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THE STATE OF

MICHIGAN LOTTERY

M\$&L

35 YEARS

MICHIGAN BUREAU OF STATE LOTTERY

2007 ANNUAL REPORT



Fiscal year 2007 marked the 35th anniversary of the Michigan Lottery's approval by the citizens of our state and this annual report is an opportunity to reflect on our history.

When voters approved the constitutional amendment creating the Lottery in 1972, they did so with the understanding that its profits would be contributed toward the education of Michigan's children. People should have no doubt that all of the profits—100 percent of them—go toward education. In fact, in our 35-year history, we have contributed over \$14 billion toward this very important beneficiary.

But the questions persist. "If all the Lottery money goes to education, why does my son not have current textbooks?" Or "Why are schools closing?" These are questions we welcome, because the answer, although often surprising, is easy.



The Honorable Jennifer M. Granholm
Governor, State of Michigan



Tom Weber
Acting Lottery Commissioner

The fiscal 2007 contribution—\$748.9 million—is a huge amount of money to you and me. Think of the things we could do with that money! Likewise, it is a huge amount of money to one district, or two or three, or even 10 districts. There is nothing that such an amount of money couldn't buy! But the state spends upwards of \$11 billion annually to provide an education for all Michigan children. If the sources of that funding are considered individually, the Lottery's portion would pay for just over 11 days of operation in a 180-day school year! So when we respond to players, or speak to community groups, and share with them that the Lottery's portion represents only about 6 percent of the total state expenditure, we provide them with an understanding they previously did not have.

What is equally important to remember is that if the Lottery did not contribute hundreds of millions of

dollars each year to the School Aid Fund, the Fund would be short by that amount. Which, in turn, means that the state would have to make up that revenue from somewhere else, such as budget cuts in other departments or increases in taxes.

At the Lottery, we consider kids the big winners. But they aren't the only ones who reap the benefits. In 35 years, players have won over \$20.5 billion in prizes on 639 different instant games, 23 different online games, and over 25 second chance games. And we have paid out over \$2.6 billion to the thousands of retailers who have consistently been our primary partners in bringing this source of entertainment to Michigan citizens. To view some of our proudest moments, go to www.michigan.gov/lottery and click on Lottery Information.

As we celebrate 35 years of millions of successes, we look forward to millions more.

A handwritten signature in black ink, appearing to read "Tom Weber", with a long, sweeping underline.

Millions won by millions!

In FY 2007, the Michigan Lottery created dozens of millionaires.

Add their millions to the total prizes won by thousands of other Michigan Lottery players and you

have a record-breaking year of \$1.33 billion paid to winners.

Leading the way for Michigan's millionaires was Detroit's Loretta Brown, who in November snagged

a Mega Millions jackpot of \$75 million. Brown, 48, could only describe her win as "unbelievable." The seller of the winning ticket, the Shell Station on Haggerty Road in Canton, reaped a \$50,000 bonus commission.

The launch of the Lottery's Millionaire Raffle game in November set the stage for the best odds ever to win \$1 million. The \$20 per ticket Millionaire Raffle game, offered three times during the year, awarded a total of \$13.3 million in prizes. With



William and Aida Beard of Canton were interviewed by WDIV's Chuck Gaidica following their \$2 million win in June.

up to 600,000 tickets sold for each game, the Millionaire Raffle series offered the Lottery's best chances ever of winning \$1 million. Ticket sales were outstanding, with sellouts happening anywhere from eight to 14 days of the games' launches.

Not to be outdone, the Lottery's \$50 Super Raffle ticket trumped all, offering the best chances ever for two players to win \$2 million with only 250,000 tickets sold for each game. Tickets for the first Super Raffle, which paid nearly \$9 million in prizes, were gone in an astonishing two and a half days!



Loretta Brown of Detroit, holding check, and her family claimed a \$75 million Mega Millions jackpot in November.





David Wilson of Parma, one of the Michigan Lottery's first Millionaire Raffle top prize winners, accepts a ceremonial check from Lottery Commissioner Gary Peters in January.

The Lottery continued its series of live drawings, awarding over \$7 million at select venues. Three players, Dennis Elliott of Wales, Ila Kalka of Barryton and William Beard of Canton, won the grand prize of \$2 million each on the Lottery's \$20 instant games. Neal Sitto of Toldeo won \$1 million as the grand prize winner on a Lucky Stars instant ticket. Douglas Ballor of Kawkawlin won \$500,000 on the Lottery's Holiday Celebration ticket.

Drawing venues included Detroit Pistons games; a Detroit Lions game; the conclusion of the fireworks display at the International Freedom Festival; and the Arts, Beats and Eats Festival in Pontiac.

FY 2007 also saw Michigan's largest ever Classic Lotto 47 jackpot, \$12.6 million, go to an anonymous player.

These lucky players joined the millions of players who over 35 years could proclaim themselves Michigan Lottery winners. Kicking off the Lottery's winning ways was Hermus Millsaps of Taylor, who on February 22, 1973, became the Michigan Lottery's first millionaire. Dozens of other winners come to mind, among them: Russell Tanner of Dexter, who won \$1

million two times, on June 2, 2002 and May 6, 2004; Larry Ross of Shelby Township, who on May 9, 2000, shared with an Illinois Lottery player what was then the largest jackpot in North American history,



Russell Tanner of Dexter (right), pictured with Lottery Commissioner Gary Peters, made history as a two-time winner of \$1 million in both June of 2002 and May of 2004.



Hermus Millsaps of Taylor won the Michigan Lottery's first \$1 million prize in February of 1973.

a whopping \$363 million; and Ralph and Mary Stebbins of Port Huron, who won \$208 million on April 22, 2005, Michigan's single largest Lottery prize ever.

For players, the wins were not always about big money. Kimberly Banycky of Lapeer bought a house with her winnings of \$150,000 in 2001. Mike Gudith of Belleville used his 2003 winnings of \$1,000 to buy an engagement ring. Arlene Walczak of Eastpointe, a \$52,500 winner in 2005, found herself able to say "yes" instead of the usual "no" to things her son asked for while shopping. Diane Moulton of Freeland, a high school senior when she won \$2,067 in 1985, "bought pizza for my chemistry class." And there is more to winning than money: Robert Romain of Ubly won four Detroit Tiger tickets and had a great time with his dad and two sons at the ballpark.

Congratulations to our millions of winners, both past and yet to come!



Dennis Elliott of Wales was a \$2 million Instant winner in December.

SUMMARY

Games offered: Mega Millions, Classic Lotto 47, Fantasy 5, Keno!, Daily 3, Daily 4, Millionaire Raffle, Super Raffle, Club Keno, Pull Tabs, Instant

Sales: \$2.3 billion

Contribution to School Aid Fund: \$748.9 million

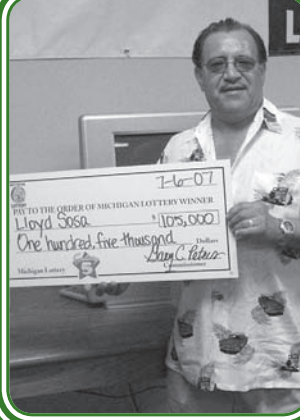
Prizes paid: \$1.33 billion

Range of prizes: \$1 to Mega Millions jackpot

Online Games



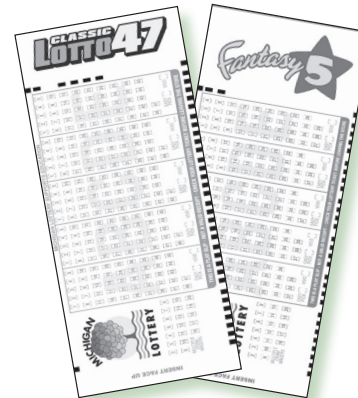
David Lollie of Warren and his wife were \$100,000 winners in June's Super Raffle game.



Lloyd Sosa of Romulus was a winner of a \$105,000 Fantasy 5 jackpot in July.



Donald Castner of Whitehall (left), pictured with Lottery Commissioner Gary Peters, was a March Mega Millions winner of \$250,000.



SUMMARY

Games offered: Mega Millions, Classic Lotto 47, Fantasy 5, Keno!, Daily 3, Daily 4, Millionaire Raffle, Super Raffle

Sales: \$1.1 billion

Contribution to School Aid Fund: \$445.7 million

Prizes paid: \$528.6 million

Range of prizes: \$1 to Mega Millions jackpot

Instant Games



Linda Ketola of Gwinnett was a \$300,000 winner with 3 Times Lucky in September.



Bernard Blazkowski of Cheboygan celebrates his \$100,000 Detroit Tigers game win with friends.



Leka Lucaj of Macomb was a \$1 million winner with \$40 Million Spectacular in January.



SUMMARY

Number of Instant games introduced in FY 2007: 71

Price points: \$1 to \$20

Sales: \$717.8 million

Contribution to School Aid Fund: \$174.5 million

Prizes paid: \$458.3 million

Range of prizes: \$1 to \$2 million

Club Games



A Pull Tabs player makes a purchase.

SUMMARY

Games offered: Club Keno with Kicker option,
Pull Tabs

Sales: \$529.6 million

Contribution to School Aid Fund: \$128.7 million

Prizes paid: \$342.2 million

Range of prizes: \$1 to \$20 million



A Club Keno player watches the monitor to see if he is a lucky winner.



Club Keno wait staff participate in Partner Play, a free ticket incentive based on sales.

Retailers



Raj Anghan and his wife, owners of the Shell Gas Station on Ford Road in Canton, earned a \$50,000 commission for selling a \$75 million winning Mega Millions jackpot ticket.



A clerk at The Palace of Auburn Hills prepares for Lottery customers.



Lottery "How to Play" brochures explain game details.

SUMMARY

Number of retailers: 10,973

Commissions paid to Michigan Lottery retailers in FY 2007: \$172.7 million

Commission structure: 6 percent on all tickets sold; 2 percent on in-store redemptions up to \$600; 2 percent to retailers on redeemed winning tickets from \$601 to \$100,000 sold in their stores; \$2,000 for redeemed winning tickets valued over \$100,000 sold in their stores; \$5,000 for the sale of a Classic Lotto 47 jackpot winning ticket; and \$50,000 for the sale of a Mega Millions jackpot winning ticket.

Events



The Michigan Lottery booth at Winter Blast in Detroit.



Lottery customers at Arts, Beats and Eats in Pontiac.



Lottery players at the launch of the Detroit Tigers Instant ticket in April.

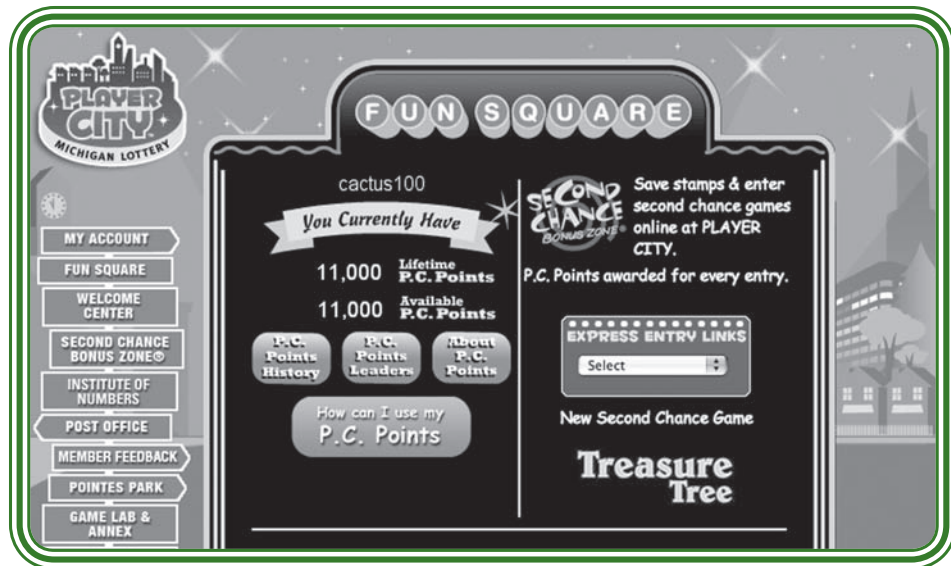


The Michigan Lottery gave away prizes to lucky players at events across the state.

SUMMARY

FY 2007 events and partners: Winter Blast, Detroit (Meijer in Lincoln Park); Arab International Festival, Dearborn (Vegas Liquor Store in Detroit); Stars & Stripes Festival, Mt. Clemens (Recreation Bowl in Mt. Clemens); Labadie Pig Gig, Bay City (Meijer in Bay City); Upper Peninsula State Fair, Escanaba (Holiday Stations in Escanaba); Michigan State Fair, Detroit (Northville Downs and Hazel Park Raceway); Arts, Beats and Eats, Pontiac (Meijer in Waterford).

Player City & Second Chance Drawings



SUMMARY

Number of citizens: 143,000 Address: www.playercity.net

Offerings to players: winning number alerts, contests, special drawings, coupons, player chat opportunities, and member rewards



SUMMARY

Second chance games: \$40 Million Spectacular, Holiday Celebration, American Idol, Ultimate Dream Trip, Detroit Red Wings, Detroit Tigers, Corvette Cash, Lucky Stars, Mini Sudoku

Number of second chance drawings: 36

Number of prizes awarded: 3,827

Number of second chance entries: 1,518,126

Charitable Gaming Division

Compulsive Gaming Helpline



Virginia Jones of Detroit was a Big Money Bingo winner—she bingoed on 47 balls and hit a \$215,696 jackpot on May 24.



Players enjoyed Lucky Bingo Balls, one of the hottest charity game tickets of the year.

SUMMARY

**Gaming licenses offered to nonprofits:
bingos, raffles, millionaire parties,
and charity game tickets**

Game revenue: \$435.6 million

Proceeds for charitable causes: \$72.9 million

Prizes paid: \$302.8 million

Lottery and other games of chance are prevalent in Michigan and worldwide. The vast majority of Lottery enthusiasts play responsibly and do so in the spirit in which the games are intended. However, as with any form of gambling, abuses can and do occur.

The Michigan Lottery believes in offering a fun product at a fair price, all in the name of benefiting a worthy cause. The Lottery is not, and was never intended to be, an investment, retirement plan, or a replacement for hard work as a means to a better life.

If you would like more information about problem gaming programs, call the Michigan Problem Gaming Helpline at 1-800-270-7117.

In FY 2007, the Michigan Lottery provided \$1 million for compulsive gaming programs, including the toll-free Helpline.

2007 Financials

Statement of Revenues, Expenses and Transfers

(In Thousands)

Revenues	FY 2007	FY 2006
Daily 3	\$ 367,702	\$ 384,244
Daily 4	\$ 334,506	\$ 322,273
Daily Double	\$ 2,034	\$ 2,204
Classic Lotto 47	\$ 53,112	\$ 50,702
Fantasy 5	\$ 49,439	\$ 45,514
Mega Millions	\$ 218,082	\$ 216,408
Keno	\$ 14,022	\$ 14,593
Raffle Games	\$ 56,260	
Instant Games	\$ 717,804	\$ 710,769
Club Keno	\$ 491,114	\$ 424,062
Pull Tabs	\$ 38,523	\$ 41,599
Total Ticket Sales	\$ 2,342,597	\$ 2,212,368
Charitable Gaming Receipts	\$ 18,907	\$ 18,556
Investment Income	\$ 7,771	\$ 6,114
Unrealized Investment Income (Loss)	\$ (4,202)	\$ (16,372)
Other Income	\$ 1,498	\$ 1,281
Total Revenues	\$ 2,366,571	\$ 2,221,946
Expenses		
Retailer Commissions	\$ 172,737	\$ 165,302
Administrative Expenses	\$ 19,640	\$ 19,719
Advertising	\$ 17,548	\$ 17,509
Direct Game Expenses	\$ 62,968	\$ 60,050
Charitable Gaming Expenses	\$ 8,148	\$ 8,067
Total Operating Expenses	\$ 281,041	\$ 270,647
Prizes Awarded	\$ 1,355,263	\$ 1,298,478
Less Unclaimed Prizes	\$ 26,182	\$ 30,304
Net Prizes Awarded	\$ 1,329,081	\$ 1,268,175
Net Income Before Disbursements	\$ 756,448	\$ 683,124
Charitable Gaming Net Income		
General Fund Disbursement	\$ (10,759)	\$ (10,489)
Dept. of Community Health for Compulsive Gaming Helpline Disbursement	\$ (990)	\$ (990)
Reserved Unrealized Loss On Investments	\$ 4,202	\$ 16,372
Net Income Disbursed to School Aid Fund	\$ 748,901	\$ 688,017

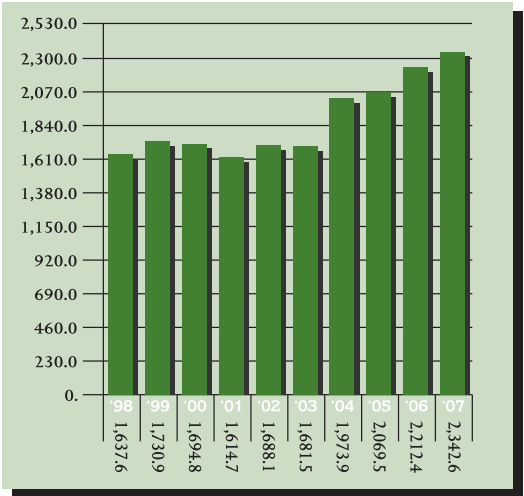


2007 Financials

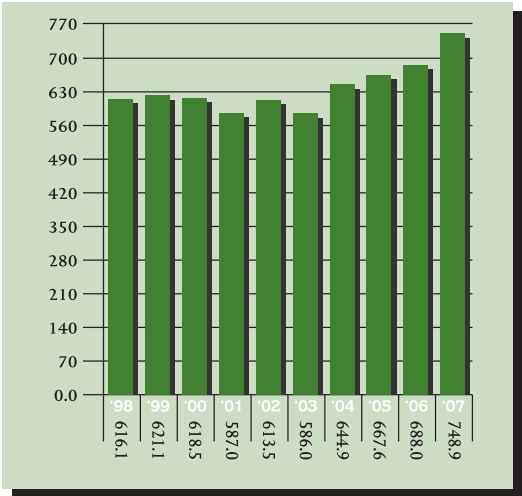
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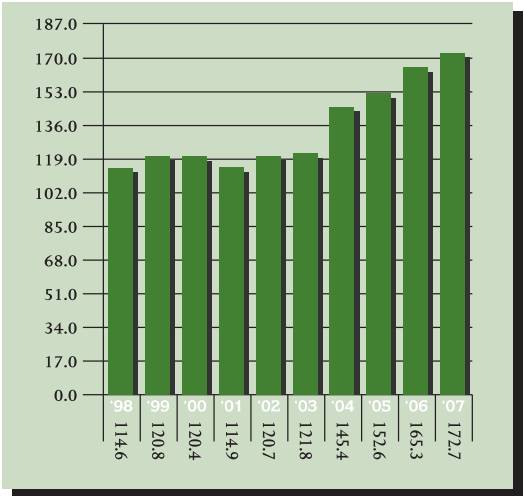
Ticket Sales History (In Millions)



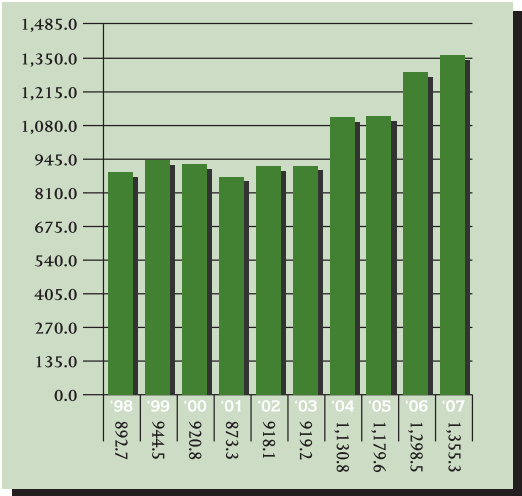
Net to Education (In Millions)



Retailer Commissions (In Millions)



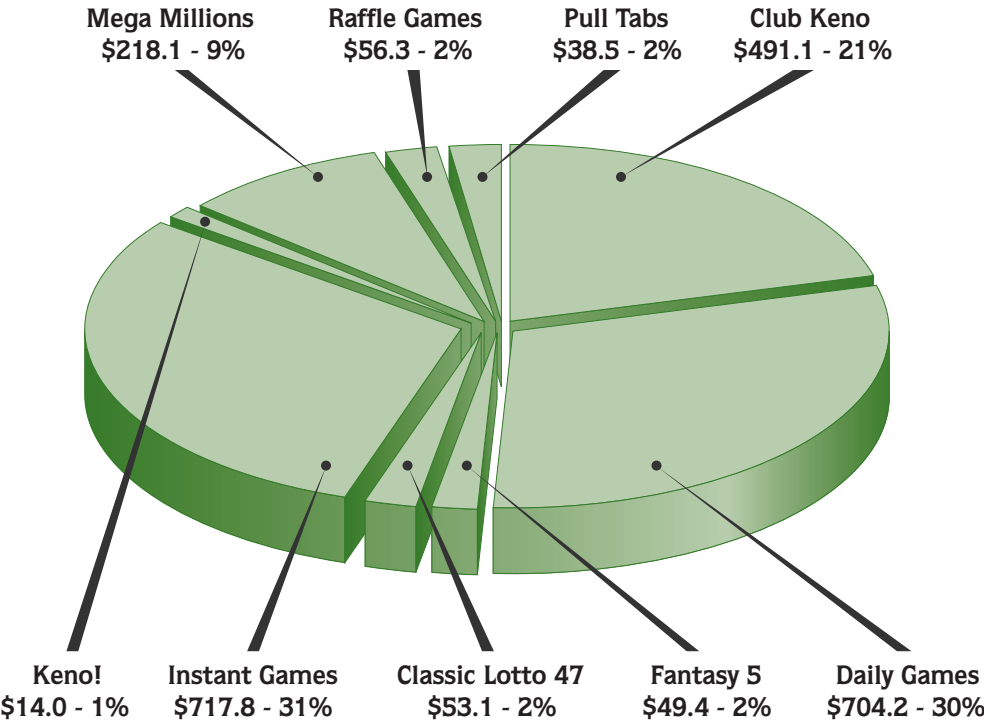
Prizes Won (In Millions)



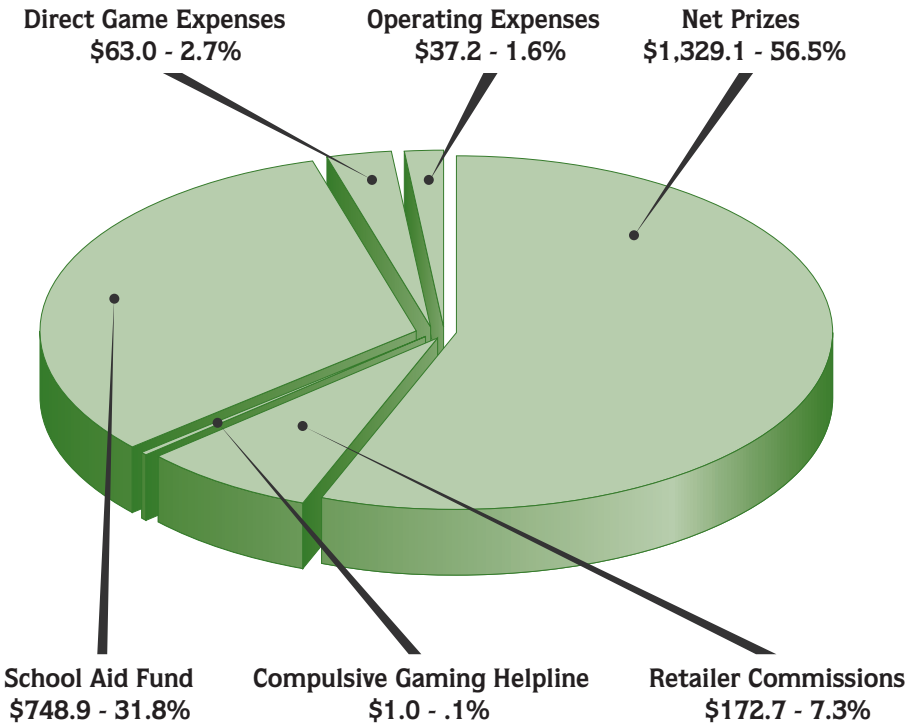
2007 Financials

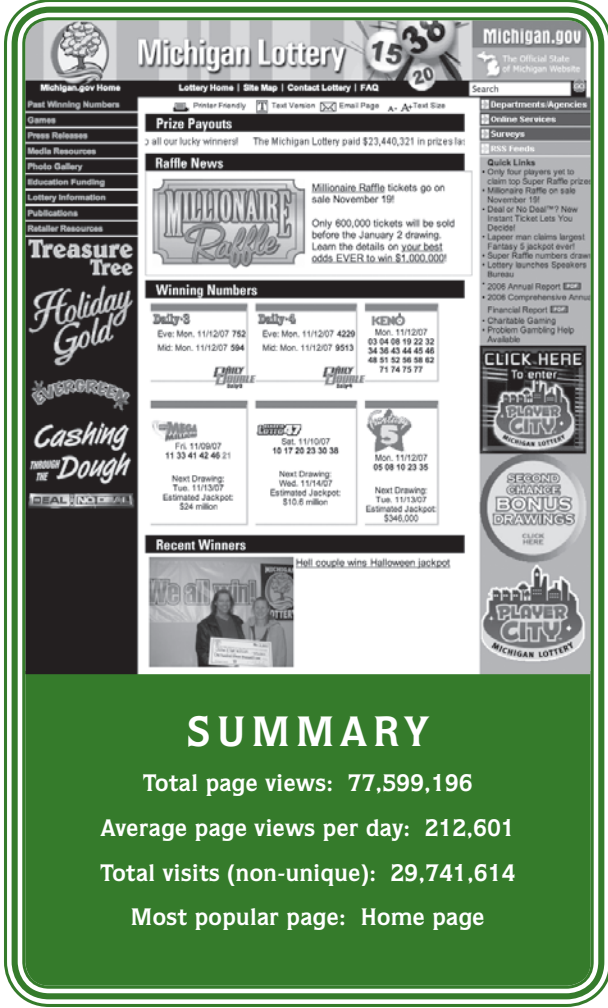
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Total Ticket Sales: \$2,343 (In Millions)



Where the Money Goes (In Millions)





Need to contact the Michigan Lottery?

By e-mail: milottery@michigan.gov

By fax: 517.335.5644

By phone: 517.335.5600

By U.S. mail: Michigan Lottery

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LEADERSHIP TEAM

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Margie Reh: Deputy Commissioner, Administration

Mike Petersen: Deputy Commissioner, Charitable Gaming

Connie Roblee: Deputy Commissioner, Planning and Operations

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