompts have changed!

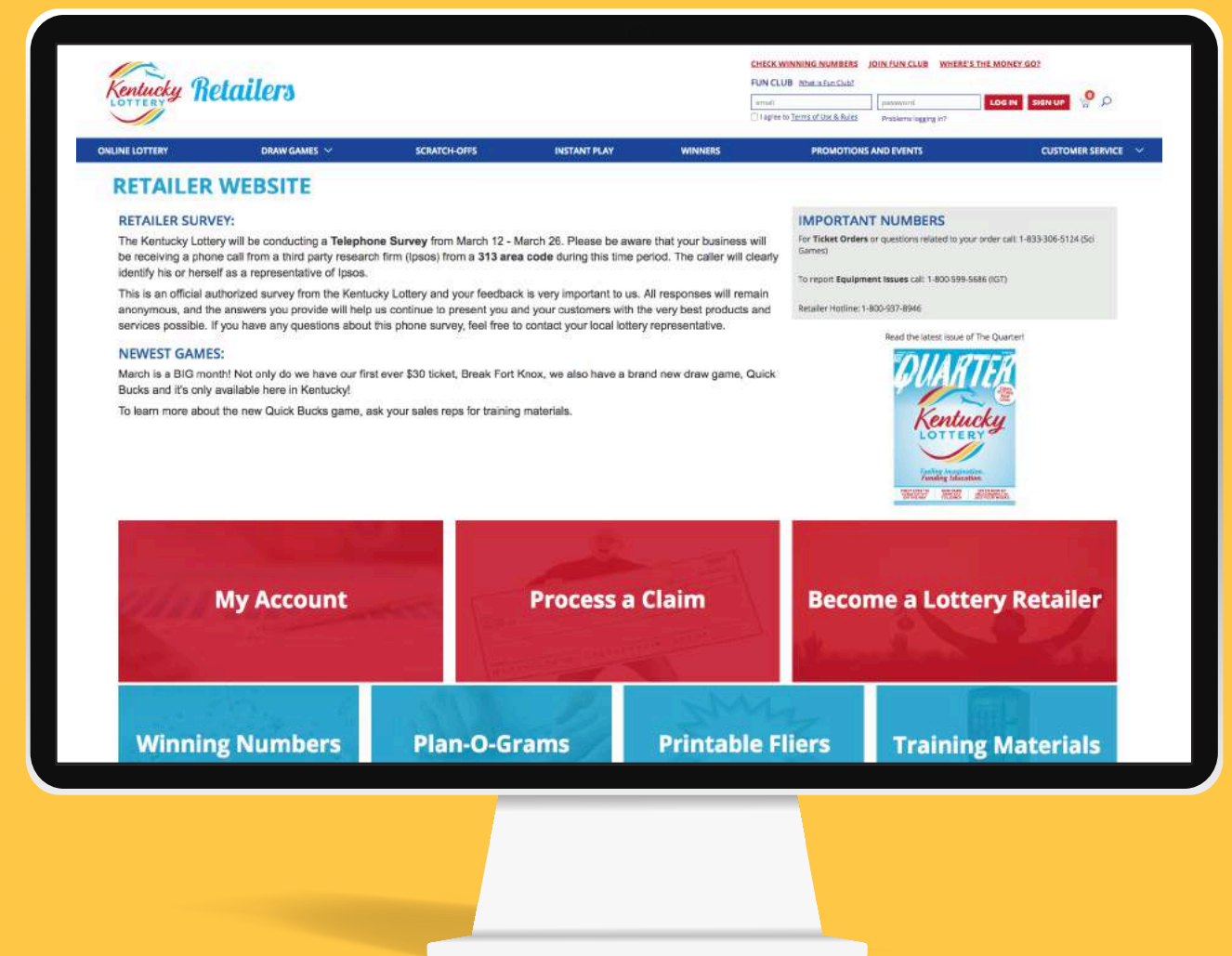
Also remember these important numbers:

- To place a ticket order, call 1-833-306-5124.
- For equipment issues or to order play slips and paper, call 1-800-599-5686.

RETAILER WEBSITE NEW LOOK

Be sure to check out our newly-updated retailer website! Need to check your account, process a claim or print a winner flier? We've got you covered. The new site is more accessible and provides you with the tools you need to run your business successfully.

Visit kylottery.com/retailers today, and once you check it out let us know what you think by emailing marketing@kylottery.com.



NEW GAMES ON THE WAY

NEW \$5 GAMES COMING THIS SPRING

We all know that \$5 games are the “sweet spot” for most of our players, making this the largest market share of all price points. Five-dollar games have exceeded quota for most of the year so to ensure this trend continues, we have several very strong \$5 games planned for the remainder of the year, including:

- **SPICY HOT CROSSWORD** offers a \$50,000 top prize and over \$18.9 million in cash prizes.
- **FAT WALLET** offers a \$60,000 top prize and over \$20.1 million in cash prizes.
- **\$500 FRENZY** offers a \$45,000 top prize and over \$4.9 million in \$500 prizes.



NEW \$20 GAME SET TO LAUNCH ON MAY 3RD!

KENTUCKY MILLIONS, our newest \$20 game, hits the street just in time for Kentucky Derby fans traveling to the Bluegrass state with the hopes of winning big. This game is sure to be a crowd pleaser with over **\$100 MILLION** in cash prizes, including **six top prizes of \$1 Million!** It's loaded with play value including **\$25, \$50, \$100 and \$200 Bonus Plays**, and offers over **596,000 winners from \$50 to \$10,000!**

Winners of the top prize will have the option of receiving \$50,000 a year for 20 years or a lump sum cash payment of \$758,000 less minimum required taxes. Those six lucky retailers who sell the \$1 Million winning tickets will each receive a 1% selling bonus of \$7,580!



BREAK FORT KNOX FAMILY

Following the phenomenal success of the \$30 BREAK FORT KNOX game, in June we'll introduce the much-anticipated **BREAK FORT KNOX family**, giving everyone the chance to now play this popular game at whatever price points best fit their budget.

\$1 – BREAK FORT KNOX offers over \$8 Million in cash prizes and 15 top prizes of \$5,000!

\$2 – BREAK FORT KNOX offers over \$9.3 Million in cash prizes and 9 top prizes of \$15,000!

\$5 – BREAK FORT KNOX offers over \$27.9 Million in cash prizes, with 8 top prizes of \$75,000 and over 60,500 prizes between \$50 and \$5,000!

\$10 – BREAK FORT KNOX offers over \$43.6 Million in cash prizes, with 8 top prizes of \$250,000 and over 99,900 prizes between \$50 and \$5,000!

With an entire family of games for players to choose from, now everyone can “treat” or “indulge” themselves by putting a little BFK in everyone’s day!





RETAILER SPOTLIGHT DIXIE FOOD MART, LOUISVILLE

SONIA BEN PATEL / VISHAL PATEL

A decade ago, the husband and wife team of Sonia Ben and Vishal Patel opened Dixie Food Mart in Louisville's Shively community. Lots of hard work, a dedication to customer service and a willingness to try new things have made them a great Lottery retailer. Here are what they say are some of the keys to their success:

Keep the lottery as a key part of your business plan:

"I always say the lottery is a great way to make money without having to make an investment. Service doesn't cost us anything, and service is what keeps bringing people in. And that makes us money."

Go out of your way to provide excellent customer service:

"Our customers look to the two of us for excellent service. If we're out of the store for a couple days, they want to know where we are and when we're coming back. 90% of our customers know us by name. Our job is to take care of people, because that's what brings them in. We're a convenience store - we have no other way to bring people in besides great customer service."

Keep dispensers full:

"We make sure to keep our dispensers full and to keep the area clean. And people know us for punching in their numbers to the terminal. A lot of places won't do that, but we don't mind. We'll punch in your numbers for you. We want to make sure when a customer leaves, they're happy."

"If dispensers are empty, players don't have the option to buy that ticket. And that's a lost sale, probably to another store. People like choices, and we make sure they have options. I don't want to lose that customer. And if someone goes to another store and wins, they can be superstitious and want to buy their tickets there from then on."

Have cash available for winners:

"If I can't cash a ticket for someone, I can't get that commission. It takes a drop at a time to fill a bucket - why refuse someone when you have that cash in a drawer? If someone has a \$600 winner, that's a \$6 commission I lose if I don't cash it. That can buy my lunch!"



DON'T LOSE YOUR LICENSE OVER ILLEGAL MACHINES

Throughout history, illegal gambling has been a crime of opportunity. Unfortunately, today's prospects for organized, illegal gambling are often through illegal gambling devices commonly referred to as "grey machines" placed in retail locations.

As the Kentucky Lottery's Security Division has continued to remind licensed retailers throughout our storied 30-year history, we along with local law enforcement remain vigilant with the prosecution of retailers who are convicted of violating misdemeanor and/or felony gambling offenses. A retailer's license may be suspended or terminated if it "sells products, services, or entertainment that constitutes products or services deceptively similar to or in competition with the KLC's products or services." Electronic gaming machines fit this criteria.

State law clearly provides for the "effective operation of lottery games which insure the integrity of the lottery," and, therefore, the Kentucky Lottery cannot and will not continue to do business with retailers convicted of illegal gambling activity.

If you have any questions regarding illegal gambling machines, we recommend that you seek legal advice.



WINNERS WINNERS EVERYWHERE!



JESSICA EWEN OF GEORGETOWN, KY
\$1,000,000 MILLIONAIRE JUMBO BUCKS
WON: DECEMBER 23, 2018

Jessica, 34, celebrates Christmas with her three siblings and a cousin each year - but she never expected to become a millionaire as a result! "We all pitch in money for Scratch-offs," Jessica said. "I put together a saran wrap ball with Scratch-off tickets and other items. It's just a lot of fun and laughs!" Jessica ended up with a \$25 Millionaire Jumbo Bucks ticket from the game.

When asked if she scratched the ticket off with her siblings, Jessica responded, "Some were there but I had to keep myself calm though to get through the rest of the holidays! As soon as I saw I won, I signed it and hid it!"

Jessica said winning a million dollars isn't the only shock she's had recently. "We just found out we are expecting our 5th child. We'll be using this money to purchase a bigger house because we're busting at the seams," said Jessica. She and her husband also plan to start college funds for all the children. "These are things I didn't think we'd ever be able to do," Jessica said. "I'm just so grateful."

Jessica purchased her winning Millionaire Jumbo Bucks ticket at Falls Creek BP in Georgetown. The retailer received \$7,800 for selling the winning ticket.



RAMONA HENRY OF LOUISVILLE, KY
\$125,000 \$10,000,000 CASH EXPLOSION
WON: JANUARY 7, 2019

While scratching off the \$10 ticket, Ramona revealed a "money bag" symbol, indicating she'd won the prize in that spot automatically. And what a spot it was - she'd just won the game's top prize of \$125,000.

"I think it's amazing! I thank God for this," she told lottery officials.

Ramona plans to pay off her mortgage and bills.

Here are just a few of our other recent winners!

Ashley Turner



Chris Witham



Della Stamper



TWO LOUISVILLE MEN SPLIT LUCKY FOR LIFE 2ND PRIZE
WON: JANUARY 3, 2019

Two Louisville men felt lucky after winning \$25,000 a year for life on the Lucky For Life game.

One of them has always had a tradition of eating corned beef, cabbage and black-eyed peas on New Year's Day with hopes of luck in the new year. "We needed all the luck we could get."

The two men are neighbors and do everything together, so when one realized he didn't have any black-eyed peas at home he called the other to go to the Kroger on Mud Lane in Louisville to get some. Kroger was out of black-eyed peas, but the pair bought Lucky for Life tickets while there. The two men have been playing the same set of numbers for about six years and were chosen based on their grandchildren's birthdays.

Days later, one of their wives heard on the news where someone had bought a winning ticket at the Kroger on Mud Lane. "Since we play our own numbers, she'd recognized them," one said.

"He never calls me three times in a row unless it's an emergency," he continued. "I answered the phone and asked, 'Who's going to the emergency room?'. He told me nobody, but to just get over there."

"This is going to be a new tradition from now on."

Jason Hagan



Kenneth Oliver



Lisbeth Murat Alvarez



Page Hamrick



Raymond Hinkle



William Smither



REGIONAL SPOTLIGHT

LOUISVILLE SPOTLIGHT

Over the last quarter the Louisville region has focused on inventory, space, and awareness at retail. We're informing retailers on the sales dollars missed by persistent out of stocks. The vast majority of our committed retail partners have taken this into perspective and given the Gemini machines the attention they warrant (through taping books and devoting more manpower to filling machines). Our focus on this initiative has been a win for both the KLC and the retailers - the Louisville region surpassed its quota for the quarter, which equates to increased scholarship dollars for students.

Swift activation of new games has also been the highlight for Louisville. As a region we have focused on increasing retailer allocations when new games are released. This method ensures you have these games available during the most critical time in their product life cycle. Research has proven that retailers who activate new games within the first three days of their release have increased their sales!

Top 3 retailers in the Louisville Region, scratch sales percentage increase Q2 FY19 vs. Q2 FY18

#1 MURPHY USA #6640
311.5%

#2 CASH SAVER
278.8%

#3 LIQUOR BARRELL
228.4%



Store Manager Lenny, Nokia and Alice at Circle K #3331 Shelbyville does an awesome job following their plan-o-gram, and always keeps their bins full.



Jelly (left) and Jamie of Sav-A-Step in Louisville are pictured showing off their eight holiday games. They decorated theirs in garland and lights and included holiday envelopes.



Z and Rose at the Corner Market in Louisville always make sure to keep the bins full. The store's scratch-off sales have increased 14%.



Owner Saleh Mused at the St. Matthews Mini Mart in Louisville has seen his store's 13-week average increase 15% on Scratch-off tickets over last year. He added a second vending machine in his Lottery area, he put in an extra tower during Christmas.



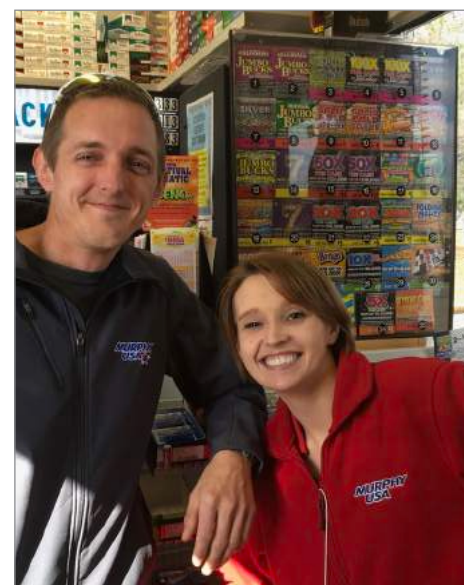
Shea and Megan at Kroger L-360 in Louisville are doing a great job! Overall sales are up 17% and Scratch-offs are up 31%, making them #1 in sales for Kroger in the south division.



Store Manager Crystal at Fastlane Tobacco 319 in Shelbyville has increased counter dispensers in the store to 24 facings plus Gigantix. Their Scratch-off sales are up over 100%.



Charlie and Perry have reduced the out of stocks at Jay Food Mart in Louisville from the mid-20's down to 1.94%.



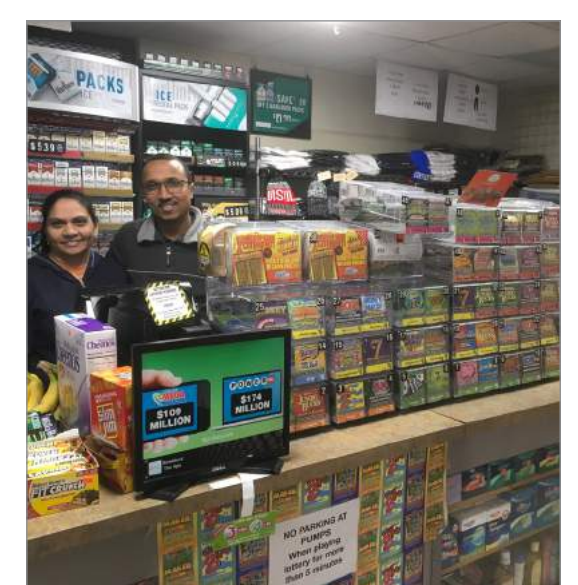
Phil and Amanda have built sales at Murphy USA in Louisville #7157, ranking them as the 4th bestselling Murphy's in KY.



Chris Patel at Dongar Food Mart in Louisville placed a Gemini in his store in addition to his 46 dispensers. His goal was to maximize sales, and in less than a month he has seen a 6% increase in Scratch-off.



Sohaib at Speedy Mart in Louisville added a tower to support new game launches and boost scratch off sales - and has seen a 106% increase in his Scratch-off sales.



Owners Mark and Shilpa Patel from Third Street Gas Station in Louisville is unique, catering towards the community they serve. They have a diverse customer base made up of players of many different ethnic backgrounds due to the surrounding area.

BLUEGRASS SPOTLIGHT

The Bluegrass Region is on a roll! Scratch-off sales are up \$7,712,124 (7.9%) over the same time last year. How are we doing it? We're focusing on three crucial elements in the sales of KY Lottery products:

INVENTORY, SPACE, AND AWARENESS:

INVENTORY- We're avoiding out-of-stocks by taping packs of tickets together in the vending machines, following planogram, and keeping plenty of backstock to ensure that supply meets the demand of our lottery customers!

SPACE- Lottery dispensers should be placed on front counter, vending machines should be placed between the front counter and the front door, and playcenters should be in a location visible from the front door or counter.

AWARENESS- Current jackpots should be posted at EVERY retail location. Game-specific POS should be visible from curb to counter. Radio and TV commercials are driving customers to your stores for the newest games and customers want to make sure YOU have them to sell!

The LSRs have been re-branding your playcenters, playslips, and signage with colorful and eye-catching POS displaying our new logo! Be sure to ask your LSR for ideas on increasing sales in your store. Our LSRs have many useful tips that will help you grow your sales and your profits!



Vandy Van Der Molen with Redi Mart #10 of Lexington is excited about being up 117% for the year and 232% over last year in \$20 tickets.

Top 3 retailers in Bluegrass Region, scratch sale percentage increase Q2 FY19 vs. Q2 FY18

#1 ALL STAR
347.9%

#2 TOM & JERRY'S
347.1%

#3 PRINCE CARRYOUT
292.4%



THE QUARTER: BEST PHOTO

Congratulations to Sharon Francis, winner of the best photo contest for her shot from Winchester!

Montu of Gasoline Alley in Winchester is with a previous winner (Aron Tyler) of Millionaire Jumbo Bucks, who now loves 100 X The Cash!



Manager Paula Melford has worked at Smoker Friendly in Owenton for four years, two years as manager. She pays very close attention to our planogram and is always looking for opportunities to maximize lottery sales.



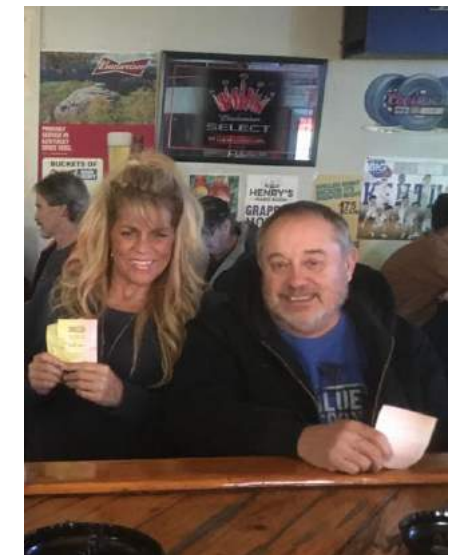
Front End Customer Service Manager Danielle Hughes at Kroger C-454 in Union shows a co-worker how to monitor the Gemini for out of stocks and how to load and feed tickets.



Kenny Patel with Chills Quick Mart in Danville wasted no time in putting a holiday game tower in a prime location on the counter. As an added incentive, Kenny was excited to run a second chance Santa's goody bag promotion.



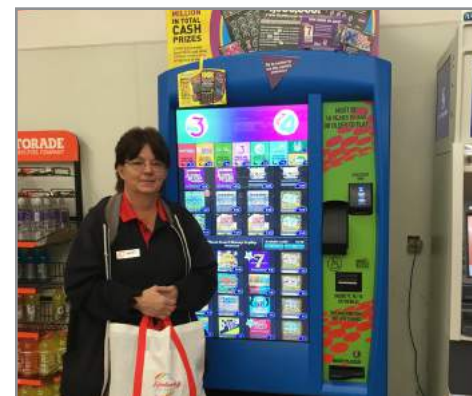
Amber at Kroger L-361 in Lexington, has been working hard with all the staff to get out of stocks down in their store.



Diamond Debbie's bar in Newport loves their Keno. Players cheer when others win, creating an awesome atmosphere. The bartenders say this place would be boring without their Keno players!



Andy Patel of Marathon Express in Taylor Mill has a "Winner/Second Chance Drawing" area in his store. He displays winning tickets and info, and has a second chance drawing barrel.



Store Manager Margie Stacey of Speedway #9663 in Erlanger receives a lottery goody bag for cutting her Gemini out of stocks nearly in half!



Neal Patel and Mark Latham of Eastway Market in Somerset show off their lottery display. By following their planogram, and the ease of automatic ordering, they've seen a steady increase in sales.



Eddie White at Dairy Mart #148 in Lexington has been selling games since day one. He fills the Gemini every day and just received his largest Excellence in Execution bonus ever!



Jennifer, Teri and Wanda received the incentive check for Butler Shell's in Butler. These great clerks make sure the lottery dispensers are always full and the Gemini machine is always stocked with tickets.



Sam at East Main Marathon in Lexington receives a big incentive check. The store has 62 face dispensers to give their customers multiple options, and Sam likes how Lottery boosts his business.

EASTERN SPOTLIGHT

The Eastern region has been working diligently with retailers to reduce OOS (Out Of Stocks). These are the result of low inventory levels, retail personnel needing more training, or retail personnel failing to properly monitor vending machines. The end result of OOS is lost sales. Lost sales have a negative impact on players, retailers and the scholarship programs that depend on the funds generated by the sale of Kentucky Lottery tickets.

The Eastern region has begun retraining store personnel on loading machines at locations we identified as needing additional training, and we're working with retailers to assign another employee to machine loading duties. It's simple, when OOS are reduced, sales and commissions for retailers increase.

Super Quik #8 in Grayson, was struggling to keep their vending machine full. Their OOS were 16.1% levels. LSR Dwayne Morris began working with the management here to develop a plan to eliminate OOS. After four weeks, Super Quik management reduced their OOS 1.16%!!! Dwayne credits the entire management staff's focus and dedication to reducing OOS as the reason for this tremendous result! Thank you Super Quik! And thank you to all of our retail partners that are working with us to reduce OOS.



Jack, assistant manager of Super Quik #8 is doing his part to help reduce OOS in the store.



Tim Gum, Linda Stamper (owner), Kai, and Robin of 3rd Base Liquors in Cartisle is up 500% on draw games, with almost 90% of that thanks to Keno. She credits her Keno growth to winner awareness updated daily and great customer service.



Owner Samir Virani of Stop N Shop of KY in Williamsburg says he was very skeptical about planograms at first, but is now a believer!

Top 3 retailers in Eastern Region, scratch sale percentage increase Q2 FY19 vs. Q2 FY18

- #1 MT VERNON IGA 253.6%**
- #2 A TO Z MART 241.3%**
- #3 GO TIME 2 132.7%**



Phoebe and Steve of Everman's Mt. Parkway Gulf in Stanton are smiling after receiving their bonus check. They have been a retailer since the first day of sales 30 years ago!



Kenny (left, owner) and Jack (right, employee) of B Kwik 4 in Mt. Sterling receive their quarterly retailer incentive check.



Willis Reynolds, manager of Convenient Food Mart in Corbin, always stays on planogram and keeps his dispensers full.



Shawna, manager from the Caney Double Kwik Store in Pikeville, has worked extremely hard at reducing her out of stocks in her Gemini machine to having zero! She pulls the inventory report from the Altura terminal and when she sees games getting low, she fills the bin with at least 2 packs.



Alex, the manager from Cougar Corner in West Liberty receives his second quarter incentive check of \$2,342. Great Job Alex!

WESTERN SPOTLIGHT

The Western Region has seen a lot of great things come along with the retailer incentive plan for this year. The retailers are getting a lot of money for just doing the simple things such as exact game planograms, keeping bins full and keeping Gemini machines full. The retailer incentive plan gives every retailer a chance to earn money based on their sales performance. Our sales reps are continuing to make an impact with all retailers by giving them the freshest point of sale to make a positive impact on their lottery sales.

The retailers in the Western Region are having a great 2nd and 3rd quarter. Our instant sales are up, and we had a record number of retailers activating the new games on the first two days during the last two game launches. The key to driving sales is exact game planogram, activating the games as soon as they come in and keeping Gemini and bins full.



Andrea (aka Little Bit) manager at E-Z Shop #5 Madisonville does a great job keeping her dispensers full, making this store one of the top sellers in Madisonville.

Top 3 retailers in Western Region, scratch sale percentage increase Q2 FY19 vs. Q2 FY18

- #1 FIVE STAR #9920**
319.85%
- #2 BLOCK CITY GROCERY & HARDWARE**
319.85%
- #3 CIRCLE K #3373**
247.38%



Pinkhi Patel, owner of AM Express 9 Bowling Green, also has a state-of-the-art laundromat attached to the back of her very modern convenience store. She says the vending machine is a welcome addition to her counter display to help her maximize sales.



Sema, Mark and Vijay Patel from Logsdon Food Mart in Radcliff hold a bonus check, which shows going by the planogram and keeping dispensers and machines full does pay off.



Store Manager Clara (with lottery sales rep Glenn Pruitt) celebrated a milestone of reaching \$1 million in sales in 2018.



Sam Patel of Quality Quick in Central City had added a Gemini vending machine to his location, and saw a 39% increase in instant ticket sales in the last quarter.



Juanita Watson and Stacey Shaw are part of the winning team at T Mart 121 Lewisburg. Their store keeps lottery products front and center, and players always get info about the latest games.



Dean Wright, owner of Wicks Well Market and Deli in Madisonville, accepted his bonus check for selling a \$1 million Mega Millions winning ticket.



Owner Sunny Patel of One Stop in Clarkson has grown sales on Scratch-offs by 94%. He says he did it by keeping every bin full to ensure he has the top selling games in stock for his customers.



Sherilyn of Pal's of Oak Grove found a new way to cover up an old abandoned cooler - she placed window decals over the doors!



Hiral and Daily Stop #1 owner Saurabh in Glasgow keep sales up by following the planogram and keeping machine out of stocks below 2%.



At Five Star #5125 in Leitchfield, Sue and her coworkers ensure their Gemini Touch machine stays full. As a result, their Scratch-off sales are up 65%!



Paul Patel with Lucky Mart in Mayfield has increased his scratch off sales 56%! He moved his playcenter right next to his 40-game display and he treats his lottery customers as a priority.



The staff from WZBP in Radcliff get a \$10,000 check from selling a \$1 million Powerball winner.

NEW FACES

NEW REGIONAL MANAGERS

After completing searches both internally and externally, two Kentucky Lottery veterans have been named as new regional managers.



ANN DAMRON

Ann Damron has accepted the challenge to lead the Bluegrass Region. Ann, a 24 year Kentucky Lottery veteran, brings with her a strong background as Manager of the Prestonsburg Region (which she led to the top spot in FY18). Prior to her five years as Regional Sales Manager in Prestonsburg, Ann was the Regional Training Coordinator there for eight years, and a sales rep in Boyd, Lawrence, Johnson and Martin counties for 11 years. She's also the author of all crossword puzzles in The Quarter!



WES HARDIN

Wes Hardin has been named Eastern Regional Sales Manager. Wes has been a lottery sales rep since just before the first ticket was sold back in 1989. He initially was part of the Ashland Region until that region closed and was consolidated into the Eastern Region. Wes has been a leader among his peers for decades and was promoted in late 2018 to Senior Lottery Sales Rep. He is also the first member of The President's Club, a recognition given to the top Kentucky Lottery sales rep of the year.

NEW SALES REPS



HEATHER SOTO

Western Region
Lottery Sales Representative



PAM HARVEY

Eastern Region
Lottery Sales Representative

PETE'S PERSPECTIVE



From left: Pete, Karen, Lynn, Mechelle. Karen and Lynn are Mr. Hauck's daughters.

What were you doing 30 years ago? Well for me – I was a fresh graduate of Eastern Kentucky University and excited about my first “real” job at the Kentucky Lottery. I was hired as a research analyst for this brand new company. Now here I am – three decades later. I’m the leader of the best sales team in the country and sales are growing at an historic pace thanks to their hard work and your effort as retailers.

I had the opportunity recently to visit a retailer who had been selling lottery since day one. Hauck’s Handy Mart had been a family business for over 100 years. Mr. Hauck, who is nearly 100 himself, took over from his parents and ran the store until he retired just a few years ago. His daughters helped him run the store in addition to their other jobs for most of the last 30 years. As a family, they decided the time had come to close shop and sell the property. On their last day, our Key Account Manager, Mechelle McGuffin, and I stopped by to say goodbye. We each had a famous Hauck’s bologna sandwich and shared stories about both of our times as reps here. It was a touching moment in so many ways. The family remarked about how much the lottery meant to them and their customers, but mostly just how much they enjoyed working with us at the lottery.

That really warmed my heart. I hope that sentiment is true for all of our retailers. We are truly in this together. Your success is our success, and I hope to continue to celebrate every day with each of you for years to come.

Keep doing the incredible work you are doing and thank you for being a lottery retailer.

Powerball Pete Ramsey

VP of Sales



HOW'D THEY DO IT?

KEEP YOUR DISPENSERS FULL!

“If somebody is looking for a ticket and they can't find it here, they'll go somewhere else to get it and we'll lose that sale. Customers count on us to keep dispensers full.”

- Audrea Pleasant,
JC's Cigarette Outlet #18, Louisville



Kentucky LOT

AVAILABLE AT ALL PRICE POINTS STARTING FROM \$1.00
MORE THAN \$184 MILLION IN TOTAL CASH PRIZES

Lottery proceeds fund KES and other college scholarship programs in Kentucky

20X THE CASH
WIN UP TO \$50,000!

100X THE CASH
OVER \$100 MILLION IN CASH PRIZES!
WIN UP TO \$1,000,000!

WIN UP TO \$1,000,000!

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WIN UP TO \$1,000,000!

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WIN UP TO \$1,000,000!

GET YOUR fun ON!

Audrea Pleasant (green)
Kathy Robertson (pink)
Lori Norma (black)