

*Winning Big for Delaware.*

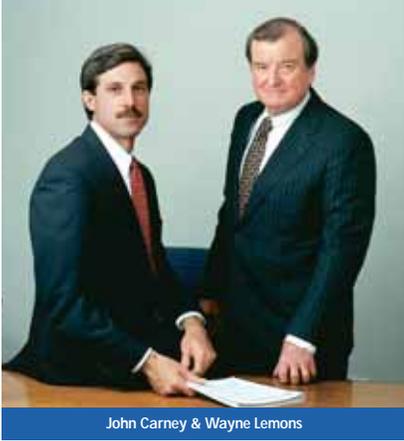
*All Cash Lotto*

*Powerball®*

*Play 4*

# 1997 Annual Report

**DELAWARE**  
**LOTTERY**  
Helping to build a  
better Delaware since 1975



**The Delaware Lottery** is a big winner for all Delawareans.

That's because the Lottery's many instant and on-line games—as well as its thriving Video Lottery operation—contribute substantially to the state's General Fund. This fund helps pay for essential state services like education and public safety that otherwise would require additional tax dollars.

In this way, the Lottery is winning big for everyone in the state by helping to build Delaware's future.

During the fiscal year that ended June 30, 1997, the Lottery contributed \$96 million to the General Fund—an increase of 66 percent over the previous year. In addition, our year-end revenue of \$359.4 million represents a 90 percent increase over FY '96 total revenue. And prizes paid to players of traditional Lottery games totaled more than \$53.7 million. These are truly impressive numbers.

This tremendous growth is the result of the continued success of the Video Lottery operations at Delaware Park, Dover Downs and Harrington racetracks. The Video Lottery proved to be an excellent addition to the Lottery's traditional games. In fact, the Delaware Video Lottery is the most profitable operation of its kind in the country, generating more net proceeds per machine than in any other state. The Video Lottery attracts thousands of players from Delaware and surrounding states and has great appeal to many traditional game players who also like the fast action of playing Video Lottery. Its popularity has resulted in the substantial increase in revenue generated by the Lottery.

However, challenges loom ahead. The increase in play of the Video Lottery did impact traditional Lottery ticket sales, which were down about 7.5 percent. To meet this challenge, the Lottery will continue to develop and market new games based on new technologies. We will graphically present the results of secure and random drawings that should help spur interest in the traditional games. Threats of out-of-state competition in the Video Lottery will keep us working hard to make our venues attractive to those who play.

We've seen a lot of change since the Delaware Lottery began in 1975, but our goal has always been to market fun games to the public. The public changes, too, and we pride ourselves on our ability to respond to new tastes and preferences.

We look forward to the public's continued support of all our games as the Lottery continues to win big for Delaware.

John C. Carney  
Secretary of Finance

Wayne Lemons  
Director, Delaware Lottery

**Delaware Lottery operations** directly benefit everyone in our state. The Enabling Legislation that established the Lottery defined our commitment to the State of Delaware as being “responsible for the maximization of net revenue from Lottery sales consonant with the dignity of the State and the general welfare of the people.” The Delaware Lottery was established on May 31, 1974, and the first game tickets were sold the following year.

The Lottery contributes its profits to the state General Fund. In 1997 it contributed \$96 million, approximately 5.7 percent of the state budget.

The General Fund is the pool of dollars that finances the majority of state services. The monies, allocated by the Legislature under the auspices of the Governor, fund such necessary state services as:

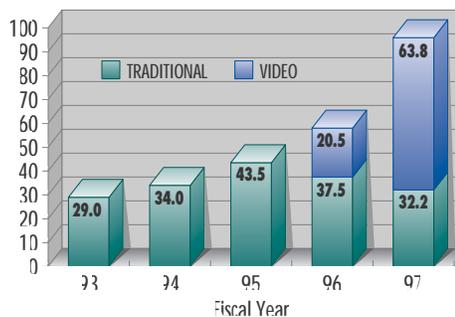
- public and higher education
- health and social services
- public safety
- judicial and corrections
- child, youth and family services

Without Lottery revenue, additional taxes would be needed to provide these vital state services. Last year, for example, nearly \$134 in additional taxes per person would have been required. Unlike other state lotteries that target their revenues to a specific community effort, Delaware Lottery dollars benefit everyone who lives or works in the state. Throughout fiscal year 1997, we were a major contributor of funds to the state while striving to offer our players new and exciting games.



### General Fund Contributions

(in millions of dollars)





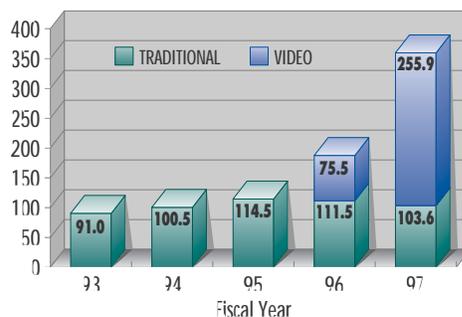
**Our games** make it possible for us to generate the millions of dollars we contribute to the state's General Fund year after year. We take pride in our ability to respond to ever-changing player tastes and preferences by offering a variety of games that include the traditional on-line number and card games, instant scratch games and Video Lottery games.

Our existing on-line games—POWERBALL®, Winning Hand™, Play 3, Play 4 and All Cash Lotto—successfully generated considerable revenue during the past year. POWERBALL®, the popular Multi-State Lottery game that offers players one of the fastest-growing multimillion-dollar Jackpots in the country, also remained very popular with the public. Winning Hand™, the first on-line game with an instant-win feature, widened our game mix and provided growth in Lottery income in fiscal year '97. Our ingenuity with Winning Hand™ attracted national attention.

During the year, we also introduced 18 new instant scratch games that helped augment sales and boost player interest in all Lottery games.

Fiscal year 1997 marked our first full year for Video Lottery games. Since December 1995, when Delaware Park and Dover Downs racetracks began Video Lottery operations, the Lottery's ability to contribute to the General Fund has increased significantly. Delaware Park and Dover Downs now have 1,000 Video Lottery machines each. In 1997, Delaware Park added 250 and Dover Downs added 428. Harrington Raceway has been operating since August 1996 with 580 video machines. Estimates indicate that the three tracks attracted more than five million visitors during the year. Based on net proceeds per machine, Delaware's Video Lottery is the most successful in the U.S.

**Gross Revenue**  
(in millions of dollars)



**We do extensive** research to determine our customers' needs and understand their views on both the traditional and video games of the Delaware Lottery.

Our surveys confirm that the Lottery's demographic player profile for traditional games closely matches that of the state's adult population. We were pleased that our recent study indicated that 55 percent of residents are playing traditional games and 19 percent of residents are playing video games.

The information gathered from the resident survey, which is conducted every two years, enables us to fine-tune our marketing efforts for new games.

**People make** the Delaware Lottery successful—both the people who play our games and the Retailers who sell our tickets. During the year, we developed new ways to help our Retailers promote our games while focusing on meeting the entertainment needs of the public.

First, we enhanced our training program for Lottery Retailers—337 that sell tickets for all games and 137 that only sell tickets for our instant scratch games. The Lottery Retailers and their clerks represent the Lottery to the public and have a major impact on the success of our games.

**We are committed** to continuing our success by steadily improving our operations and enhancing our games to meet the ever-changing needs of our Retailers and players. Technology will keep playing a key role in achieving this goal.



**Prizes to Players**  
(Percent of Sales)



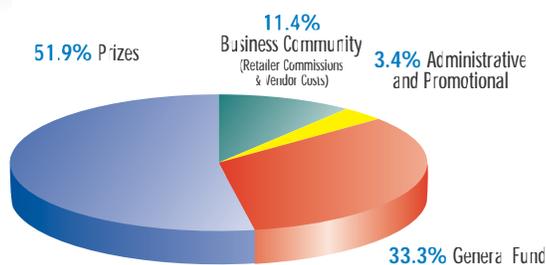
**Our investment** in computer-animated technology will help keep us on the leading edge of new game development. Computer animation joins a long list of technological advances that have influenced Delaware Lottery improvements, making games more secure than ever. Developing innovative games is part of the Lottery's commitment to the people of Delaware. We improve our operations by using the newest gaming technologies together with effective marketing, sales and distribution efforts. The views of our Retailers and players drive the innovation of Lottery games.

**New technology**, for example, enabled us to successfully launch our Winning Hand™ digital card game in October 1996. It is the first game in the lottery industry to offer players the chance to win both an instant and Jackpot cash prize with a ticket generated from an on-line computer network. The new game also marked the first time Random Selection Technology was used to conduct a jackpot drawing in Delaware. The computer randomly deals the winning cards from a complete deck of 52 graphical cards after they are shuffled on screen during the televised drawings. The computer transmits the drawing live to WHYY-TV via fiber optic cables.

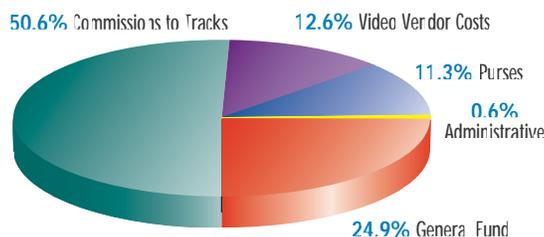
Enhanced Lottery operations and continued partnership with our Retailers will help us enter the next century as a profitable source of secure public entertainment that raises funds to help pay for needed state services for all the people of Delaware.



**How Lottery Revenue is Distributed**  
Traditional Lottery Games



**Video Lottery Games**



## Financial Statements—The Delaware State Lottery

*Years ended June 30, 1997 and 1996, with Report of Independent Auditors*

### Report of Independent Auditors

To Wayne Lemons, Director of the Delaware State Lottery and John Carney, Secretary of Finance, State of Delaware:

We have audited the accompanying balance sheets of the Delaware State Lottery (the Lottery) as of June 30, 1997 and 1996, and the related statements of revenues, expenses and changes in retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Lottery's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Delaware State Lottery as of June 30, 1997 and 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 25, 1997, on our consideration of the Delaware State Lottery's internal control structure and our tests of its compliance with certain provisions of laws, regulations and contracts.

### Balance Sheets

*as of June 30, 1997 and 1996*

	1997	1996
<b>Assets</b>		
Cash (Note 3)	\$ 2,298,657	\$ 2,251,832
Accounts receivable, net of allowance of \$555,956 and \$489,732, respectively (Note 1)	7,660,519	4,351,370
Investments (Notes 1 and 3)	16,180,045	17,530,833
Property and equipment, net (Note 2)	1,257,688	175,773
Deposit with Multi-State Lottery (Note 4)	1,463,947	1,120,907
Prepayment to State of Delaware General Fund (Note 6)	—	2,230,295
Total assets	<u>\$28,860,856</u>	<u>\$27,661,010</u>

### Liabilities and Retained Earnings

Liabilities:

Prizes liability, including \$16,180,045 and \$17,530,833 of prize installment obligation (Note 1)	\$20,136,862	\$21,344,323
Accounts payable and accrued liabilities	6,486,991	4,866,181
Due to the State of Delaware (Note 6)	1,237,003	450,506
Total Liabilities	<u>27,860,856</u>	<u>26,661,010</u>

### Commitments and Contingencies (Note 8)

Retained Earnings	1,000,000	1,000,000
Total Liabilities and Retained Earnings	<u>\$28,860,856</u>	<u>\$27,661,010</u>



ARTHUR ANDERSON LLP  
Baltimore, Maryland  
August 25, 1997

## Statements of Revenues, Expenses and Changes in Retained Earnings

for the years ended June 30, 1997 and 1996

	1997	1996
<b>Revenues (Notes 1 and 5):</b>		
Video lottery	\$255,901,458	\$ 77,062,810
On-line games	82,959,789	87,696,008
Instant games	20,303,633	23,957,598
Other	326,752	197,353
Total revenues	<u>359,491,632</u>	<u>188,913,769</u>
<b>Cost of Games:</b>		
Video lottery commissions (Notes 5 and 8)	129,497,449	39,539,524
Prize costs, net of reversions (Notes 1, 4 and 5)	53,752,283	58,197,698
Gaming vendor fees and costs (Notes 5 and 8)	38,203,429	15,461,221
On-line and instant games commissions (Notes 5 and 8)	5,803,297	7,113,363
Total cost of games	<u>227,256,458</u>	<u>120,311,806</u>
Gross profit	<u>132,235,174</u>	<u>68,601,963</u>
<b>Operating Expenses:</b>		
Advertising and promotions (Note 8)	2,245,760	1,820,829
Payroll and related benefits (Note 7)	1,250,019	1,210,184
Other general and administrative	930,150	1,286,974
Total operating expenses	<u>4,425,929</u>	<u>4,317,987</u>
Operating Income	127,809,245	64,283,976
Operating Transfers to the State of Delaware (Note 6)	<u>127,809,245</u>	<u>64,283,976</u>
Net Income	—	—
Retained Earnings, beginning of year	<u>1,000,000</u>	<u>1,000,000</u>
Retained Earnings, end of year	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>

## Statements of Cash Flows

for the years ended June 30, 1997 and 1996

	1997	1996
<b>Cash Flows from Operating Activities:</b>		
Operating income	\$127,809,245	\$ 64,283,976
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	106,495	55,823
Loss on disposal of fixed assets, net	—	5,029
<b>Changes in operating assets and liabilities:</b>		
Increase in accounts receivable, net	(3,309,149)	(1,741,637)
Increase in deposit with Multi-State Lottery	(343,040)	(1,120,907)
Decrease in prizes liability	(1,207,461)	(1,831,966)
Increase in accounts payable and accrued liabilities	1,620,810	4,480,458
Increase in amount due to the State of Delaware	786,497	450,506
Net cash provided by operating activities	<u>125,463,397</u>	<u>64,581,282</u>
<b>Cash Flows from Investing Activities:</b>		
Purchases of property and equipment	(1,188,410)	(15,935)
Proceeds from maturity of investments	1,350,788	1,370,282
Net cash provided by investing activities	<u>162,378</u>	<u>1,354,347</u>
<b>Cash Flows From Noncapital Financing Activities:</b>		
Operating transfers to the State of Delaware recognized during fiscal years 1997 and 1996, respectively	(127,809,245)	\$(64,283,976)
Decrease (increase) in prepayment to the State of Delaware General Fund	2,230,295	(2,230,295)
Amount due to the State of Delaware at June 30, 1995, that was transferred during fiscal year 1996	—	(411,735)
Net cash used in noncapital financing activities	<u>(125,578,950)</u>	<u>(66,926,006)</u>
Net Increase (Decrease) in Cash	46,825	(990,377)
Cash, Beginning of Year	<u>2,251,832</u>	<u>3,242,209</u>
Cash, End of Year	<u>\$ 2,298,657</u>	<u>\$ 2,251,832</u>

# Notes to Financial Statements

June 30, 1997 and 1996

## 1. Summary of Significant Accounting Policies

### Legislative Enactment

The Delaware State Lottery (the Lottery) was established by Enabling Legislation (the Legislation) passed on May 31, 1974, by the General Assembly of the State of Delaware under the authority of the Department of Finance and under the supervision of a Director. The Director has the power and duty to establish rules for conducting games, including the type and number of games, the price of tickets, the number and amounts of winning tickets, the manner of selecting winning tickets, the manner of prize payment, frequency of drawings, locations and methods for the sale of tickets, procedures for licensing of retailers and all other functions related to the operation of the Lottery.

The Legislation provides that for the non-video lottery games at least 45% of total revenues shall be used to pay prizes, operating expenses shall not exceed 20% of total revenue and at least 30% of total revenue will be paid to the General Fund of the State of Delaware. The Legislation also provides that for the video lottery games at least 87%, but not more than 95% (unless approved by the Director), of total proceeds on an average annual basis shall be used to pay prizes.

### Basis of Presentation

The Lottery is accounted for as an enterprise fund. In accordance with generally accepted accounting principles, the financial statements are prepared on the accrual basis of accounting, which requires recognition of revenues when earned and expenses when incurred. The Lottery has elected not to apply all FASB statements and interpretations issued after November 30, 1989, in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*.

### Use of Estimates

The accompanying financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. While actual results could differ from those estimates, management believes that actual results will not be materially different from amounts provided in the accompanying financial statements.

### Accounts Receivable

Accounts receivable consist primarily of unsettled balances due to the Lottery from the racetracks and from retailers, which principally include grocery and convenience stores serving as the primary distribution channel for lottery sales to the general public. No individual retailer accounts for a significant amount of the Lottery's sales or accounts receivable.

### Investments

Investments consist of insurance company obligations carried at amortized cost. As the Lottery intends to hold these investments until maturity, they are carried at amortized cost.

### Prize Obligations

Prize obligations for the on-line games are determined and recognized after each drawing is held. For the numbers games, winners are paid a certain amount depending upon the number of, or order of, winning numbers. For the Lotto game, 61% of the total game revenues is allocated to the prize pools. Of the total prize pool, 40% is allocated to the jackpot winners in the Lotto game. The remaining prize pool is allocated to the other winners. If there are no jackpot winners in the Lotto game, the amount is carried forward until there is a winner. For the Powerball game, 50% of the revenues are allocated to the prize pool.

Prize obligations for the instant games are recognized monthly by multiplying the applicable game's prize percentage by the revenues recognized for the month.

Disbursements for prizes, including installment prize awards, are charged against the obligations for unpaid prize awards. Prizes unclaimed after one year revert back to the Lottery and reduce the prize costs for the year.

Prior to November 1993, the Lottery paid the winners of jackpots in annual installments over periods which vary generally from 14 to 20 years. The future prize installment obligations payable as of June 30, 1997, and during the next five years and thereafter are as follows:

Year Ending June 30	Amount
1998	\$ 2,810,191
1999	2,761,691
2000	2,740,025
2001	2,720,025
2002	2,709,025
Thereafter	20,857,375
Total payments for unpaid prize installment obligations	34,598,332
Less: Imputed interest	(18,418,287)
Present value of prize installment obligations	\$ 16,180,045

### Revenue Recognition

Revenues from on-line games are recognized in the month during which the ticket was sold. Revenues from the sale of instant tickets are recognized when the book has been activated and 85% of the related prizes of an activated book is paid. Revenues from video lottery sales are recognized, net of prizes paid, at the time the public plays the game.

### Reclassification

Certain reclassifications have been made to the 1996 amounts in order to conform with the 1997 presentation.

## 2. Property and Equipment, Net

Property and equipment are carried at cost. Depreciation is computed by using the straight-line method over the estimated lives of the assets.

Property and equipment as of June 30, 1997 and 1996, consist of the following:

	Useful Lives	1997	1996
Computer equipment and software	8 years	\$ 981,239	\$ —
Furniture, other equipment and fixtures	5–8 years	347,898	321,060
Motor vehicles	5 years	88,278	88,278
Lotto project in progress		180,333	—
		<u>1,597,748</u>	<u>409,338</u>
Less: Accumulated depreciation		340,060	233,565
Property and equipment, net		<u>\$1,257,688</u>	<u>\$175,773</u>

## 3. Cash and Investments in Annuity Contracts

Cash receipts and disbursements of the Lottery are made in and out of the State of Delaware cash funds in accordance with State policy. Also, in accordance with State policy, income earned on these funds deposited with the State of Delaware accrues to the State. The Lottery maintains a working cash fund to pay prize winners and small disbursements. The cash maintained in this working cash fund is deposited in an account with a bank and is entirely covered by federal depository insurance or by collateral held by an agent bank.

Cash as of June 30, 1997 and 1996, consists of the following:

	1997	1996
On hand and in bank	\$1,090,623	\$1,857,387
Held by State of Delaware	1,208,034	394,445
	<u>\$2,298,657</u>	<u>\$2,251,832</u>

Annuity contracts were purchased from insurance companies to fund prizes of \$150,000 or more payable on an installment basis. Investments are carried at the present value of future installment prize payments utilizing guaranteed interest rates ranging from approximately 5% to 10%. The market value of some of these investments is not easily determinable; however, it is the Lottery's intent to hold the investments until maturity. Interest earned on annuity contracts to pay Lotto prize obligations is not recognized as revenue, but is credited to obligations for unpaid prize awards.

## 4. Participation in the Multi-State Lottery

The Lottery is a member of the Multi-State Lottery (MUSL), which operates on-line games on behalf of participating state lotteries. Each MUSL member sells game tickets through its agents and makes weekly wire transfers to the MUSL in an amount equivalent to the member's Lottery share of the estimated grand prize liability. Lesser prizes are paid directly to the winners by each member Lottery. MUSL operates the Powerball game. The prize pool for Powerball is 50% of each drawing period's sales. MUSL allocates each drawing period's sales, included as part of each MUSL member's prize liability, as follows: MUSL first allocates 2% of each drawing period's sales to fund the Set-aside Pool to a cap of \$2,500,000. When that cap is reached, the 2% is allocated to the Set Prize Reserve Pool to a cap of \$30,000,000. Finally, the Prize Reserve Pool is funded.

The MUSL has placed a \$52,000,000 cap on the prize reserve funds, and once the prize reserve funds exceed this designated cap, the excess becomes part of the prize pool. The prize reserve funds serve as a contingency reserve to protect the MUSL from unforeseen prize liabilities, and the money in this reserve fund is refundable to MUSL members if the MUSL disbands or if a member leaves the MUSL Board. Members leaving the MUSL must wait one year before receiving their remaining share, if any, of the prize reserve funds. As of June 30, 1997, the prize reserve fund had a balance of \$84,500,000, of which the Lottery's share was \$1,463,947. The Lottery's \$1,463,947 share of the prize reserve consisted of \$744,413 for the Prize Reserve, \$579,883 for the Set Prize Reserve and \$139,650 for miscellaneous expenses. Included in accounts payable as of June 30, 1997 and 1996, are \$1,463,947 and \$1,120,907, respectively, which represent amounts to be paid to the State of Delaware, upon ending the Powerball game, if MUSL is not required to use a portion of the Lottery's reserves held by MUSL.

## 5. Revenues and Expenses by Game

The following sales revenues were recognized for the years ended June 30, 1997 and 1996:

	1997	1996
On-Line Games:		
Play 3 Day	\$ 10,861,875	\$ 11,036,321
Play 3 Night	22,851,274	24,829,918
Play 4 Day	4,991,563	4,967,557
Play 4 Night	11,114,910	11,803,487
Lotto	10,650,183	9,498,569
Winning Hand	3,025,823	—
Powerball	19,464,161	25,560,156
	<b>82,959,789</b>	<b>87,696,008</b>
Video Lottery, net	255,901,458	77,062,810
Instant	20,303,633	23,957,598
	<b>\$359,164,880</b>	<b>\$188,716,416</b>

The revenues, prize costs and commission expense, by game type, for the year ended June 30, 1997, are listed below:

	Video			
	Total On-Line	Lottery, net	Instant	Total
Revenues	\$ 82,959,789	\$255,901,458	\$ 20,303,633	\$359,164,880
Prize Costs	41,442,413	—	12,309,870	53,752,283
	255,901,458	7,993,763	305,412,597	
Commissions Expense	4,660,459	129,497,449	1,142,838	135,300,746
Contribution Margin Per Game	\$ 36,856,917	\$126,404,009	\$ 6,850,925	\$170,111,851

## 6. Transfers to the State of Delaware

As required, under the Legislation, retained earnings of the Lottery may not exceed \$1,000,000; therefore, the Lottery periodically transfers surplus funds to the State of Delaware in accordance with the Legislation. For the years ended June 30, 1997 and 1996, the Lottery made the following transfers to the State of Delaware and, as of June 30, 1997 and 1996, had the following liabilities due to the State of Delaware for excess earnings:

	June 30	
	1997	1996
Transfers to the State of Delaware during the fiscal year:		
General Fund	\$ 96,000,000	\$57,800,000
Department of Health and Social Services	575,171	100,000
Department of Agriculture	28,133,320	8,104,503
Prepaid transfer to General Fund	2,230,295	(2,230,295)
Reversal of prior year-end instant game liabilities	(366,544)	—
Other	—	59,262
Net transferred to the State of Delaware	<b>126,572,242</b>	<b>63,833,470</b>
Due to the State of Delaware at year-end:		
General Fund	439,729	—
Department of Health and Social Services	82,533	91,507
Department of Agriculture	714,741	358,999
Total due to the State of Delaware	<b>1,237,003</b>	<b>450,506</b>
Total transfer to the State of Delaware	<b>\$127,809,245</b>	<b>\$64,283,976</b>

## 7. Retirement Benefits

All Lottery personnel are employees of the State of Delaware (the State) and are covered by pension, health insurance and other employee benefit programs administered by agencies of the State. During 1997 and 1996, the Lottery incurred \$1,250,018 and \$1,210,184, respectively, of payroll-related costs, including pension, health insurance and other employee benefit costs, paid to various State of Delaware agencies responsible for the administration of benefit programs.

As such, the Lottery contributes to the State Employees' Pension Plan (the State Plan) established by the State to provide benefits for State employees. While the State Plan is an agent multiple employer public employees retirement system, the Lottery accounts for the plan as a cost-sharing multiple employer public employees retirement system as a separate valuation is not performed for the Lottery and the Lottery's only obligation to the plan is its required annual contributions. The State Plan is considered part of the State's financial reporting entity and is not considered a part of the Lottery's reporting entity. The State Plan prepares separate financial statements which can be obtained from the Secretary of Finance, Carvel State Building, Wilmington, Delaware, 19801.

The State Plan consists of several plans which are managed by the State. The various plans have different vesting periods ranging from 5 to 20 years, various eligibility requirements and various benefits that are provided. The Lottery made its required contributions for the years ending June 30, 1997, 1996 and 1995 of approximately \$111,800, \$91,900 and \$91,500, respectively.

## 8. Commitments and Contingencies

### Contracts

As of June 30, 1997, the Lottery has entered into various contracts for services to be rendered relating principally to the operation of the Lottery's games. Under the gaming systems vendor contracts, the Lottery is committed to future obligations.

The Lottery is committed to 2.79% of on-line sales, \$0.023 per transaction of instant ticket transaction pass-throughs, 8.7% to 12.0% of net proceeds of video lottery machines and 2.78% of net proceeds of the video central system, with remaining periods of 2.25, 2.25, 3.50 and 2.25 years, respectively.

In addition to the future commitments above, as of June 30, 1997, the Lottery also has the following commitments:

Year Ending June 30	Amount
1998	\$3,281,100
1999	1,056,700
2000	418,000
2001	98,000
2002	98,000



*W i n n i n g   H a n d <sup>TM</sup>*

*P l a y   3*

*V i d e o   L o t t e r y*

*I n s t a n t   G a m e s*

Delaware Lottery Office  
McKee Business Park  
1575 McKee Road, Suite 102  
Dover, Delaware 19904  
302-739-5291

[www.state.de.us/lottery](http://www.state.de.us/lottery)

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**DELAWARE**  
**LOTTERY**  
*Helping to build a  
better Delaware since 1975*