



2323 Grand Avenue • Des Moines • Iowa • 50312-5307
Telephone: 515-725-7900 • Fax: 515-725-7882
www.ialottery.com

Chester J. Culver • Governor
Patty Judge • Lt. Governor
Terry Rich • Chief Executive Officer

A G E N D A

IOWA LOTTERY BOARD

March 25, 2009
10:00 a.m.

1. Call to Order
Approval of Minutes
2. Monthly Reports
 - a. Security
 - b. Financial
 - c. Marketing and Sales
3. Bottom-Line Challenge Contest
4. Audit Firm RFP Award
and Contract Approval
5. State Auditor's Report
6. Membership Dues
 - a. Iowa Grocery Industry Association
 - b. Petroleum Marketers and Convenience
Stores of Iowa
 - c. North American Association of State
and Provincial Lotteries
 - d. World Lottery Association
7. Closed Session
 - a. Litigation Update
 - b. Personnel
8. Management Line of Succession

MINUTES
IOWA LOTTERY BOARD
December 2, 2008

The Iowa Lottery Board convened at 1:05 p.m., Chairperson Junge presiding. Board members present at Lottery Headquarters: Mary Junge, Brad Schroeder. Participating by telephone: Elaine Baxter, Michael Klappholz, Thomas Rial. Absent: Michael Fitzgerald.

Staff present at Lottery Headquarters: Kenneth Brickman, Acting CEO; Brenda Loy, Acting Chief Financial Officer; Joe Hrdlicka, Vice President for Marketing; Larry Loss, Vice President for Sales; Mary Neubauer, Vice President for External Affairs; John Ellison, Security Investigator; Evelyn Halterman, IT Manager; Barbara DeHeck, secretary. Participating by telephone: David Van Compernelle, Assistant Attorney General

Others present: Bill Petroski (Des Moines Register).

Junge called the meeting to order and noted that Board members were participating by means of a conference call, with the provisions of Iowa Code section 21.8 governing the conduct of electronic meetings in effect. A meeting with all members in attendance in person was impractical due to Board members' personal scheduling conflicts. The meeting originated from the Lottery central offices in Des Moines and public notice of the meeting was given pursuant to Iowa Code section 21.4, with public access to the conversation of all participants provided by means of speakerphone for the benefit of all in attendance at the meeting site. Rial moved to conduct the meeting by electronic means, pursuant to Code section 21.8. The motion was seconded by Schroeder and carried unanimously.

Monthly Reports

Written reports were included in the agenda package. Staff members reviewed the information and responded to questions from Board members.

Schroeder moved to approve the monthly reports. The motion was seconded by Baxter and carried unanimously.

Minutes

Klappholz moved to approve the minutes of the September 30, 2008 meeting. The motion was seconded by Rial and carried unanimously.

Litigation Update

Junge announced that the office of the Attorney General was prepared to consult with the Board on the status of pending litigation and that the briefing should be conducted in closed session as provided in Iowa Code chapter 21.5(1)(c) which provided for closed session to discuss strategy with counsel in matters presently in litigation or where litigation was imminent where its disclosure would be likely to prejudice or disadvantage the position of the governmental body in that litigation.

Baxter moved to go into closed session pursuant to Iowa Code chapter 21.5(1)(c). The motion was seconded by Rial and carried by a unanimous roll-call vote.

The Board convened in closed session at 1:20 p.m. At 2:07 p.m. the Board returned to open session upon a motion by Baxter, seconded by Schroeder, and carried by a unanimous roll-call vote. No action was taken in closed session.

Schroeder moved to approve the payment of bills to the Attorney General's office for work that has been performed through today's date by the special counsel hired by the Attorney General's office to assist in processing the TouchPlay litigation. The motion was seconded by Baxter and carried unanimously.

Adjournment having been moved and carried, the meeting adjourned at 2:10 p.m.



2323 Grand Avenue · Des Moines · Iowa · 50312-5307
Telephone: 515-725-7900 · Fax: 515-725-7882
www.ialottery.com

Chester J. Culver · Governor
Patty Judge · Lt. Governor

SECURITY REPORT DECEMBER 2008

INVESTIGATIONS

04 Thefts
02 Arrests

EVENTS

Provide Security for the \$100,000.00 Cash Game and all second chance and promotional drawings. Total 29 drawings.

WAREHOUSING AND DISTRIBUTION

See attached report.

MISCELLANEOUS

19 Assist Validation Department
02 Days monitoring production of pull-tabs.
03 Days monitoring production of Instant tickets.
05 Law enforcement contacts.

TOTAL RETAILERS

2443



2323 Grand Avenue • Des Moines • Iowa • 50312-5307
Telephone: 515-725-7900 • Fax: 515-725-7882
www.iawalottery.com

Chester J. Culver • Governor
Patty Judge • Lt. Governor

Date: December 30th, 2008

To: John Ellison

From: Kevin Jones
Central Warehouse

Re.: WAREHOUSING & DISTRIBUTION – DECEMBER 2008

WAREHOUSING

1. Received and stored the following Instant Games:
 - Game # 612 – Crossword
 - Game # 621 – Double or Nothing
 - Game # 624 – 4 Way Cash
 - Game # 625 – Freedom Rings
 - Game # 630 – Reel In The Money
 - Game # 632 – Wild Bingo
 - Game # 635 – Double Payday

2. Received and stored the following Pull-Tab Games:
 - Game # 23 – Casino Spin
 - Game # 24 – Land of Liberty

DISTRIBUTION

1. Shipped Tickets, Marketing materials and supplies to all Regional Distribution Centers as required.



2323 Grand Avenue • Des Moines • Iowa • 50312-6307
Telephone: 515-725-7900 • Fax: 515-725-7882
www.ialottery.com

Chester J. Culver • Governor
Paity Judge • Lt. Governor

SECURITY REPORT JANUARY 2009

INVESTIGATIONS

04 Thefts
03 Arrests

EVENTS

Provide Security for the \$100,000.00 Cash Game and all second chance and promotional drawings. Total 30 drawings.

WAREHOUSING AND DISTRIBUTION

See attached report.

MISCELLANEOUS

16 Assist Validation Department.
04 Days monitoring production of pull-tabs.
06 Days monitoring production of Instant Tickets.
05 Law enforcement contacts.

TOTAL RETAILERS

2442



2323 Grand Avenue · Des Moines · Iowa · 50312-5307
Telephone: 515-725-7900 · Fax: 515-725-7882
www.ialottery.com

Chester J. Culver · Governor
Patty Judge · Lt. Governor

Date: January 28th, 2009

To: John Ellison

From: Kevin Jones
Central Warehouse

Re.: WAREHOUSING & DISTRIBUTION – JANUARY 2009

WAREHOUSING

1. Received and stored the following Instant Games:
 - Game # 629 – Goin green
 - Game # 631 – Lucky Diamonds
 - Game # 633 – EZ Grand
 - Game # 635 – Funky 5's

DISTRIBUTION

1. Shipped Tickets, Marketing materials and supplies to all Regional Distribution Centers as required.



2323 Grand Avenue • Des Moines • Iowa • 50312-5307
Telephone: 515-725-7900 • Fax: 515-725-7882
www.ialottery.com

Chester J. Culver • Governor
Patty Judge • Lt. Governor
Terry Rich • Chief Executive Officer

SECURITY REPORT FEBRUARY 2009

INVESTIGATIONS

05 Thefts
04 Arrests

EVENTS

Provide Security for the \$100,000.00 Cash Game and all second chance and promotional drawings. Total 25 drawings.

WAREHOUSING AND DISTRIBUTION

See attached report.

MISCELLANEOUS

21 Assist Validation Department.
04 Days monitoring production of Pull-Tabs.
07 Law enforcement contacts.

TOTAL RETAILERS

2443



2323 Grand Avenue · Des Moines · Iowa · 50312-5307
Telephone: 515-725-7900 · Fax: 515-725-7882
www.iotalottery.com

Chester J. Cuiver · Governor
Patty Judge · Lt. Governor

Date: February 27th, 2009

To: John Ellison

From: Kevin Jones
Central Warehouse

Re.: WAREHOUSING & DISTRIBUTION – FEBRUARY 2009

WAREHOUSING

1. Received and stored the following Pull-Tab Games:
Game No. 25 – Tee One Up.
Game No. 26 – Extreme Green

DISTRIBUTION

1. Shipped Tickets, Marketing materials and supplies to all Regional Distribution Centers as required.



2323 Grand Avenue · Des Moines · Iowa · 50312-5307
Telephone: 515-725-7900 · Fax: 515-725-7882
www.ialottery.com

Chester J. Culver · Governor
Patty Judge · Lt. Governor

DATE: December 24, 2008
TO: Board Members of the Iowa Lottery Authority
FROM: Brenda Loy, Accounting Manager / Acting CFO

A handwritten signature in black ink, appearing to be "BL", located to the right of the "FROM:" line.

Attached are the financial statements for November 2008. During November, we had revenue of \$19,083,325. This sales level resulted in \$4,898,624 of proceeds payable to the State General Fund, \$150,898 of proceeds payable to the Veterans Trust Fund, and \$95,616 payable to the Gambler's Treatment Program.

Attachments

IOWA LOTTERY AUTHORITY
SCHEDULE OF ECONOMIC BENEFITS

November 30, 2008

Proceeds to Iowa Plan		\$170,318,439
Proceeds to CLEAN fund		\$35,894,355
Proceeds to Special Appropriations		\$13,773,572
Sales Tax		\$135,975,218
Proceeds to Gambler's Treatment Program		
Prior to Fiscal Year 2009	\$14,513,071	
Fiscal Year 2009		
Transferred	289,493	
Payable	194,610	
	<hr/>	14,997,174
Proceeds to the State General Fund:		
Prior to Fiscal Year 2009	\$759,727,898	
Fiscal Year 2009		
Transferred	12,773,997	
Payable	9,779,039	
	<hr/>	782,280,934
Proceeds to the Veterans Trust Fund:		
Prior to Fiscal Year 2009	\$0	
Fiscal Year 2009		
Transferred	992,773	
Payable	322,759	
	<hr/>	1,315,532
Total		<hr/> <hr/> <u>\$1,154,555,224</u>

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE MONTH AND YEAR ENDED NOVEMBER 30, 2008

	<u>Month ended</u> <u>November 30, 2008</u>	<u>Month ended</u> <u>November 30, 2007</u>	<u>Year-to-date</u> <u>November 30, 2008</u>	<u>Year-to-date</u> <u>November 30, 2007</u>
OPERATING REVENUES				
Instant ticket sales	\$11,015,924	\$11,819,753	\$53,051,199	\$56,787,065
Pick 3 sales	522,906	529,273	2,638,531	2,631,694
Powerball sales	4,003,030	5,409,311	23,052,317	27,588,375
Hot Lotto sales	1,498,988	970,916	6,359,821	4,719,092
Pick 4 sales	198,309	197,693	1,005,527	954,842
\$100,000 Cash Game sales	323,989	358,950	1,691,835	1,826,705
Pull-tab sales	1,519,322	1,804,580	8,884,084	8,788,890
Application fees	175	550	1,705	2,075
Other revenue	682	35,291	2,797	37,229
Total operating revenues	19,083,325	21,126,317	96,687,816	103,335,967
OPERATING EXPENSES				
Instant Prize expense	6,316,764	7,566,414	31,553,637	35,373,802
Pick 3 prize expense	303,724	314,864	1,527,725	1,554,576
Powerball prize expense	1,912,959	2,643,976	11,083,656	13,186,467
Hot Lotto prize expense	737,528	466,222	3,121,123	2,273,539
Raffle Prize Expense	0	0	(10,500)	0
Pick 4 prize expense	108,071	99,501	582,978	544,366
\$100,000 Cash Game prize expense	152,801	168,532	796,497	1,273,106
Pull-tab prize expense	951,710	1,130,620	5,574,063	5,488,068
Promotional prize expense	10,656	16,120	240,528	48,296
Advertising/Publicity	512,321	152,765	2,861,486	2,493,003
Retailer compensation expense	1,177,626	1,340,999	6,008,152	6,455,273
Ticket expense	231,879	212,435	1,045,988	1,005,843
Vendor compensation expense	603,393	672,243	3,062,721	3,256,597
Administrative Payroll	652,539	743,488	3,656,624	3,738,533
Travel	23,177	30,774	203,238	193,308
Supplies	17,274	6,457	57,861	59,517
Printing	0	105	1,352	3,528
Postage	0	0	2,145	707
Communications	37,269	49,634	231,397	245,726
Rentals	26,852	22,492	117,413	112,656
Utilities	12,253	6,886	38,811	39,171
Professional fees	44,618	3,931	84,854	42,586
Vending machine maintenance	40,825	41,048	204,213	205,240
Outside services and repairs	27,740	44,188	115,616	114,217
Data processing	4,450	3,280	18,509	16,105
Equipment	35,165	18,959	79,058	62,372
Reimbursement to other state agencies	35,383	38,715	176,475	174,108
Depreciation	119,876	124,588	580,436	578,746
Other	15,272	13,691	76,504	81,814
Total operating expenses	14,112,125	15,932,927	73,092,560	78,621,270
 Operating income (loss)	 4,971,200	 5,193,390	 23,595,256	 24,714,697
 Interest Income	 26,807	 91,866	 159,480	 269,071
Interest expense	(4,105)	(9,578)	(20,525)	(47,891)

IOWA LOTTERY AUTHORITY
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 FOR THE MONTH AND YEAR ENDED NOVEMBER 30, 2008

	<u>Month ended November 30, 2008</u>	<u>Month ended November 30, 2007</u>	<u>Year-to-date November 30, 2008</u>	<u>Year-to-date November 30, 2007</u>
Income before transfers	4,993,902	5,275,678	23,734,211	24,935,877
Transfer to:				
Gambler's Treatment Program	(95,616)	(106,002)	(484,103)	(517,712)
Veterans Trust Fund	(150,898)	0	(1,315,532)	0
State General Fund	(4,898,624)	(5,292,186)	(22,553,036)	(24,926,643)
Change in net assets	(151,236)	(122,510)	(618,460)	(508,478)
Net assets, beginning of period	<u>5,200,557</u>	<u>3,968,411</u>	<u>5,667,781</u>	<u>4,354,379</u>
Net assets, end of period	<u><u>\$5,049,321</u></u>	<u><u>\$3,845,901</u></u>	<u><u>\$5,049,321</u></u>	<u><u>\$3,845,901</u></u>



2323 Grand Avenue • Des Moines • Iowa • 50312-5307
Telephone: 515-725-7900 • Fax: 515-725-7882
www.ialottery.com

Chester J. Culver • Governor
Patty Judge • Lt. Governor

DATE: January 28, 2009
TO: Board Members of the Iowa Lottery Authority
FROM: Brenda Loy, Accounting Manager / Acting CFO *BL*

Attached are the financial statements for December 2008. During December, we had revenue of \$20,257,344. This sales level resulted in \$3,608,814 of proceeds payable to the State General Fund, \$127,193 of proceeds payable to the Veterans Trust Fund, and \$101,455 payable to the Gambler's Treatment Program.

Attachments

IOWA LOTTERY AUTHORITY
SCHEDULE OF ECONOMIC BENEFITS

December 31, 2008

Proceeds to Iowa Plan		\$170,318,439
Proceeds to CLEAN fund		\$35,894,355
Proceeds to Special Appropriations		\$13,773,572
Sales Tax		\$135,975,218
Proceeds to Gambler's Treatment Program		
Prior to Fiscal Year 2009	\$14,513,071	
Fiscal Year 2009		
Transferred	289,493	
Payable	296,065	
		<u>15,098,629</u>
Proceeds to the State General Fund:		
Prior to Fiscal Year 2009	\$759,727,898	
Fiscal Year 2009		
Transferred	12,773,997	
Payable	13,387,853	
		<u>785,889,748</u>
Proceeds to the Veterans Trust Fund:		
Prior to Fiscal Year 2009	\$0	
Fiscal Year 2009		
Transferred	992,773	
Payable	449,952	
		<u>1,442,725</u>
Total		<u><u>\$1,158,392,686</u></u>

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE MONTH AND YEAR ENDED DECEMBER 31, 2008

	<u>Month ended</u> <u>December 31, 2008</u>	<u>Month ended</u> <u>December 31, 2007</u>	<u>Year-to-date</u> <u>December 31, 2008</u>	<u>Year-to-date</u> <u>December 31, 2007</u>
OPERATING REVENUES				
Instant ticket sales	\$12,114,613	\$12,144,913	\$65,165,812	\$68,931,978
Pick 3 sales	546,296	525,201	3,184,827	3,156,895
Powerball sales	4,320,111	4,121,643	27,372,427	31,710,018
Hot Lotto sales	1,010,468	842,876	7,370,289	5,561,968
Pick 4 sales	220,444	193,901	1,225,971	1,148,743
\$100,000 Cash Game sales	351,979	351,777	2,043,814	2,178,482
Pull-tab sales	1,692,143	1,648,957	10,576,228	10,437,847
Application fees	300	350	2,005	2,425
Other revenue	990	300	3,787	37,529
Total operating revenues	20,257,344	19,829,918	116,945,160	123,165,885
OPERATING EXPENSES				
Instant Prize expense	7,642,488	7,507,568	39,196,125	42,881,371
Pick 3 prize expense	321,697	309,543	1,849,422	1,864,119
Powerball prize expense	2,101,690	1,999,932	13,185,346	15,186,399
Hot Lotto prize expense	494,749	399,150	3,615,872	2,672,689
Raffle Prize Expense	0	0	(10,500)	0
Pick 4 prize expense	124,116	115,406	707,094	659,771
\$100,000 Cash Game prize expense	432,025	165,978	1,228,522	1,439,083
Pull-tab prize expense	1,065,666	1,033,011	6,639,729	6,521,078
Promotional prize expense	8,180	5,400	248,708	53,695
Advertising/Publicity	537,509	1,200,035	3,398,995	3,693,038
Retailer compensation expense	1,278,196	1,262,185	7,286,348	7,717,458
Ticket expense	252,180	194,657	1,298,168	1,200,501
Vendor compensation expense	667,433	624,483	3,730,155	3,881,081
Administrative Payroll	731,794	865,462	4,388,418	4,603,995
Travel	34,016	39,416	237,254	232,724
Supplies	3,249	6,116	61,110	65,633
Printing	1,283	5,631	2,635	9,159
Postage	157	0	2,302	707
Communications	52,741	37,182	284,138	282,907
Rentals	23,964	22,492	141,377	135,148
Utilities	18,613	12,356	57,424	51,527
Professional fees	13,999	2,397	98,853	44,983
Vending machine maintenance	40,825	41,048	245,038	246,288
Outside services and repairs	44,405	22,962	160,021	137,179
Data processing	2,935	3,242	21,445	19,347
Equipment	15,118	15,201	94,175	77,573
Reimbursement to other				
state agencies	31,344	27,519	207,819	201,628
Depreciation	117,185	118,866	697,621	697,612
Other	28,855	15,210	105,359	97,024
Total operating expenses	16,086,412	16,052,448	89,178,973	94,673,717
Operating income (loss)	4,170,932	3,777,470	27,766,187	28,492,168

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE MONTH AND YEAR ENDED DECEMBER 31, 2008

	Month ended <u>December 31, 2008</u>	Month ended <u>December 31, 2007</u>	Year-to-date <u>December 31, 2008</u>	Year-to-date <u>December 31, 2007</u>
Interest income	62,691	78,497	222,172	347,568
Interest expense	(4,105)	(9,578)	(24,630)	(57,470)
Income before transfers	4,229,518	3,846,389	27,963,729	28,782,266
Transfer to:				
Gambler's Treatment Program	(101,455)	(99,439)	(585,558)	(617,151)
Veterans Trust Fund	(127,193)	0	(1,442,725)	0
State General Fund	(3,608,814)	(3,631,482)	(26,161,850)	(28,558,125)
Change in net assets	392,056	115,468	(226,404)	(393,010)
Net assets, beginning of period	<u>5,049,321</u>	<u>3,845,901</u>	<u>5,667,781</u>	<u>4,354,379</u>
Net assets, end of period	<u><u>\$5,441,377</u></u>	<u><u>\$3,961,369</u></u>	<u><u>\$5,441,377</u></u>	<u><u>\$3,961,369</u></u>

IOWA LOTTERY AUTHORITY
2ND QUARTER FY 2009
CONFERENCE/SEMINAR OUT OF STATE TRAVEL

DATES	NAME	DESTINATION	TOTAL EXPENSES
10-04 THR 10-08	Tom Warner	Chicago, IL	\$1,691.44
10-25 THR 10/30	Therese Spaulding	St. Louis, MO	\$1,344.95
10-27 THR 10/30	John Wolf	St. Louis, MO	\$1,585.93

TOTAL \$4,622.32



2323 Grand Avenue • Des Moines • Iowa • 50312-5307
Telephone: 515-725-7900 • Fax: 515-725-7882
www.ialottery.com

Chester J. Culver • Governor
Patty Judge • Lt. Governor
Terry Rich • Chief Executive Officer

DATE: February 24, 2009
TO: Board Members of the Iowa Lottery Authority
FROM: Brenda Loy, Accounting Manager / Acting CFO 

Attached are the financial statements for January 2009. During January, we had revenue of \$21,514,888. This sales level resulted in \$5,024,759 of proceeds payable to the State General Fund, \$196,152 of proceeds payable to the Veterans Trust Fund, and \$107,858 payable to the Gambler's Treatment Program.

Attachments

IOWA LOTTERY AUTHORITY
SCHEDULE OF ECONOMIC BENEFITS

January 31, 2009

Proceeds to Iowa Plan		\$170,318,439
Proceeds to CLEAN fund		\$35,894,355
Proceeds to Special Appropriations		\$13,773,572
Sales Tax		\$135,975,218
Proceeds to Gambler's Treatment Program		
Prior to Fiscal Year 2009	\$14,513,071	
Fiscal Year 2009		
Transferred	585,558	
Payable	107,858	
	<hr/>	15,206,487
Proceeds to the State General Fund:		
Prior to Fiscal Year 2009	\$759,727,898	
Fiscal Year 2009		
Transferred	26,161,850	
Payable	5,024,759	
	<hr/>	790,914,507
Proceeds to the Veterans Trust Fund:		
Prior to Fiscal Year 2009	\$0	
Fiscal Year 2009		
Transferred	1,442,725	
Payable	196,153	
	<hr/>	1,638,878
Total		<hr/> \$1,163,721,456 <hr/>

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE MONTH AND YEAR ENDED JANUARY 31, 2009

	Month ended January 31, 2009	Month ended January 31, 2008	Year-to-date January 31, 2009	Year-to-date January 31, 2008
OPERATING REVENUES				
Instant ticket sales	\$12,310,023	\$12,019,174	\$77,475,835	\$80,951,152
Pick 3 sales	560,328	534,135	3,745,155	3,691,030
Powerball sales	5,461,486	4,427,213	32,833,914	36,137,230
Hot Lotto sales	1,026,951	1,109,180	8,397,240	6,671,148
Pick 4 sales	225,335	192,717	1,451,306	1,341,461
\$100,000 Cash Game sales	355,086	365,168	2,398,900	2,543,650
Pull-tab sales	1,574,422	1,822,468	12,150,650	12,260,315
Application fees	325	500	2,330	2,925
Other revenue	932	3,355	4,718	40,884
Total operating revenues	21,514,888	20,473,910	138,460,048	143,639,795
OPERATING EXPENSES				
Instant Prize expense	7,590,639	8,275,232	46,786,763	51,156,603
Pick 3 prize expense	332,967	304,712	2,182,389	2,168,831
Powerball prize expense	2,676,828	2,080,260	15,862,175	17,266,659
Hot Lotto prize expense	499,532	537,605	4,115,404	3,210,294
Raffle Prize Expense	0	0	(10,500)	0
Pick 4 prize expense	134,576	114,475	841,670	774,246
\$100,000 Cash Game prize expense	167,834	172,636	1,396,357	1,611,719
Pull-tab prize expense	990,817	1,139,419	7,630,546	7,660,498
Promotional prize expense	124,897	11,637	373,605	65,332
Advertising/Publicity	519,468	610,154	3,918,463	4,303,193
Retailer compensation expense	1,354,628	1,272,052	8,640,976	8,989,511
Ticket expense	261,531	215,804	1,559,699	1,416,305
Vendor compensation expense	689,211	646,766	4,419,366	4,527,846
Administrative Payroll	669,614	573,884	5,058,032	5,177,878
Travel	24,684	32,131	261,938	264,854
Supplies	6,887	3,827	67,996	69,461
Printing	1,253	1,181	3,888	10,340
Postage	408	2,410	2,710	3,117
Communications	37,761	52,088	321,899	334,995
Rentals	25,201	22,492	166,578	157,640
Utilities	16,170	13,655	73,594	65,181
Professional fees	3,819	4,150	102,672	49,133
Vending machine maintenance	40,825	41,048	285,863	287,336
Outside services and repairs	15,822	21,093	175,842	158,272
Data processing	2,724	3,141	24,169	22,488
Equipment	9,507	19,612	103,682	97,185
Reimbursement to other state agencies	42,932	27,556	250,751	229,184
Depreciation	116,182	118,750	813,803	816,362
Other	12,908	8,436	118,267	105,460
Total operating expenses	16,369,625	16,326,206	105,548,597	110,999,923
Operating income (loss)	5,145,263	4,147,704	32,911,451	32,639,872

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE MONTH AND YEAR ENDED JANUARY 31, 2009

	<u>Month ended January 31, 2009</u>	<u>Month ended January 31, 2008</u>	<u>Year-to-date January 31, 2009</u>	<u>Year-to-date January 31, 2008</u>
Interest Income	38,286	56,372	260,458	403,940
Interest expense	(4,105)	(9,578)	(28,735)	(67,048)
Income before transfers	5,179,444	4,194,498	33,143,174	32,976,764
Transfer to:				
Gambler's Treatment Program	(107,858)	(102,801)	(693,416)	(719,952)
Veterans Trust Fund	(196,152)	0	(1,638,878)	0
State General Fund	(5,024,759)	(4,262,256)	(31,186,609)	(32,820,381)
Change in net assets	(149,325)	(170,559)	(375,729)	(563,569)
Net assets, beginning of period	<u>5,441,377</u>	<u>3,961,369</u>	<u>5,667,781</u>	<u>4,354,379</u>
Net assets, end of period	<u>\$5,292,052</u>	<u>\$3,790,810</u>	<u>\$5,292,052</u>	<u>\$3,790,810</u>



2323 Grand Avenue · Des Moines · Iowa · 50312-5307
Telephone: 515-725-7900 · Fax: 515-725-7882
www.ialottery.com

Chester J. Culver · Governor
Patty Judge · Lt. Governor
Terry Rich · Chief Executive Officer

DATE: March 17, 2009
TO: Board Members of the Iowa Lottery Authority
FROM: Brenda Loy, Accounting Manager / Acting CFO *BL*

Attached are the financial statements for February 2009. During February, we had revenue of \$21,278,805. This sales level resulted in \$4,959,147 of proceeds payable to the State General Fund, \$279,052 of proceeds payable to the Veterans Trust Fund, and \$106,620 payable to the Gambler's Treatment Program.

Attachments

IOWA LOTTERY AUTHORITY
SCHEDULE OF ECONOMIC BENEFITS

February 28, 2009

Proceeds to Iowa Plan		\$170,318,439
Proceeds to CLEAN fund		\$35,894,355
Proceeds to Special Appropriations		\$13,773,572
Sales Tax		\$135,975,218
Proceeds to Gambler's Treatment Program		
Prior to Fiscal Year 2009	\$14,513,071	
Fiscal Year 2009		
Transferred	585,558	
Payable	214,478	
	<hr/>	15,313,107
Proceeds to the State General Fund:		
Prior to Fiscal Year 2009	\$759,727,898	
Fiscal Year 2009		
Transferred	26,161,850	
Payable,	9,983,906	
	<hr/>	795,873,654
Proceeds to the Veterans Trust Fund:		
Prior to Fiscal Year 2009	\$0	
Fiscal Year 2009		
Transferred	1,442,725	
Payable	475,205	
	<hr/>	1,917,930
Total		<hr/> <hr/> <u>\$1,169,066,275</u>

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE MONTH AND YEAR ENDED FEBRUARY 28, 2009

	Month ended February 28, 2009	Month ended February 29, 2008	Year-to-date February 28, 2009	Year-to-date February 29, 2008
OPERATING REVENUES				
Instant ticket sales	\$12,054,534	\$11,794,816	\$89,530,369	\$92,745,968
Pick 3 sales	559,723	523,035	4,304,877	4,214,065
Powerball sales	5,276,111	4,743,312	38,110,025	40,880,542
Hot Lotto sales	1,071,557	1,005,090	9,468,797	7,676,238
Pick 4 sales	216,001	187,335	1,667,308	1,528,795
\$100,000 Cash Game sales	346,202	337,605	2,745,102	2,881,255
Pull-tab sales	1,753,033	1,802,196	13,903,683	14,062,512
Application fees	275	375	2,605	3,300
Other revenue	1,369	639	6,087	41,523
Total operating revenues	21,278,805	20,394,403	159,738,853	164,034,198
OPERATING EXPENSES				
Instant Prize expense	7,567,418	7,081,258	54,354,181	58,237,861
Pick 3 prize expense	332,834	311,411	2,515,223	2,480,242
Powerball prize expense	2,579,168	2,322,660	18,441,343	19,589,319
Hot Lotto prize expense	523,223	491,908	4,638,627	3,702,202
Raffle Prize Expense	0	0	(10,500)	0
Pick 4 prize expense	127,576	111,216	969,246	885,462
\$100,000 Cash Game prize expense	229,314	246,239	1,625,671	1,857,958
Pull-tab prize expense	1,100,353	1,131,468	8,730,900	8,791,965
Promotional prize expense	8,198	10,779	381,802	76,111
Advertising/Publicity	577,647	587,671	4,496,110	4,890,864
Retailer compensation expense	1,337,257	1,300,362	9,978,233	10,289,873
Ticket expense	216,333	199,830	1,776,032	1,616,135
Vendor compensation expense	681,854	653,025	5,101,220	5,180,872
Administrative Payroll	650,557	637,682	5,708,589	5,815,561
Travel	20,063	29,715	282,000	294,569
Supplies	5,276	5,365	73,272	74,826
Printing	210	2,680	4,098	13,020
Postage	(1,137)	0	1,574	3,117
Communications	51,526	56,033	373,424	391,028
Rentals	23,592	22,203	190,170	179,843
Utilities	5,983	15,037	79,577	80,218
Professional fees	2,015	2,318	104,687	51,451
Vending machine maintenance	40,798	41,048	326,661	328,384
Outside services and repairs	8,923	21,649	184,766	179,921
Data processing	3,461	2,722	27,630	25,210
Equipment	9,079	3,786	112,761	100,971
Reimbursement to other state agencies	30,897	36,043	281,648	265,226
Depreciation	117,131	118,750	930,934	935,112
Other	7,096	6,746	125,363	112,206
Total operating expenses	16,256,645	15,449,604	121,805,242	126,449,527
Operating income (loss)	5,022,160	4,944,799	37,933,611	37,584,671

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE MONTH AND YEAR ENDED FEBRUARY 28, 2009

	<u>Month ended</u> <u>February 28, 2009</u>	<u>Month ended</u> <u>February 29, 2008</u>	<u>Year-to-date</u> <u>February 28, 2009</u>	<u>Year-to-date</u> <u>February 29, 2008</u>
Interest Income	56,949	65,663	317,407	469,603
Interest expense	(4,105)	(9,578)	(32,840)	(76,627)
Income before transfers	5,075,004	5,000,884	38,218,178	37,977,647
Transfer to:				
Gambler's Treatment Program	(106,620)	(102,256)	(800,036)	(822,208)
Veterans Trust Fund	(279,052)	0	(1,917,930)	0
State General Fund	(4,959,147)	(5,050,549)	(36,145,756)	(37,870,929)
Change in net assets	(269,815)	(151,921)	(645,544)	(715,490)
Net assets, beginning of period	<u>5,292,052</u>	<u>3,790,810</u>	<u>5,667,781</u>	<u>4,354,379</u>
Net assets, end of period	<u><u>\$5,022,237</u></u>	<u><u>\$3,638,889</u></u>	<u><u>\$5,022,237</u></u>	<u><u>\$3,638,889</u></u>



Marketing/Sales Board Report, October 2008

Game	Details	October Sales	October Weekly Per Capita*	Fiscal YTD Sales			FY2009 YTD Goal	
				FY2008	FY2009	Change	\$	%
	One player won a top prize in the \$100,000 Cash Game in October: Judy Lien of Algona (10.1.08).	\$352,625	\$0.03	\$1,467,755	\$1,367,846	-6.81%	\$1,400,000	97.70%
	Two players won a \$200,000 prize in October: Tina De Anda of Cedar Rapids (10.29.08) and Mark Brennan of Minden (10.11.08). The jackpot reached its peak for the month at \$58.6 million on October 29 and was at \$15 million on October 31.	\$4,162,709	\$0.32	\$22,179,063	\$19,049,286	-14.11%	\$21,743,332	87.61%
	There were two \$10,000 Hot Lotto prizes won by Iowa Lottery players in October: Paula Walton of Riverside (10.18.08) and one winning ticket sold in Lenox (10.22.08) was still unclaimed. There was one \$30,000 Hot Lotto Sizzler prize won by an Iowa Lottery player in October: Gary Carle of Columbus Junction (10.1.08). The jackpot was at its highest level for the month at \$9.77 million on October 31.	\$1,403,062	\$0.11	\$3,748,176	\$4,860,833	29.69%	\$3,833,332	126.80%
	Pick 4 sales for October averaged \$46,359 per week.*	\$205,304	\$0.02	\$757,149	\$807,219	6.61%	\$733,332	110.08%
	Pick 3 sales for October averaged \$121,038 per week.*	\$536,027	\$0.04	\$2,102,421	\$2,115,625	0.63%	\$2,066,668	102.37%

Game	Details	October Sales	October Weekly Per Capita*	Fiscal YTD Sales			FY2009 YTD Goal	
				FY2008	FY2009	Change	\$	%
	Instant sales for October averaged \$2,530,651 per week. † Five instant games were introduced in October: "Fast Jacks" (\$1) was introduced on October 6; "Winner Wonderland" (\$1), "Candy Cane Crossword" (\$3), Bah Humbucks (\$5) and "Holiday Riches" (\$10) were introduced on October 27.	\$11,207,168	\$0.87	\$44,967,312	\$42,035,275	-6.52%	\$45,000,000	93.41%
	Pull-tab sales averaged \$425,012 per week. † <i>One pull-tab was introduced</i> in October: "Spice It Up" was introduced on October 20.	\$1,882,195	\$0.15	\$6,984,310	\$7,364,763	5.45%	\$7,000,000	105.21%
Totals		\$19,749,090		\$82,206,186	\$77,600,847	-5.60%	\$81,776,664	94.89%

*Based on the state population of 2.9 million people.

†Monthly sales divided by the number of days in the month, multiplied times seven (days).

PROMOTIONS FOR OCTOBER 2008



The Iowa Lottery introduced its second Midwest Millions scratch ticket on Sept. 15. The game is again a joint effort between the Kansas and Iowa Lotteries. There are two ways to win. Players may win up to \$50,000 instantly playing the scratch game. Or, if they do not win an instant prize, they may enter their nonwinning Midwest Millions ticket in a second-chance drawing for a chance to win up to \$500,000.

There will be two second-chance drawings in the game. Each second-chance drawing will offer a \$500,000 prize and 5 prizes of \$10,000. The first will be Jan. 9, 2009, in Topeka, Kan., and the second will be April 17, 2009, in Des Moines. All entries not drawn as winners in the Jan. 9 drawing will be discarded. To enter, players should fill out the information on the back of the nonwinning "Midwest Millions" ticket and 1) put a first class stamp (\$.42) on it and mail it OR 2) drop it in an official entry box at any [Iowa Lottery regional office](#).



The Holiday Riches second-chance promotion began on Oct. 27. Players can win up to \$50,000 instantly playing the scratch game. Or, if they do not win an instant prize, they may enter their nonwinning Holiday Riches ticket in a second-chance drawing for a chance to win up to \$100,000.

If a player's Holiday Riches scratch ticket does not win a prize, they may go to www.ialottery.com to enter a second-chance drawing with the serial number from their ticket. The lottery will draw for winners of 20 \$1,000 prizes and one \$100,000 prize. Nonwinning tickets must be entered on the lottery's Web site by noon on Jan. 20, 2009. The drawing is Jan. 22.



Marketing/Sales Board Report, November 2008

Game	Details	November Sales	November Weekly Per Capita*	Fiscal YTD Sales			FY2009 YTD Goal	
				FY2008	FY2009	Change	\$	%
	One player won a top prize in the \$100,000 Cash Game in November: Margy Stagers of Ottumwa (11.11.08).	\$323,989	\$0.03	\$1,826,705	\$1,691,835	-7.38%	\$1,750,000	96.68%
	There were no \$200,000 prizes won in November. The jackpot reached its peak for the month at \$57.6 million on November 22 and was at \$25 million on November 30.	\$4,003,030	\$0.31	\$27,588,375	\$23,052,317	-16.44%	\$27,179,165	84.82%
	There was one \$30,000 Hot Lotto Sizzler prize won by Iowa Lottery players in November: Lori Ortega of Alden (11.12.08). The jackpot was at its highest level for the month at \$12.2 million on November 29 and was at \$1 million on November 30.	\$1,498,988	\$0.12	\$4,719,092	\$6,359,821	34.77%	\$4,791,665	132.73%
	Pick 4 sales for November averaged \$46,272 per week.*	\$198,309	\$0.02	\$954,842	\$1,005,527	5.31%	\$916,665	109.69%
	Pick 3 sales for November averaged \$122,011 per week.*	\$522,906	\$0.04	\$2,631,694	\$2,638,531	0.26%	\$2,583,335	102.14%

Game	Details	November Sales	November Weekly Per Capita*	Fiscal YTD Sales			FY2009 YTD Goal	
				FY2008	FY2009	Change	\$	%
	Instant sales for November averaged \$2,570,382 per week. [†] Two instant games were introduced in November: "It's a Wonderful Life" (\$2) was introduced on November 3; "Stocking Stuffer" (\$1) was introduced on November 17.	\$11,015,924	\$0.85	\$56,787,065	\$53,051,199	-6.58%	\$56,250,000	94.31%
	Pull-tab sales averaged \$354,508 per week. [†] No new pull-tab games were introduced in November.	\$1,519,322	\$0.12	\$8,788,890	\$8,884,084	1.08%	\$8,750,000	101.53%
Totals		\$19,082,468		\$103,296,663	\$96,683,314	-6.40%	\$102,220,830	94.58%

*Based on the state population of 2.9 million people.

[†]Monthly sales divided by the number of days in the month, multiplied times seven (days).

PROMOTIONS FOR NOVEMBER 2008



The Iowa Lottery introduced its second Midwest Millions scratch ticket on Sept. 15. The game is again a joint effort between the Kansas and Iowa Lotteries. There are two ways to win. Players may win up to \$50,000 instantly playing the scratch game. Or, if they do not win an instant prize, they may enter their nonwinning Midwest Millions ticket in a second-chance drawing for a chance to win up to \$500,000.

There will be two second-chance drawings in the game. Each second-chance drawing will offer a \$500,000 prize and 5 prizes of \$10,000. The first will be Jan. 9, 2009, in Topeka, Kan., and the second will be April 17, 2009, in Des Moines. All entries not drawn as winners in the Jan. 9 drawing will be discarded. To enter, players should fill out the information on the back of the nonwinning "Midwest Millions" ticket and 1) put a first class stamp (\$.42) on it and mail it OR 2) drop it in an official entry box at any [Iowa Lottery regional office](#).



The Holiday Riches second-chance promotion began on Oct. 27. Players can win up to \$50,000 instantly playing the scratch game. Or, if they do not win an instant prize, they may enter their nonwinning Holiday Riches ticket in a second-chance drawing for a chance to win up to \$100,000.

If a player's Holiday Riches scratch ticket does not win a prize, they may go to www.ialottery.com to enter a second-chance drawing with the serial number from their ticket. The lottery will draw for winners of 20 \$1,000 prizes and one \$100,000 prize. Nonwinning tickets must be entered on the lottery's Web site by noon on Jan. 20, 2009. The drawing is Jan. 22.



Marketing/Sales Board Report, December 2008

Game	Details	December Sales	December Weekly Per Capita*	Fiscal YTD Sales			FY2009 YTD Goal	
				FY2008	FY2009	Change	\$	%
	Four players won a top prize in the \$100,000 Cash Game in December: Patrick and Rita Hagner of Davenport each won the top prize (12.11.08); Devon Dutka of Fairbank (12.23.08); Rubben Jones of Des Moines (12.29.08). One \$100,000 prize (12.30.08) was unclaimed.	\$351,979	\$0.03	\$2,178,482	\$2,043,814	-6.18%	\$2,100,000	97.32%
	There was one \$1 million prize won in December: Clyde and Susan Hendricks of Marion (12.22.08). The jackpot reached its peak for the month at \$81.9 million on December 31.	\$4,320,111	\$0.33	\$31,710,018	\$27,372,427	-13.68%	\$32,614,998	83.93%
	There were no \$10,000 Hot Lotto prizes won in December. The jackpot was at its highest level for the month at \$1.94 million on December 31.	\$1,010,468	\$0.08	\$5,561,968	\$7,370,289	32.51%	\$5,749,998	128.18%
	Pick 4 sales for December averaged \$49,778 per week.*	\$220,444	\$0.02	\$1,148,743	\$1,225,971	6.72%	\$1,099,998	111.45%
	Pick 3 sales for December averaged \$123,357 per week.*	\$546,296	\$0.04	\$3,156,895	\$3,184,827	0.88%	\$3,100,002	102.74%

Game	Details	December Sales	December Weekly Per Capita*	Fiscal YTD Sales			FY2009 YTD Goal	
				FY2008	FY2009	Change	\$	%
	Instant sales for December averaged \$2,735,558 per week. [†] Three instant games were introduced in December: "Heads or Tails" (\$1) was introduced on December 15; "Crossword" (orange newsprint - \$3) was introduced on December 22 and "Snow Birds" (\$2) was introduced on December 29.	\$12,114,613	\$0.94	\$68,931,978	\$65,165,812	-5.46%	\$67,500,000	96.54%
	Pull-tab sales for December averaged \$382,097 per week. [†] One new pull-tab game was introduced in December: "Casino Spin" (25 cents) was introduced on December 8.	\$1,692,143	\$0.13	\$10,437,847	\$10,576,228	1.33%	\$10,500,000	100.73%
Totals		\$20,256,054		\$123,125,931	\$116,939,368	-5.02%	\$122,664,996	95.33%

*Based on the state population of 2.9 million people.

†Monthly sales divided by the number of days in the month, multiplied times seven (days).

PROMOTIONS FOR DECEMBER 2008



The Iowa Lottery introduced its second Midwest Millions scratch ticket on Sept. 15. The game is again a joint effort between the Kansas and Iowa Lotteries. There are two ways to win. Players may win up to \$50,000 instantly playing the scratch game. Or, if they do not win an instant prize, they may enter their nonwinning Midwest Millions ticket in a second-chance drawing for a chance to win up to \$500,000.

There will be two second-chance drawings in the game. Each second-chance drawing will offer a \$500,000 prize and 5 prizes of \$10,000. The first will be Jan. 9, 2009, in Topeka, Kan., and the second will be April 17, 2009, in Des Moines. All entries not drawn as winners in the Jan. 9 drawing will be discarded. To enter, players should fill out the information on the back of the nonwinning "Midwest Millions" ticket and 1) put a first class stamp (\$.42) on it and mail it OR 2) drop it in an official entry box at any [Iowa Lottery regional office](#).



The Holiday Riches second-chance promotion began on Oct. 27. Players can win up to \$50,000 instantly playing the scratch game. Or, if they do not win an instant prize, they may enter their nonwinning Holiday Riches ticket in a second-chance drawing for a chance to win up to \$100,000.

If a player's Holiday Riches scratch ticket does not win a prize, they may go to www.ialottery.com to enter a second-chance drawing with the serial number from their ticket. The lottery will draw for winners of 20 \$1,000 prizes and one \$100,000 prize. Nonwinning tickets must be entered on the lottery's Web site by noon on Jan. 20, 2009. The drawing is Jan. 22.



DES MOINES, Iowa – A Sioux City man and Des Moines woman were chosen by the public as the overall winners of the Iowa Lottery's "It's A Wonderful Life" look-alike contest celebrating the classic movie and Iowa's own Donna Reed.

The lottery partnered with the Donna Reed Foundation in Denison in issuing a \$2 "It's A Wonderful Life" scratch game this holiday season and organizing a George and Mary Bailey look-alike contest. People were invited to give their best impressions of the movie's lead characters during contests Dec. 5-7 in Des Moines, Cedar Rapids and Sioux City.

Photos and video of the top regional winners from each of those contests was then posted on the Iowa Lottery Web site from Dec. 9-18, where the public could vote on its favorite performances. Peter Lohr of Sioux City received the most votes as the favorite George Bailey impersonator while Amy Burgmaier of Des Moines was voted the favorite Mary Bailey for her rendition. Lohr and Burgmaier each received \$500 from the lottery as the contest winners.

It's a Wonderful Life TM & © 2008 Melange Pictures LLC. All rights reserved. Donna Reed used with permission. Licensed by Sovich Minch, LLP. James Stewart used with permission. Licensed by The Stewart Family, LLC.



Marketing/Sales Board Report, January 2009

Game	Details	January Sales	January Weekly Per Capita*	Fiscal YTD Sales			FY2009 YTD Goal	
				FY2008	FY2009	Change	\$	%
	No players won a top prize in the \$100,000 Cash Game in January.	\$355,086	\$0.03	\$2,543,650	\$2,398,900	-5.69%	\$2,450,000	97.91%
	There were no \$200,000 or \$1 million prizes won in January. The jackpot reached its peak for the month at \$163.2 million on January 17. The ending jackpot on January 31 was \$43.1 million.	\$5,461,486	\$0.42	\$36,137,230	\$32,833,914	-9.14%	\$38,050,831	86.29%
	There was one \$10,000 Hot Lotto prize won in January: Marina Weis of Lacona (01.09.09). The jackpot was at its highest level for the month at \$2.76 million on January 10. The ending jackpot on January 31 was \$1.43 million.	\$1,026,951	\$0.08	\$6,671,148	\$8,397,240	25.87%	\$6,708,331	125.18%
	Pick 4 sales for January averaged \$50,882 per week.†	\$225,335	\$0.02	\$1,341,461	\$1,451,306	8.19%	\$1,283,331	113.09%
	Pick 3 sales for January averaged \$126,526 per week.†	\$560,328	\$0.04	\$3,691,030	\$3,745,155	1.47%	\$3,616,669	103.55%

Game	Details	January Sales	January Weekly Per Capita*	Fiscal YTD Sales			FY2009 YTD Goal	
				FY2008	FY2009	Change	\$	%
	Instant sales for January averaged \$2,779,683 per week. † Seven instant games were introduced in January: "Double or Nothing" (\$1), "Wild Bingo" (\$2), "4 Way Cash" (\$3) and "Ante-Up" (\$5) were introduced on January 5; "Freedom Rings" (\$1), "Cherry Twist" (\$2) and "Double Payday" (\$5) were introduced on January 26.	\$12,310,023	\$0.95	\$80,951,152	\$77,475,835	-4.29%	\$78,750,000	98.38%
	Pull-tab sales for January averaged \$355,515 per week. † One new pull-tab game was introduced in January: "Land of Liberty" (\$1) was introduced on January 12.	\$1,574,422	\$0.12	\$12,260,315	\$12,150,650	-0.89%	\$12,250,000	99.19%
Totals		\$21,513,631		\$143,595,986	\$138,453,000	-3.58%	\$143,109,162	96.75%

*Based on the state population of 2.9 million people.

†Monthly sales divided by the number of days in the month, multiplied times seven (days).

PROMOTIONS FOR JANUARY 2009



The Iowa Lottery introduced its second Midwest Millions scratch ticket on Sept. 15. The game is again a joint effort between the Kansas and Iowa Lotteries. There are two ways to win. Players may win up to \$50,000 instantly playing the scratch game. Or, if they do not win an instant prize, they may enter their nonwinning Midwest Millions ticket in a second-chance drawing for a chance to win up to \$500,000. There will be two second-chance drawings in the game. Each second-chance drawing will offer a \$500,000 prize and 5 prizes of \$10,000.

The first drawing was Jan. 9, 2009, in Topeka, Kan. The \$500,000 winner was Sandra Vines of Wichita, Kansas. The five \$10,000 winners were: Jim Gardner of Ottumwa, Iowa; Dave Von Sprecken of Swisher, Iowa; Steve Dillon of Hutchinson, Kan.; Eric Corrill of Council Bluffs, Iowa, and Roma Wisdom of Eudora, Kan.

The second drawing will be April 17, 2009, in Des Moines. All entries not drawn as winners in the Jan. 9 drawing will be discarded. To enter, players should fill out the information on the back of the nonwinning "Midwest Millions" ticket and 1) put a first class stamp (\$.42) on it and mail it OR 2) drop it in an official entry box at any [Iowa Lottery regional office](#).



The Holiday Riches second-chance promotion began on Oct. 27. Players could win up to \$50,000 instantly playing the scratch game. Or, if they did not win an instant prize, they could have entered their nonwinning Holiday Riches ticket in a second-chance drawing for a chance to win up to \$100,000.

If a player's Holiday Riches scratch ticket did not win a prize, they could have gone to www.ialottery.com to enter a second-chance drawing with the serial number from their ticket. The lottery drew for winners of 20 \$1,000 prizes and one \$100,000 prize. All nonwinning tickets must have been entered on the lottery's Web site by noon on Jan. 20, 2009. The drawing was Jan. 22.

The \$100,000 winner was Larry Pace of Ankeny. The 20 \$1,000 winners were: Dixie Sisco of Davenport, Richard Hudnut of Van Meter, Genevieve Perkins of Hampton, Tom Hebbeln of Davenport, Brian Zirkelbach of Monticello, Ellis Burns of Dayton, Teresa Carpenter-Staley of Illinois City, Ill., Carla Grubb of Des Moines, Barbara Rupp of Bedford, Sayavong Mila of Des Moines, Gregory Guffey of Ottumwa, Katie Anderson of Cherokee, Ladonna Janssen of Spirit Lake, Alberta Currie of Melrose, Elva Sheets of Osceola, Daniel Dolan of Des Moines, Lynne Schwartzkopf of Charles City, Richard Beine of Charles City, Mark Friesner of Urbandale and Sandy Pfingsten of Fort Madison.



2323 Grand Avenue • Des Moines • Iowa • 50312-5307
Telephone: 515-725-7900 • Fax: 515-725-7882
www.iotaltery.com

Chester J. Culver • Governor
Patty Judge • Lt. Governor
Terry Rich • Chief Executive Officer

March 12, 2009

To: Lottery Board

From: Terry Rich, CEO

Subject: **Employee “Bottom-line Challenge Contest”**

From time to time in past years, Lottery management, with Board approval and with approved value limits, has made selected logoed merchandise items available to employees by distribution at annual meetings. Use of logoed items by employees interacting with the public serves to promote the lottery and its products.

This year, we are proposing to continue that practice, but with a different twist. We will tap into the competitive spirit of our team in an effort to meet or beat our budgeted bottom line transfer and, along the way, “Have some fun, already!”

We will issue a challenge to all employees to compete in a contest for credits toward purchase of logoed clothing items typically purchased and worn by employees both on and off the job. Contest credits would be earned during a sixteen-week period by meeting cost reduction or product placement goals that contribute to the ILA’s end of year bottom-line funds transfer. Sales reps (route DSRs, swing DSRs and recruiters) would receive contest credits for meeting weekly product placement targets; each of the remaining employees would compete collectively by finding ways to reduce operating costs and each non-sales DSR or recruiter employee would receive a logo shirt if the bottom-line transfer exceeds our overall budget target. If all contest prize levels are won at the maximum point levels, the ILA would award prize credits of \$11,940.

If the contestants are to have sufficient time to compete at all prize levels, the contest must run for a sixteen-week period, beginning on Monday, March 9, 2009 and ending Monday, June 29, 2009. If there is no objection by any board member, I propose to inform the employees that the contest will begin on schedule, but that prize awards are subject to approval of the board at the March 25, 2009 meeting. If the prizes are not approved by the board, the management team has volunteered to spring for breakfast pizza parties for everyone if the bottom-line contest goal is met. A copy of the contest rules is attached for reference. I will be asking you to approve the contest at the meeting, taking the management team off the hook until another day...☺

ILA "Bottom-line Challenge Contest"

Contest Rules

March 9, 2009

The Challenge: The ILA CEO and VP's are issuing a challenge all ILA associates to "clothes out" FY 2009 and increase the end-of-year bottom-line by competing in a contest. Here are the rules of the game:

1. **The Contest:** The contest will run for sixteen weeks, beginning Monday, March 9, 2009 and ending Monday, June 29, 2009.
2. Route and swing DSRs and recruiters will compete for credits toward purchase of logoed catalogue clothing items: Each DSR will receive a weekly sales goal for instant packs activated and a weekly sales goal for pull-tab units sold. During double-delivery weeks, the DSR goal will be the combination of the week of the double delivery and the week after the double delivery.
 - Each week that the DSR hits his/her sales goal (Goal = average weekly sales for his/her route from 12-21-2008 through 2-28-2009, inclusive), he/she will accumulate credits in his/her account; a \$10 credit for instant tickets; a \$5 credit for pull-tabs.
 - Credits will accumulate until the end of the contest period. To redeem those credits, the DSR must achieve the qualifying sales base (weekly goal X 16 weeks) for the contest.
 - All credits can be applied against the cost of lottery logo apparel from the current catalog.
 - Swing DSRs and recruiters will compete based on the same criteria for DSRs, except their goals will be based on the regional average.
3. All other ILA staff will compete collectively by suggesting and/or implementing measures that will reduce overhead and thereby contribute to the end-of-year bottom-line. If the ILA end-of-year transfer exceeds our budgeted number, each non-DSR/Swing/Recruiter associate will receive a lottery logo shirt, per-shirt catalog price not to exceed \$30.
4. **The Fine Print—always read the Fine Print:** Contest awards are subject to approval of the prize structure by the ILA Board at its March 25, 2009 meeting. If the Board does not approve the prize structure and the end-of-year bottom-line transfer goal is reached, the ILA CEO and VP's will spring for breakfast pizza for all associates.



2323 Grand Avenue · Des Moines · Iowa · 50312-5307
Telephone: 515-725-7900 · Fax: 515-725-7882
www.ialottery.com

Chester J. Culver · Governor
Patty Judge · Lt. Governor
Terry Rich · Chief Executive Officer

March 25, 2009

To: Terry Rich, CEO
Lottery Board Members

From: Brenda Loy, Acting CFO
Therese Spaulding, Validation & Drawing Manager

Re: Auditing Services Recommendation

On January 14, 2009, the Iowa Lottery issued Request for Proposal (RFP) #IL-09-01. The purpose of the RFP was to seek qualified independent certified public accountants to provide auditing services for the Iowa Lottery's drawing events and other special events as required by Iowa Code section 99G.9(3)(h). The Iowa Lottery is in the final year of its existing contract for auditing services and there are no further extensions available. The RFP was sent to known vendors of auditing services within the Des Moines metropolitan area and was made available at www.ialottery.com.

Proposals were due March 5, 2009. The Lottery received two (2) responses to the RFP, one from Faller & Kincheloe, PLC, and one from Larson, Watson, Bartling & Juffer (LWBJ), LLP. The evaluation committee members were Brenda Loy, Acting CFO, and Therese Spaulding, Validations & Drawing Manager.

The evaluation committee has reviewed the proposals for the Iowa Lottery submitted by Faller & Kincheloe and LWBJ. Faller & Kincheloe submitted a bid of \$74 per hour. LWBJ submitted a bid of \$85 per hour. All requirements of the RFP were sufficiently addressed by both firms in its proposal.

The cost proposal of \$74 per hour adjusted annually based on the percentage of the change in the National All Urban Consumer Price Index for "all items" classification submitted by Faller & Kincheloe, P.C. is deemed by the committee to be the best proposal at the lowest price. Based on this analysis, it is the evaluation committee's recommendation to award the contract for Game Auditing Services to Faller & Kincheloe, P.C. Attached is the final scoring for the RFP. In addition, a draft contract was submitted with the RFP. Per the transmittal letter submitted with Faller & Kincheloe's response, the firm agrees to the terms and conditions of the draft contract. The evaluation committee also recommends approval of the contract as presented with the RFP, subject to any non-substantive adjustments to terms that may be negotiated between the parties or counsel prior to execution.

EVALUATION PROCESS

All proposals received by the specified date and time will be reviewed for compliance with the requirements of the RFP. If a proposal fails to meet a mandatory RFP requirement, the proposal will be eliminated from further consideration.

SCORING METHODOLOGY

1. The score for "Cost" will be calculated as follows:
 $\text{Lowest Proposal Price} / \text{Vendor's Proposal Price}$
2. The score for the other components will be as follows:
 0 = not acceptable or applicable;
 1 = marginally meets the Lottery's requirements
 2 = meets Lottery's requirements
 3 = exceeds Lottery's requirements.

Scores may include decimal values, in no case will a score exceed 3.

3. For each component the score will be multiplied by the points available to get a weighted score. The weighted scores from each component will be added together to get a final score for the Vendor.

The following example reflects the maximum score possible. For the evaluation process, the score column reflects the actual scores of the Vendors

COMPONENT	POINTS AVAILABLE	MAXIMUM SCORE	WEIGHTED SCORE	Faller & Kincheloe		LWBJ	
				SCORE	WEIGHTED SCORE	SCORE	WEIGHTED SCORE
5.0 Cost*	240	1	= 240.00	1.00	240.00	0.8706	208.94
2.0 Ability to Perform	15	3	= 45.00	2.00	30.00	2.00	30.00
4.0 Submission of Proposal	10	3	= 30.00	2.00	20.00	2.00	20.00
4.2.0 Proposal Certification and Compliance Form	10	3	= 30.00	2.00	20.00	2.00	20.00
4.4.0 Identifying Information	10	3	= 30.00	2.00	20.00	2.00	20.00
4.5.0 Vendor References	10	3	= 30.00	2.00	20.00	2.00	20.00
4.6.0 Vendor Business Experience	10	3	= 30.00	2.00	20.00	2.00	20.00
4.7.0 Vendor Disclosures	10	3	= 15.00	2.00	20.00	2.00	20.00
TOTAL SCORE:			<u>450.00</u>		<u>390.00</u>		<u>358.94</u>

* Faller & Kincheloe - \$74/hr adjusted annually based on percentage of the change in the National All Urban Consumer Price Index for "all items" classification
 LWBJ - \$85/hour adjusted annually based on percentage of the change in the National All Urban Consumer Price Index for "all items" classification.
 Assuming a 2.83% change (avg change from 2005-2008) in the CPI for the 2 year contract period and minimum hours of 312, the total cost for Faller & Kincheloe is 446,829.39 and the total cost for LWBJ is \$53,790.51, a difference of \$6,961.13

	Minimum Hours Per Year*	Proposed Price Per Year**	<u>PROPOSED</u> <u>Year 1</u>	<u>PROPOSED</u> <u>Year 2</u>	<u>TOTAL COMBINED</u> <u>Contract Period</u>
Faller & Kincheloe	312	\$74.00	\$23,088.00	\$23,741.39	\$46,829.39
LWBJ	312	\$85.00	\$26,520.00	\$27,270.52	\$53,790.52
Difference			<u>(\$3,432.00)</u>	<u>(\$3,529.13)</u>	<u>(\$6,961.13)</u>

* Minimum hours of 6 per week multiplied by 52 weeks per year

**Assumes CPI change of 2.83% - average CPI increase from Oct. 2005 - Oct 2008

AGREEMENT FOR GAME AUDITING SERVICES

BETWEEN

The Iowa Lottery

and

Faller, Kincheloe & Co, PLC

Effective May 1, 2009

TABLE OF CONTENTS

1.0	Identity of Parties	4
2.0	Purpose	4
3.0	Documents Incorporated by Reference	4
3.1	Incorporation of Proposal Documents	4
3.2	Contractual Obligations of Contractor	4
3.3	Contents of Agreement	4
3.4	Order of Preference	4
3.5	Intent of References to Bid Documents	5
4.0	Term	5
5.0	Scope of Work	5
5.1	Description of Goods and Services	5
5.2	Amendments to Description of Goods and Services	5
5.3	Industry Standards	5
5.4	Applicability of the Agreement to Orders	5
5.5	Personnel to Perform the Services	5
5.6	Ticket Purchase Restrictions	5
6.0	Compensation	6
6.1	Pricing	6
6.2	Payment to Contractor	6
6.3	CPI Cost Adjustments	6
6.4	Set-Off Against Sums Owed by Contractor	6
6.5	State not to be Obligated	6
6.6	Suspension of Payment	6
7.0	Insurance	6
7.1	Coverage Requirements	6
7.2	Types of Coverage	7
7.3	Notice Regarding Cancellation	7
7.4	Coverage Without Regard to Claim	7
7.5	No Limitation of Liability	7
7.6	Warranty	7
7.7	Scope of Errors and Omissions Insurance	7
7.8	Waiver of Subrogation Rights	7
8.0	Contractor Representations and Warranties	8
9.0	Indemnification	8
10.0	Default and Termination	9
10.1	Termination for Cause	9
10.2	Notice of Cure	9
10.3	Immediate Termination	9
10.4	Termination for Convenience	10
10.5	Termination for Lack of Authority or Funding	10
10.6	Remedies of Contractor	10
10.7	No Release of Obligation	10

11.0	Confidential Information	10
12.0	Contract Administration	11
12.1	Independent Contractor	11
12.2	Compliance with the Law and Regulations	12
12.3	Amendments	12
12.4	Third Party Beneficiaries	12
12.5	Choice of Law and Forum	12
12.6	Assignment and Delegation	13
12.7	Integration	13
12.8	Headings or Captions	13
12.9	Not a Joint Venture	13
12.10	Supersedes Former Agreements	13
12.11	Waiver	13
12.12	Notices	14
12.13	Cumulative Rights	14
12.14	Severability	14
12.15	Time is of the Essence	14
12.16	Authorization	15
12.17	Successors in Interest	15
12.18	Records Retention and Access	15
12.19	Counterparts	15
12.20	Additional Provisions	15
12.21	Obligations of Joint Entities	16
12.22	Force Majeure	16
12.23	Material Breaches	16
12.24	Right of Inspection	16
12.25	Taxes	16
12.26	Title to Lottery Property	17
12.27	Survival of Obligations	17
12.28	Endorsements	17
12.29	Non-exclusive Rights	17
12.30	Covenant Against Contingent Fees	17
12.31	Conflicts of Interest	17
12.32	Background Investigation	17
13.0	Execution	18
	Exhibit A Scope of Services	19

**AGREEMENT FOR GAME
AUDITING SERVICES**

This Agreement for Game Auditing Services (Agreement) is effective on May 1, 2009 and is made by and between the Iowa Lottery Authority (Lottery) and Faller, Kincheloe & Co, PLC (Contractor).

IN CONSIDERATION of the mutual covenants contained in this Agreement, the sufficiency of which is acknowledged, it is agreed as follows:

SECTION 1. IDENTITY OF THE PARTIES

1.1 The Lottery is an instrumentality of the State of Iowa whose address is 2323 Grand Avenue, Des Moines, IA 50312-5307. The Lottery is authorized by Iowa Code chapter 99G to conduct a lottery in the state of Iowa.

1.2 Faller, Kincheloe & Co PLC is a professional limited liability company, whose business is among other things to provide game auditing services. Contractor's principal place of business is located at 2721 SW 30th Street, Des Moines, IA 50321.

SECTION 2. PURPOSE.

The Lottery is entering into this Agreement for the purpose of retaining the Contractor to provide game auditing services for the Lottery.

SECTION 3. DOCUMENTS INCORPORATED BY REFERENCE

3.1 **Incorporation of Proposal Documents.** The Request for Proposal number IL-09-01 (RFP) and the Contractor's proposal in response to the RFP, together with any clarifications, addenda or other writings of the Lottery or Contractor (collectively, the Proposal) are incorporated into this Agreement by this reference as if fully set forth in this Agreement.

3.2 **Contractual Obligations of Contractor.** The terms and conditions of the Proposal and of the RFP are made contractual obligations of the Contractor.

3.3 **Contents of Agreement.** The parties acknowledge that this Agreement consists of this document as well as the RFP and the Proposal and that the parties are obligated to perform as set forth in the RFP and the Proposal to the same extent that they are obligated to perform the specific duties set forth in this document

3.4 **Order of Preference.** In the case of any inconsistency or conflict between the specific provisions of this document and the RFP or the Proposal, any inconsistency or conflict shall be resolved as follows:

- 3.4.1 First by giving preference to the specific provisions of this document.
- 3.4.2 Second, by giving preference to the specific provisions of the RFP.
- 3.4.3 Third, by giving preference to the specific provisions of the Proposal.

3.5 Intent of References to Bid Documents. The references to the party's obligations, which are contained in this document, are intended to change, supplement or clarify the obligations as stated in the RFP and the Proposal. The failure of the parties to make reference to the terms of the RFP or Proposal in this document shall not be construed as creating a conflict and will not relieve the Contractor of the contractual obligations imposed by the terms of the RFP and the Proposal. Terms offered in the Proposal that exceed the requirements of the RFP shall not be construed as creating an inconsistency or conflict with the RFP or this document. The contractual obligations of the Lottery cannot be implied from the Proposal.

SECTION 4. TERM.

This Agreement shall be effective from May 1, 2009 through April 30, 2011 with four (4) one-year option periods that may be exercised at the sole option of the Lottery.

SECTION 5. SCOPE OF WORK.

5.1 Description of Goods and Services. The goods to be produced and the services to be performed pursuant to and as a result of this Agreement by the Contractor are described on Schedule A attached hereto and made a part hereof by this reference.

5.2 Amendments to Description of Goods and Services. The parties agree that Schedule A, Description of Goods and Services, may be revised, replaced, amended or deleted at any time during the term of this Agreement to reflect changes in service or performance standards upon the mutual written consent of the parties.

5.3 Industry Standards. In the absence of a detailed specification for the performance of any portion of this Agreement, the parties agree that the applicable specification shall be the generally accepted industry standard for auditing services.

5.4 Applicability of the Agreement to Orders. The parties agree that the terms and conditions of this Agreement shall apply to all Scope of Services, purchase orders, letter orders, or other ordering documents issued by the Lottery and accepted by the Contractor.

5.5 Personnel to Perform the Services. Contractor agrees to provide the services required by this Agreement through the individuals identified in its proposal. In the event Contractor determines that it is necessary to substitute personnel, Contractor shall obtain the prior written approval of the Lottery. The Lottery reserves the right to disapprove of any employee of the Contractor directly involved in the drawing events. Contractor shall remain responsible for the performance of all services pursuant to the Agreement regardless of the personnel used to complete the terms of this Agreement.

5.6 Ticket Purchase Restrictions. As stated in Iowa Code Chapter 99G.31(2)(h), "No ticket or share issued by the authority shall be purchased by and no prize shall be paid to any officer, employee or agent, or subcontractor of any Contractor or to any spouse, child, brother, sister, or parent residing as a member of the same household in the principal place of residence or any such person if such officer, employee, agent, or subcontractor has access to confidential information which may compromise the integrity of the Lottery."

SECTION 6. COMPENSATION.

6.1 Pricing. The Contractor shall be paid on an hourly basis at the rate of \$74.00 per hour multiplied by the number of hours on the premises of a Lottery event. This amount shall be the total and complete fee payable to the Auditor for the services rendered.

All traveling time, mileage, and other expenses within the Des Moines metropolitan area will be the responsibility of the Contractor. Expenditures relating to events outside of the Des Moines metropolitan areas will be minimized whenever possible and will be borne by the Lottery provided the Lottery approves such expenditures. Actual travel time and actual time spent on out-of-town events will be billed to the Lottery.

6.2 Payment to Contractor. Contractor shall submit an invoice, no less than once a month, for services rendered in accordance with the Exhibit A. The invoices shall be submitted to the Lottery, attention accounts payable. The Lottery shall pay all approved invoices in arrears and in conformance with Iowa Code Section 8A.514 and II IAC § 41.1(2). The Lottery may vary the terms of this provision by paying the bill for services in less than 60 days as provided in Iowa Code Section 8A.514. However, an election to pay in less than 60 days shall not act as an implied waiver of Iowa Code Section 8A.514.

6.3 CPI Cost Adjustments. The costs in this Agreement shall allow for an adjustment of the Contractor's price beginning with the second year of the initial term (May 1, 2010) and for each of the option periods. The Agreement will allow for an adjustment of the Contractor's price based on the percentage change in the National All Urban Consumer Price Index for the "all items" classification from December to December. The applicable invoice for the second year and each renewal option period is equal to 100% of the CPI change.

6.4 Set-Off Against Sums Owed by Contractor. In the event that the Contractor owes the Lottery or the State of Iowa any sum under the terms of this Agreement, any other Agreement, pursuant to any judgment, or pursuant to any law, the Lottery may set off the sum owed to the Lottery or the State against any sum billed to the Lottery by the Contractor in the Lottery's sole discretion unless otherwise required by law.

6.5 State not to be Obligated. Pursuant to Iowa Code Section 99G.38, the funds of the state of Iowa, as opposed to the funds of the Iowa Lottery Authority, are not available to meet the obligations of the Lottery that may arise from this Agreement.

6.6 Suspension of Payment. The Lottery may suspend all or part of the payment to the Contractor if the Contractor fails to perform as required by this Agreement until such time as the Contractor renders satisfactory performance. The amount of the payment suspended shall be reasonably calculated by the Lottery to represent only that part of the Contractor's payment that is attributable to the work not satisfactorily performed. The determination as to whether the contractor is in compliance with this Agreement shall be within the discretion of the Lottery.

SECTION 7. INSURANCE.

7.1 Coverage Requirements. The Contractor shall maintain in effect, with insurance companies of recognized responsibility, at its own expense, insurance covering its work during the entire term of this Agreement and any extensions or renewals. The Contractor's insurance shall, among other things, be occurrence based and shall insure against any loss or damage resulting from or related to the Contractor's performance of this Agreement regardless of the date the claim is filed or expiration of the policy. Only companies authorized to transact business in the state of Iowa shall issue insurance

policies and certificates. All such insurance policies shall remain in full force and effect for the entire life of this Agreement. Contractor shall provide proof of compliance with this section to the Lottery immediately upon execution of this Agreement.

7.2 Types of Coverage. Unless otherwise requested by the Lottery, Contractor shall, at its sole cost, cause to be issued and maintained during the entire term of the contract the insurance coverage's set forth below each naming the Lottery as an additional insured or loss payee, as applicable:

<i>TYPE OF INSURANCE</i>	<i>LIMIT</i>	<i>AMOUNT</i>
General Liability (including contractual liability) written on an occurrence basis	General Aggregate	\$2,000,000.
Malpractice Insurance or Errors and Omissions Insurance	Each Occurrence	\$2,000,000.
Workers Compensation and Employer Liability	As Required by Iowa law	

7.3 Notice Regarding Cancellation. Certificates of insurance, which provide that the Lottery will be notified at least thirty (30) days prior to cancellation or expiration of the insurance coverage required by this Agreement shall be provided to the Lottery at the time of execution of the Agreement or at a time mutually agreeable to the parties. The receipt of such certificates does not constitute approval of the coverage contained on the certificates, and the Contractor remains responsible for determining that its insurance coverage meets each and every requirement of this Agreement. The insurer shall state in the certificate that no cancellation of the insurance will be made without at least thirty (30) days prior notice to the Lottery and that the notice shall be directed to the Lottery in writing.

7.4 Coverage Without Regard to Claim. All insurance policies required by this Agreement shall provide coverage for all claims arising from activities occurring during the term of the policy regardless of the date the claim is filed or expiration of the policy.

7.5 No Limitation of Liability. Acceptance of the insurance certificates by the Lottery shall not act to relieve the Contractor of any obligation under this Agreement. Only companies authorized to transact business in the State of Iowa shall issue all insurance policies and certificates.

7.6 Warranty. The Contractor warrants that it has examined its insurance coverage and determined that Lottery may be named as an additional insured or loss payee without creating an adverse effect on the Contractor's coverage.

7.7 Scope of Errors and Omissions Insurance. The Contractor shall procure errors and omissions insurance in the amount set out above that indemnifies the Lottery and the Contractor for losses that may be incurred due to errors. This policy shall remain in effect for one year past the expiration of this Agreement and any extensions thereof.

7.8 Waiver of Subrogation Rights. The Contractor shall obtain a waiver of any subrogation rights that any of its insurance carriers might have against the Lottery or the State of Iowa. The waiver of subrogation rights shall be indicated on the certificates of insurance coverage supplied to the Lottery

SECTION 8. CONTRACTOR REPRESENTATIONS AND WARRANTIES.

8.1 All representations and warranties made by the Contractor in all provisions of this Agreement and the Proposal by the Contractor, whether or not this Agreement specifically denominates the Contractor's promise as a warranty or whether the warranty is created only by the Contractor's affirmation or promise, or is created by a description of the materials and services to be provided, or by provision of samples to the Lottery, shall not be construed as limiting or negating any warranty provided by law, including without limitation, warranties which arise through course of dealing or usage of trade. The warranties expressed in this Agreement are intended to modify the warranties implied by law only to the extent that they expand the warranties applicable to the goods and services provided by the Contractor.

8.2 The Contractor represents and warrants that the related materials, goods and services to be provided to the Lottery pursuant to this Agreement shall be suitable for their intended purposes. The Contractor acknowledges that the Lottery is relying on the Contractor's skill and judgment to provide game auditing services which will fit the purposes of this agreement.

8.3 The Contractor represents and warrants that it has the right to enter into and to fully perform this Agreement upon the terms and conditions specified and that it has not granted and will not grant any right or interest to any person or entity which might derogate, encumber, or interfere with the rights granted to the Lottery.

8.4 The Contractor represents and warrants that all services provided shall be performed in a prompt, competent and workmanlike manner by properly trained individuals in accordance with the highest standards of the Contractor's profession.

8.5 The Contractor expressly represents and warrants to the standards in the industry all aspect of the goods and services provided by it or used by the Contractor and the Lottery in performance of this Agreement.

8.6 The Contractor represents and warrants that it has not made any misrepresentations to the Lottery related to this Agreement or the products and services to be provided pursuant to this Agreement. "Misrepresentations" include material omissions.

SECTION 9. INDEMNIFICATION.

9.1 The Contractor agrees to defend, indemnify and hold the State of Iowa and the Lottery, its employees, agents, board members, appointed officials and elected officials, harmless from any and all liabilities, damages, loss, claims, suits or actions, settlements, judgments, costs and expenses, including reasonable value of time for the Attorney General's Office, and the costs and expenses and attorney fees of other counsel required to defend the Lottery, related to or arising from:

9.1.1 Any violation or breach of this Agreement by the Contractor, its employees, or agents; or

9.1.2 Any negligent acts or omissions of Contractor, its officers, employees, agents, board members, contractors, or trademark counsel employed by Contractor in the performance of this Agreement; or

9.1.3 Any failure by the Contractor to comply with all local, state and federal laws and regulations; or,

9.1.4 Any failure by the Contractor to make all reports, payments and withholdings required by Federal and State law with respect to social security, employee income and other taxes, fees or costs required by the Contractor to conduct business in the State of Iowa; or,

9.2 The Contractor's duty to indemnify as set forth in this section shall survive the expiration or termination of this Agreement and shall apply to all acts taken in the performance of this Agreement regardless of the date any potential claim is made or discovered by the Lottery.

SECTION 10. DEFAULT AND TERMINATION.

10.1 Termination for Cause. Either party may terminate this Agreement upon written notice for the substantial breach by the other party of any material term, if such breach is not cured, provided that a cure is feasible within 15 days following receipt of written notice of breach from the non-breaching party. Substantial breach events include but are not limited to the following:

10.1.1 Contractor fails to perform as required by this Agreement;

10.1.2 Contractor fails to make substantial and timely progress toward performance or fails to meet any of the material specifications and requirements of this Agreement, including without limitation the warranties provided in this Agreement.

10.1.3 Lottery fails to perform as required by this Agreement including failure to make timely payment for goods and services rendered.

10.2 Notice of Cure. If a cure is feasible and an opportunity to cure is provided, the notice shall specify the exact date by which the condition must be cured. Following expiration of the opportunity to cure or notice from the non-breaching party, the non-breaching party may seek any legal or equitable remedy authorized by this Agreement or by law.

10.3 Immediate Termination. The Lottery may terminate this Agreement, effective immediately without advance notice and without penalty or legal liability for any of the following reasons:

10.3.1 If the Contractor furnished any statement, representation, warranty or certification in connection with this Agreement, which is materially false, deceptive, incorrect or incomplete

10.3.2 If the Contractor fails to perform, to the Lottery's satisfaction, any material requirement of this Agreement or is in violation of any material provision of this Agreement, including, without limitation, the express warranties made by the Contractor.

10.3.3 If the Lottery determines that satisfactory performance of this Agreement is substantially endangered or that a default is likely to occur.

10.3.4 If the Contractor becomes subject to any bankruptcy or insolvency proceeding under federal or state law to the extent allowed by applicable state or federal law including bankruptcy laws.

10.3.5 If the Contractor terminates or suspends its business.

10.3.6 If the Lottery reasonably believes that the Contractor has become insolvent or unable to pay its obligations as they accrue consistent with applicable federal or state law.

10.3.7 If an officer, director or employee in contact with the Lottery's account is or has been convicted of a felony, any gambling related offense whether a misdemeanor or felony, or of any state or federal Racketeer Influenced or Corrupt Organization Act (RICO) by a court of competent jurisdiction.

10.3.8 If cancellation occurs for any of the causes set forth above; the Lottery shall have no further obligation to the Contractor other than payment for services rendered and materials provided prior to cancellation. Payment will be made only upon submission of invoices and proper proof of the Contractor's claim. This provision in no way limits the remedies available to the Lottery in the event of a termination under this provision.

10.4 Termination for Convenience. Following thirty (30) days written notice, the Lottery may terminate this Agreement in whole or in part for convenience without the payment of any penalty or incurring any further obligation to the Contractor.

10.5 Termination for Lack of Authority or Funding.

Notwithstanding anything in this Agreement to the contrary, and subject to the limitations, conditions, and procedures set forth below, the Lottery shall have the right to terminate this Agreement without penalty by giving sixty (60) days written notice if any of the following contingencies occur:

- If the Lottery's authorization to operate is withdrawn or there is a material alteration in the programs the Lottery administers; or
- If Lottery's duties are substantially modified.

10.6 Remedies of Contractor. In the event of termination of this Agreement the Contractor shall be paid for services completed prior to termination in accordance with the payment terms set out in section 6.2.

10.7 No Release of Obligation. The expiration or termination of this Agreement for any cause shall not release either party from:

10.7.1 Any obligations and duties remaining under any order accepted by the Contractor prior to such expiration or termination;

10.7.2 Any liability which at the time of expiration or termination has already accrued to the other party, or, which thereafter may accrue in respect to any event prior to expiration or termination; or

10.7.3 Any liability from any obligation that survives expiration or termination.

SECTION 11. CONFIDENTIAL INFORMATION.

11.1 All Confidential Information provided shall be clearly marked as Confidential Information by the party providing the information at the time of disclosure to the other party. The Contractor shall limit such identification to information it reasonably believes is entitled to confidential treatment pursuant to the public records provisions of Iowa law. Each party shall hold the Confidential Information of the other in strictest confidence and, except as previously authorized in writing by the other party, (i) shall use the Confidential Information only in furtherance of this Agreement, (ii) shall not copy Confidential

Information and (iii) shall not disclose the Confidential Information to any person or entity except those employees of the party to whom the information has been disclosed who have a need to know the Confidential Information for purposes contemplated by this Agreement. The parties' obligations under this provision do not apply to information which: is publicly available or in the public domain when provided; is or becomes publicly available or public domain information through no fault of the recipient of the information subsequent to the time it was provided; is rightfully communicated to the recipient of the information by another party; is independently developed by the recipient; or is disclosed pursuant to law or the order of a court or government authority. The parties' obligations under this provision shall survive the conclusion of this Agreement and shall be perpetual.

11.2 No private or confidential data collected, maintained, or used in the course of performance of the Agreement shall be disseminated except as authorized by statute or Section 12.1, either during the period of the Agreement or thereafter. Any data supplied to Contractor by the Lottery shall be considered the property of the Lottery.

11.3 Contractor shall use its best efforts to ensure that the details of Lottery games are not disclosed to persons or organizations other than the personnel or agents of Contractor whose assistance is necessary for the performing the game auditing services. In the event that Contractor receives a request for information or records concerning the Lottery, Contractor shall immediately forward the request to the Lottery.

11.4 In the event Contractor receives a request from a third party for information supplied to Contractor by the Lottery, Contractor shall immediately notify the Lottery of the request by telephone and fax. Contractor will not release the information subject to the request without the Lottery's permission or pursuant to a court order or as may be required by law.

11.5 Notwithstanding anything to the contrary herein, in the event a public records request is made to the Lottery pursuant to Iowa Code chapter 22 regarding Confidential information, the Lottery shall notify Contractor as soon as possible of the request by telephone and fax. The Lottery may respond to the request for information not sooner than 7 days thereafter with a release of the requested information unless prohibited by law or Contractor has obtained an injunction preventing release of the requested information.

SECTION 12. CONTRACT ADMINISTRATION.

12.1 Independent Contractor.

12.1.1 The status of the Contractor shall be that of an independent contractor. The Contractor, its employees or agents performing under this Agreement are not employees or agents of the Lottery.

12.1.2 The Lottery shall not provide the Contractor with office space, support staff, equipment, tools or supervision beyond the terms of this Agreement.

12.1.3 Neither the Contractor nor its employees or agents are eligible for any State employee benefits, including but not limited to, retirement benefits, insurance coverage or the like.

12.1.4 Neither the Contractor nor its employees shall be considered employees of the Lottery or the State of Iowa for federal or state tax purposes. The Lottery shall not withhold taxes on behalf of the Contractor (unless required by law). The Contractor shall be responsible for payment of all taxes in connection with any income earned from this Agreement.

12.2 Compliance with the Law and Regulations.

12.2.1 The Contractor shall comply with all applicable federal, state and local laws, rules, ordinances, regulations and orders when performing within the scope of this Agreement, including without limitation, all laws applicable to the prevention of discrimination in employment, the administrative rules of the Iowa Department of Management or the Iowa Civil Rights Commission which pertain to equal employment opportunity and affirmative action, laws relating to prevailing wages, occupational safety and health standards, prevention of discrimination in employment, payment of taxes, gift laws, lobbying laws, laws dealing with the manufacture and transportation of gambling related materials and laws relating to the use of targeted small businesses or suppliers.

12.2.2 The Contractor declares that it has complied with all federal, state and local laws regarding business permits and licenses that may be required to carry out the work to be performed under this Agreement.

12.2.3 The Contractor shall give notice to any labor union with which it has bargaining or other agreement of its commitment under this section of the Agreement.

12.2.4 The Contractor shall comply with all of the reporting and compliance standards of the Department of Management regarding equal employment. These requirements may require the Contractor to submit its affirmative action plan. The plan must comport with the Department of Management rules at 541 IAC chapter 4.

12.2.5 The Lottery may consider the failure of the Contractor to comply with any law or regulation as a material breach of this Agreement. In addition, the Contractor may be declared ineligible for future State contracts or be subjected to other sanctions for failure to comply with this section.

12.3 Amendments. This Agreement may be amended in writing from time to time by mutual consent of the parties. All amendments to this Agreement must be fully executed by both parties. The only parties authorized to execute amendments on behalf of the Lottery are the Lottery CEO, Chief Operating Officer, Vice President of Finance, or the Vice President of Security.

12.4 Third Party Beneficiaries. There are no third party beneficiaries to this Agreement. This Agreement is intended only to benefit the Lottery and the Contractor.

12.5 Choice of Law and Forum.

12.5.1 The laws of the state of Iowa shall govern and determine all matters arising out of or in connection with this Agreement without regard to the choice of law provisions of Iowa law.

12.5.2 In the event any proceeding of a quasi-judicial or judicial nature is commenced in connection with this Agreement, the proceeding shall be brought in Des Moines, Iowa, in Polk County District Court for the state of Iowa, if jurisdiction is proper. If however, jurisdiction is not proper in the Iowa District Court, Polk County, but is proper only in a United States District Court, the matter shall be commenced in the United States District Court for the Southern District of Iowa, Central Division.

12.5.3 This provision shall not be construed as waiving any immunity to suit or liability, in state or federal court, which may be available to the Lottery or the State of Iowa.

12.6 Assignment and Delegation. The Contractor shall not assign, transfer, convey, or otherwise dispose of this Agreement, its duties under this Agreement, or any rights, title, or interest in this Agreement to any other person, corporation, or other entity without the prior written approval of the Lottery. For purposes of this section a transfer or conveyance includes the sale or gift of a twenty-five per cent equity interest in the Contractor.

In the event that any person, or group of persons, hereafter acquires directly or indirectly the beneficial ownership (as defined by Securities and Exchange Commission Regulation 17 C.F.R. §240.13d-3) of 5 percent or more of the ownership interest in, or any class of equity securities of, the Contractor, the Lottery must be notified in writing of such event. Background investigation may be required for these new owners. Such background investigations may include fingerprint identification by the Iowa Division of Criminal Investigation, the Federal Bureau of Investigation or the appropriate non-U.S. equivalent. By signing this Agreement, the Contractor consents to cooperate with such investigations, and to instruct its employees to cooperate. The expense of any investigation will be borne by the Contractor. The Lottery may terminate this contract based upon adverse results of these background checks. The ability to conduct such investigations is a continuing right of the Lottery throughout the contract term.

12.7 Integration. This Agreement, including the documents incorporated by reference, constitutes the entire Agreement between the parties and neither party is relying on any representation that may have been made which is not included in this Agreement.

12.8 Headings or Captions. The paragraph headings or captions are for identification purposes only and do not limit or construe the contents of the paragraphs.

12.9 Not a Joint Venture. Nothing in this Agreement shall be construed as creating or constituting the relationship of a partnership, joint venture, (or other association of any kind or agent/principal relationship) between the parties hereto. Each party shall be deemed an independent contractor contracting for services and acting toward the mutual benefits expected to be derived herefrom. No party, unless otherwise specifically provided for herein, has the authority to enter into any agreement or create an obligation or liability on behalf of, in the name of, or binding upon another party to this Agreement.

12.10 Supersedes Former Agreements. This Agreement supersedes all prior Agreements between the Lottery and the Contractor for the goods and services provided in connection with this Agreement.

12.11 Waiver. Any breach or default by either party shall not be waived or released other than by a writing signed by the other party. Failure by either party at any time to require performance by the other party or to claim a breach of any provision of the Agreement shall not be construed as affecting any subsequent breach or the right to require performance with respect thereto or to claim a breach with respect thereto. Only the following persons may execute a waiver of a term of this Agreement on behalf of the Lottery: the Lottery CEO, the Chief Operating Officer, Vice President of Finance or the Vice President of Security.

12.12 Notices.

12.12.1 Any and all notices, designations, consents, offers, acceptances or any other communication provided for herein shall be given in writing by registered or certified mail, return receipt requested, by receipted hand delivery, by Federal Express, courier or other similar and reliable carrier which shall be addressed to each party as set forth as follows:

If to the Iowa Lottery: Iowa Lottery
Attn: Chief Operating Officer
2323 Grand Avenue
Des Moines, Iowa 50312-53074999

If to the Contractor: Faller, Kincheloe & Co PLC
Attn: Alan Kincheloe
2721 SW 30th Street
Des Moines IA 50321

12.12.2 Each such notice shall be deemed to have been provided:

12.12.2.1 At the time it is actually received; or,

12.12.2.2 Within one day in the case of overnight hand delivery, courier or services such as Federal Express with guaranteed next day of delivery; or,

12.12.2.3 Within five days after deposited in the U.S. Mail in the case of registered U.S. Mail.

12.12.3 Copies of such notice to each party shall be provided separately.

12.12.4 From time to time, the parties may change the name and address of a party designated to receive notice. Such change of the designated person shall be in writing to the other party and as provided herein.

12.13 Cumulative Rights.

12.13.1 The various rights, powers, options, elections and remedies of either party provided in this Agreement, shall be construed as cumulative and no one of them is exclusive of the others or exclusive of any rights, remedies or priorities allowed either party by law.

12.13.2 Nothing in this Agreement shall be construed as affecting, impairing or limiting the equitable or legal remedies to which either party may be entitled as a result of any breach of this Agreement.

12.14 **Severability.** If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid or unenforceable, the invalid portion shall be severed from this Agreement. Such a determination shall not affect the validity or enforceability of any other part or provision of this Agreement.

12.15 **Time is of the Essence.** Time is of the essence with respect to the successful performance of the terms of this Agreement. The Contractor shall ensure that all personnel providing services to the Lottery are responsive to Lottery requirements in all

respects including Lottery directives with respect to the goods and services delivered in accordance with this Agreement.

12.16 Authorization. Each party to this Agreement represents and warrants to the other that:

12.16.1 It has the right, power and authority to enter into and perform its obligations under this Agreement.

12.16.2 It has taken all requisite action (corporate, statutory, or otherwise) to approve execution, delivery and performance of this Agreement, and this Agreement constitutes a legal, valid and binding obligation upon itself in accordance with its terms.

12.16.3 This Agreement is contingent upon ratification of the Lottery Board pursuant to Iowa Code Chapter 99G. The Lottery does not warrant that the Lottery Board will ratify the Agreement.

12.16.4 The Contractor shall obtain a certificate of authority to do business in Iowa and shall take all necessary steps to ensure that it is authorized to do business in Iowa.

12.17 Successors in Interest. All the terms, provisions, and conditions of the Agreement shall be binding upon and inure to the benefit of the parties hereto and to their respective successors, assigns, and legal representatives.

12.18 Records Retention and Access.

12.18.1 The Contractor shall maintain books, records, and documents which sufficiently and properly document and calculate all charges billed to the Lottery throughout the term of this Agreement for a period of at least three (3) years following the date of final payment, cancellation, expiration or completion of any required audit, whichever is later.

12.18.2 The Contractor shall permit the Auditor of the State of Iowa or any authorized representative of the State to access and examine, audit, excerpt and transcribe any directly pertinent validation records, financial records, accounting records, books, documents, papers, electronic or optically stored and created records or other records of the Contractor relating to or created as a result of the performance of this Agreement. These records shall be made available to the Lottery, its designees, the Auditor, or an authorized representative of the State at reasonable times and at no cost to the Lottery during the term of this Agreement and for a period of three (3) years following the termination, cancellation or expiration of this Agreement.

12.19 Counterparts. The parties agree that this Agreement has been or may be executed in several counterparts, each of which shall be deemed an original and all such counterparts shall together constitute one and the same instrument.

12.20 Additional Provisions. The parties agree that if an Addendum, Rider or Exhibit is attached hereto by the parties, and referenced to herein, then the same shall be deemed incorporated herein by reference

12.21 Obligations of Joint Entities. If the Contractor is a joint entity, consisting of more than one individual, partnership, corporation or other business organization, all such entities shall be jointly and severally liable for carrying out the activities and obligations of this agreement, and for any default of such activities and obligations.

12.22 Force Majeure.

12.22.1 Neither the Contractor nor the Lottery shall be liable to the other for any delay or failure of performance of this Agreement, and no delay or failure of performance shall constitute a default or give rise to any liability for damages if, and only to the extent that, such delay or failure is caused by a "force majeure".

12.22.2 As used in this Agreement, "force majeure" includes acts of God, war, civil disturbance and any other causes which are beyond the control and anticipation of the party effected and which, by the exercise of reasonable diligence, the party was unable to anticipate or prevent. Failure to perform by an agent of the Contractor shall not be considered a "force majeure" unless the supplier is prevented from timely performance by a "force majeure" as defined in this Agreement. "Force Majeure" does not include financial difficulties of the Contractor or any parent, subsidiary, affiliated or associated company of the Contractor or claims or court orders, which restrict the Contractor's ability to deliver the goods or services contemplated by this Agreement.

12.22.3 If a "force majeure" delays or prevents the Contractor's performance, the Contractor shall immediately commence to use its best efforts to directly provide alternate, and to the extent possible, comparable performance. Comparability of performance and the possibility of comparable performance shall be reasonably determined solely by the Lottery.

12.22.4 During any such period, the Contractor shall continue to be responsible for all costs and expenses related to alternative performance.

12.22.5 This Section shall not be construed as relieving the Contractor of its responsibility for any obligation which is being performed by a supplier of services unless the supplier is prevented from timely performance by a "force majeure" as described here.

12.23 Material Breaches. The references in this Agreement to specific material breaches of this Agreement shall not be construed as implying that other breaches of this Agreement are not material.

12.24 Right of Inspection. The Contractor shall allow the Lottery, or anyone designated by the Lottery, to inspect its facilities at all reasonable times in order to monitor and evaluate performance of this Agreement.

12.25 Taxes. The Contractor may be subject to certain taxes, including but not limited to sales tax, motor vehicle fuel tax, personal or corporate income tax or other taxes or assessments, and to licensing fees or other miscellaneous fees or charges which may be imposed by federal, state, or local law or ordinance. The Contractor shall be solely responsible for paying any taxes incurred in the performance of this Agreement. The Contractor shall promptly pay all such taxes, fees or charges when due. The Lottery is a tax-exempt entity and no payment will be made for any taxes levied on the Contractor for any purpose.

12.26 Title to Lottery Property. Title to all property furnished by the Lottery to the Contractor to facilitate the performance of this Agreement shall remain the sole property of the Lottery.

12.27 Survival of Obligations.

12.27.1 Certain obligations imposed on the parties by this Agreement continue beyond the expiration, cancellation, or termination of this Agreement as necessary to carry out the intent of the parties.

12.27.2 Such obligations include, without limitation, the Contractor's obligation to indemnify the Lottery, and the Contractor's obligations with respect to the retention and the maintenance of insurance.

12.28 Endorsements. The Contractor will not use any oral or written communication made by any Lottery employee in a manner which could be characterized as an endorsement of or advertisement for the Contractor or the Contractor's product without the Lottery's prior written consent.

12.29 Non-exclusive Rights. The Lottery does not grant the Contractor the exclusive right to provide game auditing services for the Lottery during the term of this Agreement. The Lottery may contract with other auditing Contractors during the term of this Agreement.

12.30 Covenant Against Contingent Fees. The Contractor warrants that it has not employed or retained any company or person, other than a bona fide employee working solely for the Contractor, to solicit or secure this Agreement, and that it has not paid or agreed to pay any person or entity, other than a bona fide employee working solely for the Contractor, any fee, commission, percentage, brokerage fee, gift, or other consideration on a basis that is contingent upon the award of this contract.

12.31 Conflicts of Interest. Each partner or employee on the Lottery account shall ensure that he or she has no real or perceived conflicts of interest at any time during this Agreement that could adversely impact the Lottery. Each partner and employee in the Contractor's office warrants that he or she does not have any other business arrangements or agreements with other individuals or entities that would create a conflict of interest with the Lottery.

12.32 Background Investigation. Prior to entering into this Agreement, the Contractor shall provide a current list of all officers, directors and key personnel of the Contractor and staff to be assigned to the Lottery drawings.

Upon request by the Lottery, the Contractor shall require its directors, officers and employees involved with the Lottery account to authorize background investigations and to complete the Class "O" Lottery Background form as may be required by the Lottery. The Contractor shall bear all costs associated with the background investigation.

The Lottery reserves the right to disapprove of any officer, director or employee of the Contractor who is involved with the Lottery account. If the Lottery disapproves of any such person, the Contractor shall ensure that such person is not involved in the fulfillment of this Agreement.

SECTION 13. EXECUTION.

IN WITNESS WHEREOF, in consideration of the mutual covenants set forth above and for other good and valuable consideration, the receipt, adequacy and legal sufficiency of which are hereby acknowledged, the parties have entered into the above Agreement and have caused their duly authorized representatives to execute this Agreement.

Iowa Lottery Authority

By: _____
Kenneth A. Brickman
Executive Vice President

Date: _____

Faller, Kincheloe & Co PLC

By _____
Alan Kincheloe
President
Federal ID: 26-1600907

Date: _____

EXHIBIT A
SCOPE OF SERVICES

An independent certified public accountant to be present before, during, and after its drawing events to inspect the drawing equipment and certify the numbers drawn for Lottery games and perform as follows:

1.0 Drawing Schedule. An independent certified public accountant shall be present at the Lottery office location from 5:30 p.m. to 6:30 p.m. for all daily draws scheduled Monday through Saturday. Draw times are subject to change. Should an independent certified public accountant be required for draw times outside of this schedule, notification shall be provided no less than 48 hours in advance.

2.0 Draw Procedures. The Lottery shall provide the awarded Vendor with copies of the drawing procedures prepared by the Lottery to be followed.

3.0 Inspection and Testing. The Vendor shall inspect and observe the testing of all equipment used to determine participants, finalists or winners in all Lottery games in which the drawing of winning numbers or tickets or related processes are used to determine major prize winners or finalist for major prizes. The Vendor shall make such inspections before and after each drawing.

4.0 Witnessing Procedures. The Vendor shall witness all drawings and proceedings to verify compliance with Lottery rules, guidelines, and procedures to ensure the integrity, security, honesty, and fairness of each drawing or process. The Vendor shall report to the Lottery CEO, Lottery Board members, and the Assistant Attorney General representing the Lottery if a questionable procedure, equipment malfunction or other occurrence is suspected which could impact the results of the drawing.

5.0 Attesting and Documenting Procedures. The Vendor shall attest to and document each major prizewinner or winners and the value of each such prize at special drawings or events. The auditor for a game shall also attest to and document the names of finalist participating in events.

6.0 Auditor Qualifications. Only auditors familiar with Lottery procedures and acquainted with the tasks to which they are assigned will perform duties under the agreement resulting from this RFP. More than one auditor may be present at an event for purposes of training or observation, however, the Lottery will only reimburse the Vendor for the services of one auditor per event, unless both the Lottery and the Vendor agree in advance that additional auditors are required.

7.0 Standby Auditor. To insure the drawings or processes are conducted on a timely basis, a standby auditor must be available with appropriate forms and keys until such time as the primary auditor has reached the drawing or process site. The Lottery will not pay an hourly wage for the standby auditor. If the scheduled auditor fails to arrive at the drawing site by 5:30 p.m. the standby auditor will be contacted and must arrive no later than 6:10 p.m.

8.0 Multiple Drawings. There may be additional drawing sessions each week during the term of this agreement. The Lottery requires the presence of an auditor for these additional drawings. The total time involvement for the additional drawings should be no more than 1 to 2 hours per day. There may also be additional drawing events for other prizes associated with other Lottery products with the majority of these drawings taking place at the Lottery warehouse in Ankeny or at a public site such as a mall event. The Lottery may change the time of these events, the location of these events, the nature of these events or the number of these events at any time during the duration of the resulting agreement.

9.0 Reports. The Vendor shall be required to generate a report for each event listing the tasks the auditor has performed and the results of the event. The expected reports shall be 1-2 pages in length and provided to the Lottery on a monthly basis.

10.0 Availability. Any auditor assigned to the Lottery drawings must work and reside within a 30-mile radius of the Lottery Headquarters office location in Des Moines.



March 24, 2009

TO: Iowa Lottery Board

FROM: Ken Brickman
Joe Hrdlicka

RE: 2009 Association Membership Dues

Through the past several years, the Iowa Lottery has participated as a member of the Iowa Grocery Industry Association (IGIA), the Petroleum Marketers and Convenience Stores of Iowa (PMCI), the North American State and Provincial Lotteries (NASPL) and the World Lottery Association (WLA). As you know, the Board must approve memberships for the lottery. Most of the billings for membership in these organizations came through at the same time, so we thought we would run this together for Board approval.

We feel membership and active participation in IGIA events and activities has led to greater cooperation between the Iowa Lottery and our retailers. As this organization represents the interests of a majority of our retailer outlets, we feel membership is important in keeping up to date on convenience and grocery store industry trends. The staff recommends approval of the \$500 membership dues so that we may continue to develop stronger relationships with leaders in our retailer community.

The Iowa Lottery has been invited again to participate as a business associate member of the PMCI. Again, we feel membership and active participation in retailer industry events and activities has led to greater cooperation between the Iowa Lottery and its convenience store retailers. This is critical as approximately 64 percent of our retailers are convenience stores selling nearly 75 percent of our products. The staff recommends approval of the \$625 membership dues in PMCI.

Staff would also recommend approval of the \$16,000 dues for membership in NASPL. Membership in NASPL has been effective for the Iowa Lottery because of the role the organization plays in education, communication among members on key trends and issues and acting as a united voice for the lottery industry on critical issues. NASPL has taken the lead in relationships with national corporate retailer account issues as well as the standardization of major procurements for member lotteries. All North American lotteries currently are members of NASPL.

Staff would also recommend approval of membership in WLA. We are advised that a statement will be sent to us shortly for dues of 5600 Swiss Francs, or approximately \$4,830 at the current exchange rate. WLA membership offers several benefits not available from other sources:

1. The ILA is moving toward ISO 27001 and WLA Security standard certification. ILA is required to participate in a quality program; ISO is a high-end quality program better suited to our business model than the state program and is offered in tandem with WLA Security Standard qualification facilitated by the Multi-State Lottery Association (MUSL).
2. WLA offers WLA Responsible Gaming Program certification. ILA staff is developing an application for advanced standing in the multi-tier WLA program, on track to be submitted for consideration later this calendar year.
3. Membership in WLA has afforded the lottery the opportunity to participate in numerous educational programs at the international level. As with other ventures, lottery industry problems and opportunities are no longer constrained or defined by international borders.