

A G E N D A

IOWA LOTTERY BOARD

April 19, 2010

12:45 p.m.

Iowa State Fairgrounds

(Service Center Building West of Administration Building on Grand Avenue)

1. Call to Order
Approval of Minutes – 2/22/10
2. Monthly Reports
 - a. Security
 - b. Financial
 - c. Marketing/Sales
 - d. Legislative Update
3. On-Line RFP Committee – Presentation of Findings
4. CEO Update
 - a. Reorganization of Lottery
5. Trade Association Memberships
 - a. NASPL
 - b. WLA
 - c. Petroleum Association
 - d. Grocers Association
6. Contract Extensions
 - a. Strategic America
 - b. Integer
 - c. BSI audit WLA/ISO certification
7. Selling State Fair Tickets
8. Recognition of Departing Board Member
9. **CLOSED SESSION**
 - a. Personnel
10. Adjourn

Next Meeting: On-Line RFP Voted Upon
Key Employee Compensation Discussed

If you require the assistance of auxiliary aids or services to participate in or attend the meeting because of a disability, please call our ADA coordinator at 515-725-7870, or if you are hearing impaired, call Relay TTY at 1-800-735-2942.

MINUTES
IOWA LOTTERY BOARD
February 22, 2010

The Iowa Lottery Board convened by teleconference at 1:30 p.m., Chairperson Klappholz presiding.

Board members participating: Michael Klappholz, Mary Junge, Brad Schroeder, Tom Rial and Elaine Baxter. Absent: Michael Fitzgerald.

Lottery staff present: Terry Rich, CEO; Kenneth Brickman, Executive Vice President/COO; Joe Hrdlicka, Vice President for Marketing; Larry Loss, Vice President for Sales; Mary Neubauer, Vice President of External Relations; Molly Juffernbruch, Assistant Vice President of Legal Affairs; and Donna Burt, Human Resources Associate/Acting Board Secretary.

Chairperson Klappholz called the meeting to order and noted that the 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 the 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. Junge moved to conduct the meeting by electronic means, pursuant to Code section 21.8. The motion was seconded by Rial and carried unanimously.

Minutes

Baxter moved to approve the minutes of the meeting on January 5, 2010. The motion was seconded by Rial and carried unanimously.

Battelle Contract Adjustment

On May 27, 2009, the Board approved a contract with Battelle in the amount of up to \$25,000 for phase 1 in the development of the on-line RFP. Battelle is a leading public service government consultant that provided assistance to the Iowa Lottery in its on-line RFP process 10 years ago. Battelle at that time provided the lottery with legal services and assistance in the RFP execution. The \$25,000 contract approved in May 2009 was for the writing of the RFP, a lot of which was done internally. The cost for Battelle services to date under the current contract is about \$4,950.

The lottery's RFP committee has asked that Battelle representatives travel with them to vendor on-site visits, as occurred with Battelle during the last on-line RFP process. The estimated total cost of the entire project will be an expenditure cap of \$58,000, for which Board approval is requested. It also was noted that the amount for Battelle services during the current RFP process will be considerably less than during the last RFP process, as lottery personnel are doing a lot of the work themselves.

Schroeder moved to approve the \$58,000 cap. The motion was seconded by Rial and carried unanimously.

Baxter moved to adjourn the meeting. The motion was seconded by Rial and carried unanimously.

There being no further business, the meeting adjourned at 1:42 p.m.

**SECURITY REPORT
NOVEMBER 2009**

INVESTIGATIONS

Cases Opened 3 Types: 3 Theft's
Cases Closed: 1
Record of Contact: 15

EVENTS

Provide Security for the \$100,000.00 Cash Game and all second chance and promotional drawings. Total 28 drawings.

WAREHOUSING AND DISTRIBUTION

See Attached Report.

MISCELLANEOUS

22 Assist Validation Department
11 Law Enforcement contacts.

Total Retailers
2456

Date: December 1st, 2009

To: Joe Diaz
Vice President Security

From: Kevin Jones
Central Warehouse

Re.: **WAREHOUSING & DISTRIBUTION –NOVEMBER 2009**

WAREHOUSING

1. Received and stored the following Instant Game:
Game # 659 – Double Black Jack
2. Received and stored the following Pull-Tab Games
Game # 35 – Diamonds in the Rough
Game # 36 – Change in your Pocket

DISTRIBUTION

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

MISCELLANEOUS

1. Made a trip to Milwaukee Paper Board.

**SECURITY REPORT
DECEMBER 2009**

INVESTIGATIONS

Cases Opened: 2 Types: 2 Theft's
Cases Closed: 1
Record of Contact 11

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

25 Assist Validation Department.
09 Law Enforcement contacts.

TOTAL RETAILERS

2451

Date: December 31st, 2009

To: Joe Diaz
Vice President Security

From: Kevin Jones
Central Warehouse

Re.: **WAREHOUSING & DISTRIBUTION – DECEMBER 2009**

WAREHOUSING

1. Received and stored the following Instant Games:

- Game # 669 - Double Cherry Twist
- Game # 670 – Instant Cash Keno
- Game # 671 – Black Pearls
- Game # 672 – Veterans Cash
- Game # 673 – Super 7's

2. Received and stored the following Pull-Tab Games:

- Game # 37 – Star Spangled Bucks
- Game # 38 – Let The Chips Fly

DISTRIBUTION

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

**SECURITY REPORT
JANUARY 2010**

INVESTIGATIONS

Cases Opened: 4 Types: 4 Theft's
Cases Closed: 1
Record of Contact: 10

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

21 Assist Validation Department
07 Law Enforcement contacts.

TOTAL RETAILERS

2456

Date: January 27th, 2010

To: Joe Diaz
Vice President Security

From: Kevin Jones
Central Warehouse

Re.: **WAREHOUSING & DISTRIBUTION – JANUARY 2010**

WAREHOUSING

1. Received and stored the following Instant Games:

Game # 674 – Tropical Treasures

Game #675 – 3 Little Monkeys

Game # 676 - Did I win?

Game # 677 – Cash To Go

2. Received and stored the following Pull-Tab Game:

Game # 39 – Silver & Gold

DISTRIBUTION

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

**SECURITY REPORT
FEBRUARY 2010**

INVESTIGATIONS

Cases Opened: 4 Types: 4 Theft's
Cases Closed: 1
Record of Contact: 13

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

28 Assist Validation Department.
10 Law enforcement contacts.

TOTAL RETAILERS

2450

Date: February 26th, 2010

To: Joe Diaz
Vice President Security

From: Kevin Jones
Central Warehouse

Re.: **WAREHOUSING & DISTRIBUTION – FEBRUARY 2010**

WAREHOUSING

1. Received and stored the following Pull-Tab Games:
Game No. 40 – Juicy Loot
Game No. 43 – Money Snapper

DISTRIBUTION

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

**SECURITY REPORT
MARCH 2010**

INVESTIGATIONS

Cases Opened: 4 Types: 4 Theft's
Cases Closed: 0
Record of Contact: 10

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

**26 Assist Validation Department
11 Law Enforcement contacts.**

TOTAL RETAILERS

2445

Date: March 31st, 2010

**To: Joe Diaz
Vice President Security**

**From: Kevin Jones
Central Warehouse**

Re.: WAREHOUSING & DISTRIBUTION – MARCH 2010

WAREHOUSING

- 1. Received and stored the following Instant Games:
Game # 666 – Lifetime Riches
Game # 667 – Cash Bonanza
Game # 679 – Cool 7's
Game # 681 – Emerald Green 8's
Game #682 – Serious Jack
Game # 687 – Racing To Riches**

- 2. Received and stored the following Pull-Tab Games:
Game # 41 – Lucky Stack
Game # 42 – Take it to the Bank**

DISTRIBUTION

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

DATE: November 19, 2009

TO: Board Members of the Iowa Lottery Authority

FROM: Brenda Loy, Chief Financial Officer

Attached are the financial statements for October 2009. During October, we had revenue of \$19,970,028. This sales level resulted in \$4,165,398 of proceeds payable to the State General Fund and \$141,357 of proceeds payable to the Veterans Trust Fund.

Attachments

IOWA LOTTERY AUTHORITY
SCHEDULE OF ECONOMIC BENEFITS

October 31, 2009

Proceeds to Iowa Plan		\$170,318,439
Proceeds to CLEAN fund		\$35,894,355
Proceeds to Special Appropriations		\$13,773,572
Proceeds to Gambler's Treatment Program		15,732,208
Proceeds to the State General Fund:		
Prior to Fiscal Year 2010	\$952,253,908	
Fiscal Year 2010		
Transferred	13,507,123	
Payable	4,165,398	
	<hr/>	969,926,429
Proceeds to the Veterans Trust Fund:		
Prior to Fiscal Year 2010	\$2,783,377	
Fiscal Year 2010		
Transferred	822,825	
Payable	141,357	
	<hr/>	<hr/> 3,747,559
Total		<hr/> \$1,209,392,562 <hr/>

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

	<u>Month ended October 31, 2009</u>	<u>Month ended October 31, 2008</u>	<u>Year-to-date October 31, 2009</u>	<u>Year-to-date October 31, 2008</u>
OPERATING REVENUES				
Instant-scratch ticket sales	\$10,970,760	\$11,207,168	\$42,202,087	\$42,035,275
Pick 3 sales	554,910	536,027	2,190,030	2,115,625
Powerball sales	4,885,607	4,162,709	21,990,096	19,049,286
Hot Lotto sales	1,283,686	1,403,062	5,593,514	4,860,833
Pick 4 sales	228,296	205,304	856,549	807,219
\$100,000 Cash Game sales	355,947	352,625	1,383,794	1,367,846
Pull-tab sales	1,685,399	1,882,195	6,688,726	7,364,763
Application fees	300	475	1,350	1,530
Other revenue	5,123	1,125	8,538	2,115
Total operating revenues	19,970,028	19,750,690	80,914,684	77,604,492
OPERATING EXPENSES				
Scratch ticket prize expense	6,841,591	6,630,360	26,640,957	25,236,872
Pick 3 prize expense	328,436	300,023	1,293,578	1,224,001
Powerball prize expense	2,385,656	2,020,665	10,713,073	9,170,697
Hot Lotto prize expense	623,551	689,828	2,724,378	2,383,595
Raffle Prize Expense	0	0	0	(10,500)
Pick 4 prize expense	131,668	121,277	489,273	474,906
\$100,000 Cash Game prize expense	182,705	165,905	791,267	643,696
Pull-tab prize expense	1,059,460	1,180,628	4,198,747	4,622,353
Promotional prize expense	37,342	2,980	91,515	229,872
Advertising/publicity	735,896	517,468	2,454,546	2,349,165
Retailer compensation expense	1,241,694	1,225,245	5,007,185	4,830,526
Ticket expense	241,994	210,782	851,275	814,110
Vendor compensation expense	642,021	633,062	2,590,207	2,459,329
Administrative payroll	807,222	752,894	2,931,178	3,004,085
Travel	32,135	43,066	115,270	180,061
Supplies	4,756	9,274	44,843	40,587
Printing	425	138	6,133	1,352
Postage	455	2,079	1,827	2,145
Communications	39,004	51,600	180,920	194,128
Rentals	24,230	23,106	95,048	90,561
Utilities	5,784	7,485	24,455	26,558
Professional fees	8,933	10,034	45,626	40,237
Vending machine maintenance	40,727	40,825	162,908	163,388
Outside services and repairs	8,322	46,353	42,177	87,876
Data processing	3,082	4,192	12,977	14,060
Equipment	20,866	19,338	79,413	43,893
Reimbursement to other				

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

	<u>Month ended October 31, 2009</u>	<u>Month ended October 31, 2008</u>	<u>Year-to-date October 31, 2009</u>	<u>Year-to-date October 31, 2008</u>
state agencies	63,330	51,029	162,457	141,092
Depreciation	109,586	114,677	459,497	460,560
Other	20,215	22,055	66,717	61,231
Total operating expenses	15,641,086	14,896,368	62,277,447	58,980,436
Operating income (loss)	4,328,942	4,854,322	18,637,237	18,624,056

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

	<u>Month ended October 31, 2009</u>	<u>Month ended October 31, 2008</u>	<u>Year-to-date October 31, 2009</u>	<u>Year-to-date October 31, 2008</u>
Interest Income	10,970	42,529	51,940	132,673
Interest expense	(3,831)	(4,105)	(15,325)	(16,420)
Income before transfers	4,336,081	4,892,746	18,673,852	18,740,309
Transfer to:				
Gambler's Treatment Program	0	(98,994)	0	(388,486)
Veterans Trust Fund	(141,357)	(171,861)	(964,182)	(1,164,633)
State General Fund	(4,165,398)	(4,880,416)	(17,672,521)	(17,654,414)
	<u>(4,306,755)</u>	<u>(5,151,271)</u>	<u>(18,636,703)</u>	<u>(19,207,533)</u>
Change in net assets	29,326	(258,525)	37,149	(467,224)
Net assets, beginning of period	<u>4,421,466</u>	<u>5,459,082</u>	<u>4,413,643</u>	<u>5,667,781</u>
Net assets, end of period	<u><u>\$4,450,792</u></u>	<u><u>\$5,200,557</u></u>	<u><u>\$4,450,792</u></u>	<u><u>\$5,200,557</u></u>

DATE: December 18, 2009

TO: Board Members of the Iowa Lottery Authority

FROM: Brenda Loy, Chief Financial Officer

Attached are the financial statements for November 2009. During November, we had revenue of \$19,469,768. This sales level resulted in \$4,592,408 of proceeds payable to the State General Fund and \$113,846 of proceeds payable to the Veterans Trust Fund.

Attachments

IOWA LOTTERY AUTHORITY
SCHEDULE OF ECONOMIC BENEFITS

November 30, 2009

Proceeds to Iowa Plan		\$170,318,439
Proceeds to CLEAN fund		\$35,894,355
Proceeds to Special Appropriations		\$13,773,572
Proceeds to Gambler's Treatment Program		15,732,208
Proceeds to the State General Fund:		
Prior to Fiscal Year 2010	\$952,253,908	
Fiscal Year 2010		
Transferred	13,507,123	
Payable	8,757,805	
	<hr/>	974,518,836
Proceeds to the Veterans Trust Fund:		
Prior to Fiscal Year 2010	\$2,783,377	
Fiscal Year 2010		
Transferred	822,825	
Payable	255,204	
	<hr/>	<hr/> 3,861,406
Total		<hr/> \$1,214,098,816 <hr/>

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE MONTH AND YEAR ENDED NOVEMBER 30, 2009

	<u>Month ended November 30, 2009</u>	<u>Month ended November 30, 2008</u>	<u>Year-to-date November 30, 2009</u>	<u>Year-to-date November 30, 2008</u>
OPERATING REVENUES				
Instant-scratch ticket sales	\$11,823,900	\$11,015,924	\$54,025,987	\$53,051,199
Pick 3 sales	530,614	522,906	2,720,644	2,638,531
Powerball sales	3,905,314	4,003,030	25,895,410	23,052,317
Hot Lotto sales	1,002,293	1,498,988	6,595,807	6,359,821
Pick 4 sales	227,389	198,309	1,083,938	1,005,527
\$100,000 Cash Game sales	324,612	323,989	1,708,406	1,691,835
Pull-tab sales	1,646,159	1,519,322	8,334,884	8,884,084
Application fees	200	175	1,550	1,705
Other revenue	9,287	682	17,826	2,797
Total operating revenues	19,469,768	19,083,325	100,384,452	96,687,816
OPERATING EXPENSES				
Scratch ticket prize expense	7,119,997	6,316,764	33,760,954	31,553,637
Pick 3 prize expense	314,268	303,724	1,607,846	1,527,725
Powerball prize expense	1,929,452	1,912,959	12,642,525	11,083,656
Hot Lotto prize expense	482,644	737,528	3,207,022	3,121,123
Raffle Prize Expense	0	0	0	(10,500)
Pick 4 prize expense	125,498	108,071	614,771	582,978
\$100,000 Cash Game prize expense	153,029	152,801	944,296	796,497
Pull-tab prize expense	1,035,044	951,710	5,233,791	5,574,063
Promotional prize expense	17,438	10,656	108,953	240,528
Advertising/publicity	536,082	512,321	2,990,628	2,861,486
Retailer compensation expense	1,231,526	1,177,626	6,238,711	6,008,152
Ticket expense	235,848	231,879	1,087,123	1,045,988
Vendor compensation expense	643,641	603,393	3,233,848	3,062,721
Salary and benefits	678,878	652,539	3,610,056	3,656,624
Travel	34,666	23,177	149,936	203,238
Supplies	2,694	17,274	47,537	57,861
Printing	5,288	0	11,421	1,352
Postage	375	0	2,202	2,145
Communications	53,064	37,269	233,984	231,397
Rentals	26,278	26,852	121,325	117,413
Utilities	10,395	12,253	34,850	38,811
Professional fees	13,753	44,618	59,379	84,854
Vending machine maintenance	40,727	40,825	203,635	204,213
Outside services and repairs	6,522	27,740	48,699	115,616
Data processing	3,173	4,450	16,150	18,509
Equipment	11,976	35,165	91,389	79,058
Reimbursement to other				

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE MONTH AND YEAR ENDED NOVEMBER 30, 2009

	<u>Month ended November 30, 2009</u>	<u>Month ended November 30, 2008</u>	<u>Year-to-date November 30, 2009</u>	<u>Year-to-date November 30, 2008</u>
state agencies	37,705	35,383	200,163	176,475
Depreciation	104,518	119,876	564,015	580,436
Other	6,520	15,272	73,237	76,504
Total operating expenses	<u>14,860,999</u>	<u>14,112,125</u>	<u>77,138,446</u>	<u>73,092,560</u>
Operating income (loss)	4,608,769	4,971,200	23,246,006	23,595,256

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE MONTH AND YEAR ENDED NOVEMBER 30, 2009

	<u>Month ended November 30, 2009</u>	<u>Month ended November 30, 2008</u>	<u>Year-to-date November 30, 2009</u>	<u>Year-to-date November 30, 2008</u>
Interest Income	2,603	26,807	54,543	159,480
Interest expense	(3,831)	(4,105)	(19,156)	(20,525)
Income before transfers	4,607,541	4,993,902	23,281,393	23,734,211
Transfer to:				
Gambler's Treatment Program	0	(95,616)	0	(484,103)
Veterans Trust Fund	(113,846)	(150,898)	(1,078,029)	(1,315,532)
State General Fund	(4,592,408)	(4,898,624)	(22,264,928)	(22,553,036)
	<u>(4,706,254)</u>	<u>(5,145,138)</u>	<u>(23,342,957)</u>	<u>(24,352,671)</u>
Change in net assets	(98,713)	(151,236)	(61,564)	(618,460)
Net assets, beginning of period	<u>4,450,792</u>	<u>5,200,557</u>	<u>4,413,643</u>	<u>5,667,781</u>
Net assets, end of period	<u><u>\$4,352,079</u></u>	<u><u>\$5,049,321</u></u>	<u><u>\$4,352,079</u></u>	<u><u>\$5,049,321</u></u>

DATE: January 27, 2010

TO: Board Members of the Iowa Lottery Authority

FROM: Brenda Loy, Chief Financial Officer

Attached are the financial statements for December 2009. During December, we had revenue of \$21,081,393. This sales level resulted in \$4,913,856 of proceeds payable to the State General Fund and \$97,070 of proceeds payable to the Veterans Trust Fund.

Attachments

IOWA LOTTERY AUTHORITY
SCHEDULE OF ECONOMIC BENEFITS

December 31, 2009

Proceeds to Iowa Plan		\$170,318,439
Proceeds to CLEAN fund		\$35,894,355
Proceeds to Special Appropriations		\$13,773,572
Proceeds to Gambler's Treatment Program		15,732,208
Proceeds to the State General Fund:		
Prior to Fiscal Year 2010	\$952,253,908	
Fiscal Year 2010		
Transferred	13,507,123	
Payable	13,671,662	
	<hr/>	979,432,693
Proceeds to the Veterans Trust Fund:		
Prior to Fiscal Year 2010	\$2,783,377	
Fiscal Year 2010		
Transferred	822,825	
Payable	352,274	
	<hr/>	<hr/> 3,958,476
Total		<hr/> \$1,219,109,743 <hr/>

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

	<u>Month ended December 31, 2009</u>	<u>Month ended December 31, 2008</u>	<u>Year-to-date December 31, 2009</u>	<u>Year-to-date December 31, 2008</u>
OPERATING REVENUES				
Instant-scratch ticket sales	\$12,577,289	\$12,114,613	\$66,603,276	\$65,165,812
Pick 3 sales	545,354	546,296	3,265,998	3,184,827
Powerball sales	4,737,848	4,320,111	30,633,258	27,372,427
Hot Lotto sales	1,000,663	1,010,468	7,596,470	7,370,289
Pick 4 sales	233,581	220,444	1,317,519	1,225,971
\$100,000 Cash Game sales	338,167	351,979	2,046,573	2,043,814
Pull-tab sales	1,647,157	1,692,143	9,982,041	10,576,228
Application fees	400	300	1,950	2,005
Other revenue	934	990	18,760	3,787
Total operating revenues	21,081,393	20,257,344	121,465,845	116,945,160
OPERATING EXPENSES				
Scratch ticket prize expense	7,894,102	7,642,488	41,655,056	39,196,125
Pick 3 prize expense	405,790	321,697	2,013,637	1,849,422
Powerball prize expense	2,252,980	2,101,690	14,895,505	13,185,346
Hot Lotto prize expense	486,972	494,749	3,693,993	3,615,872
Raffle Prize Expense	0	0	0	(10,500)
Pick 4 prize expense	137,939	124,116	752,710	707,094
\$100,000 Cash Game prize expense	179,916	432,025	1,124,212	1,228,522
Pull-tab prize expense	1,032,890	1,065,666	6,266,681	6,639,729
Promotional prize expense	4,746	8,180	113,699	248,708
Advertising/publicity	530,560	537,509	3,521,188	3,398,995
Retailer compensation expense	1,346,422	1,278,196	7,585,132	7,286,348
Ticket expense	214,485	252,180	1,301,608	1,298,168
Vendor compensation expense	658,518	667,433	3,892,366	3,730,155
Salary and benefits	648,393	731,794	4,258,449	4,388,418
Travel	18,979	34,016	168,915	237,254
Supplies	10,290	3,249	57,828	61,110
Printing	(1,424)	1,283	9,997	2,635
Postage	327	157	2,529	2,302
Communications	51,086	52,741	285,070	284,138
Rentals	23,277	23,964	144,602	141,377
Utilities	8,468	18,613	43,318	57,424
Professional fees	4,001	13,999	63,380	98,853
Vending machine maintenance	40,727	40,825	244,362	245,038
Outside services and repairs	24,233	44,405	72,931	160,021
Data processing	(721)	2,935	15,429	21,445
Equipment	2,669	15,118	94,059	94,175
Reimbursement to other				

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

	<u>Month ended December 31, 2009</u>	<u>Month ended December 31, 2008</u>	<u>Year-to-date December 31, 2009</u>	<u>Year-to-date December 31, 2008</u>
state agencies	25,212	31,344	225,374	207,819
Depreciation	96,037	117,185	660,052	697,621
Other	22,192	28,855	95,429	105,359
Total operating expenses	16,119,066	16,086,412	93,257,511	89,178,973
Operating income (loss)	4,962,327	4,170,932	28,208,334	27,766,187

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

	<u>Month ended December 31, 2009</u>	<u>Month ended December 31, 2008</u>	<u>Year-to-date December 31, 2009</u>	<u>Year-to-date December 31, 2008</u>
Interest Income	21,408	62,691	75,952	222,172
Interest expense	(3,831)	(4,105)	(22,988)	(24,630)
Income before transfers	4,979,904	4,229,518	28,261,298	27,963,729
Transfer to:				
Gambler's Treatment Program	0	(101,455)	0	(585,558)
Veterans Trust Fund	(97,070)	(127,193)	(1,175,099)	(1,442,725)
State General Fund	(4,913,856)	(3,608,814)	(27,178,785)	(26,161,850)
	<u>(5,010,926)</u>	<u>(3,837,462)</u>	<u>(28,353,884)</u>	<u>(28,190,133)</u>
Change in net assets	(31,022)	392,056	(92,586)	(226,404)
Net assets, beginning of period	<u>4,352,079</u>	<u>5,049,321</u>	<u>4,413,643</u>	<u>5,667,781</u>
Net assets, end of period	<u>\$4,321,057</u>	<u>\$5,441,377</u>	<u>\$4,321,057</u>	<u>\$5,441,377</u>

DATE: February 23, 2010

TO: Board Members of the Iowa Lottery Authority

FROM: Brenda Loy, Chief Financial Officer

Attached are the financial statements for January 2010. During January, we had revenue of \$20,101,739. This sales level resulted in \$3,537,410 of proceeds payable to the State General Fund and \$133,242 of proceeds payable to the Veterans Trust Fund.

Attachments

IOWA LOTTERY AUTHORITY
SCHEDULE OF ECONOMIC BENEFITS

January 31, 2010

Proceeds to Iowa Plan		\$170,318,439
Proceeds to CLEAN fund		\$35,894,355
Proceeds to Special Appropriations		\$13,773,572
Proceeds to Gambler's Treatment Program		15,732,208
Proceeds to the State General Fund:		
Prior to Fiscal Year 2010	\$952,253,908	
Fiscal Year 2010		
Transferred	27,178,784	
Payable	3,537,410	
	<hr/>	982,970,102
Proceeds to the Veterans Trust Fund:		
Prior to Fiscal Year 2010	\$2,783,377	
Fiscal Year 2010		
Transferred	1,175,099	
Payable	133,242	
	<hr/>	<hr/> 4,091,718
Total		<hr/> \$1,222,780,394 <hr/>

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE MONTH AND YEAR ENDED JANUARY 31, 2010

	<u>Month ended January 31, 2010</u>	<u>Month ended January 31, 2009</u>	<u>Year-to-date January 31, 2010</u>	<u>Year-to-date January 31, 2009</u>
OPERATING REVENUES				
Instant-scratch ticket sales	\$12,311,106	\$12,310,023	\$78,914,382	\$77,475,835
Pick 3 sales	554,442	560,328	3,820,440	3,745,155
Powerball sales	4,189,971	5,461,486	34,823,229	32,833,914
Hot Lotto sales	1,020,220	1,026,951	8,616,690	8,397,240
Pick 4 sales	233,463	225,335	1,550,982	1,451,306
\$100,000 Cash Game sales	325,742	355,086	2,372,315	2,398,900
Pull-tab sales	1,466,003	1,574,422	11,448,044	12,150,650
Application fees	225	325	2,175	2,330
Other revenue	567	932	19,327	4,718
Total operating revenues	20,101,739	21,514,888	141,567,584	138,460,048
OPERATING EXPENSES				
Scratch ticket prize expense	8,738,140	7,590,639	50,393,196	46,786,763
Pick 3 prize expense	338,659	332,967	2,352,296	2,182,389
Powerball prize expense	2,027,395	2,676,828	16,922,900	15,862,175
Hot Lotto prize expense	499,517	499,532	4,193,510	4,115,404
Raffle Prize Expense	0	0	0	(10,500)
Pick 4 prize expense	138,678	134,576	891,388	841,670
\$100,000 Cash Game prize expense	155,265	167,834	1,279,477	1,396,357
Pull-tab prize expense	919,008	990,817	7,185,689	7,630,546
Promotional prize expense	70,372	124,897	184,071	373,605
Advertising/publicity	491,639	519,468	4,012,827	3,918,463
Retailer compensation expense	1,274,836	1,354,628	8,859,968	8,640,976
Ticket expense	278,133	261,531	1,579,741	1,559,699
Vendor compensation expense	646,633	689,211	4,538,999	4,419,366
Salary and benefits	688,301	669,614	4,946,751	5,058,032
Travel	27,208	24,684	196,123	261,938
Supplies	8,885	6,887	66,713	67,996
Printing	874	1,253	10,871	3,888
Postage	1,443	408	3,973	2,710
Communications	35,612	37,761	320,682	321,899
Rentals	23,616	25,201	168,218	166,578
Utilities	18,028	16,170	61,346	73,594
Professional fees	7,014	3,819	70,393	102,672
Vending machine maintenance	40,727	40,825	285,089	285,863
Outside services and repairs	12,279	15,822	85,210	175,842
Data processing	3,288	2,724	18,716	24,169
Equipment	10,499	9,507	104,558	103,682
Reimbursement to other				

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE MONTH AND YEAR ENDED JANUARY 31, 2010

	<u>Month ended January 31, 2010</u>	<u>Month ended January 31, 2009</u>	<u>Year-to-date January 31, 2010</u>	<u>Year-to-date January 31, 2009</u>
state agencies	38,396	42,932	263,771	250,751
Depreciation	83,987	116,182	744,039	813,803
Other	5,354	12,908	100,782	118,267
Total operating expenses	<u>16,583,786</u>	<u>16,369,625</u>	<u>109,841,297</u>	<u>105,548,597</u>
Operating income (loss)	3,517,953	5,145,263	31,726,287	32,911,451

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE MONTH AND YEAR ENDED JANUARY 31, 2010

	<u>Month ended January 31, 2010</u>	<u>Month ended January 31, 2009</u>	<u>Year-to-date January 31, 2010</u>	<u>Year-to-date January 31, 2009</u>
Interest Income	973	38,286	76,924	260,458
Interest expense	(3,831)	(4,105)	(26,819)	(28,735)
Income before transfers	3,515,095	5,179,444	31,776,392	33,143,174
Transfer to:				
Gambler's Treatment Program	0	(107,858)	0	(693,416)
Veterans Trust Fund	(133,242)	(196,152)	(1,308,341)	(1,638,878)
State General Fund	(3,537,410)	(5,024,759)	(30,716,194)	(31,186,609)
	<u>(3,670,652)</u>	<u>(5,328,769)</u>	<u>(32,024,535)</u>	<u>(33,518,903)</u>
Change in net assets	(155,557)	(149,325)	(248,143)	(375,729)
Net assets, beginning of period	<u>4,321,057</u>	<u>5,441,377</u>	<u>4,413,643</u>	<u>5,667,781</u>
Net assets, end of period	<u><u>\$4,165,500</u></u>	<u><u>\$5,292,052</u></u>	<u><u>\$4,165,500</u></u>	<u><u>\$5,292,052</u></u>

DATE: March 26, 2010

TO: Board Members of the Iowa Lottery Authority

FROM: Brenda Loy, Chief Financial Officer

Attached are the financial statements for February 2010. During February, we had revenue of \$21,000,208. This sales level resulted in \$3,884,803 of proceeds payable to the State General Fund and \$319,374 of proceeds payable to the Veterans Trust Fund.

Attachments

IOWA LOTTERY AUTHORITY
SCHEDULE OF ECONOMIC BENEFITS

February 28, 2010

Proceeds to Iowa Plan		\$170,318,439
Proceeds to CLEAN fund		\$35,894,355
Proceeds to Special Appropriations		\$13,773,572
Proceeds to Gambler's Treatment Program		15,732,208
Proceeds to the State General Fund:		
Prior to Fiscal Year 2010	\$952,253,908	
Fiscal Year 2010		
Transferred	27,178,784	
Payable	7,422,213	
	<hr/>	986,854,905
Proceeds to the Veterans Trust Fund:		
Prior to Fiscal Year 2010	\$2,783,377	
Fiscal Year 2010		
Transferred	1,175,099	
Payable	452,616	
	<hr/>	<hr/> 4,411,092
Total		<hr/> \$1,226,984,571 <hr/>

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE MONTH AND YEAR ENDED FEBRUARY 28, 2010

	<u>Month ended</u> <u>February 28, 2010</u>	<u>Month ended</u> <u>February 28, 2009</u>	<u>Year-to-date</u> <u>February 28, 2010</u>	<u>Year-to-date</u> <u>February 28, 2009</u>
OPERATING REVENUES				
Instant-scratch ticket sales	\$12,505,450	\$12,054,534	\$91,419,832	\$89,530,369
Pick 3 sales	541,346	559,723	4,361,786	4,304,877
Powerball sales	4,005,439	5,276,111	38,828,668	38,110,025
Mega Millions sales	918,630	0	918,630	0
Hot Lotto sales	852,574	1,071,557	9,469,264	9,468,797
Pick 4 sales	223,507	216,001	1,774,489	1,667,308
\$100,000 Cash Game sales	295,637	346,202	2,667,952	2,745,102
Pull-tab sales	1,655,670	1,753,033	13,103,714	13,903,683
Application fees	125	275	2,300	2,605
Other revenue	1,830	1,369	21,157	6,087
Total operating revenues	21,000,208	21,278,805	162,567,792	159,738,853
OPERATING EXPENSES				
Scratch ticket prize expense	8,417,763	7,567,418	58,810,959	54,354,181
Pick 3 prize expense	320,658	332,834	2,672,954	2,515,223
Powerball prize expense	1,945,140	2,579,168	18,868,040	18,441,343
Mega Millions prize expense	466,642	0	466,642	0
Hot Lotto prize expense	412,580	523,223	4,606,090	4,638,627
Raffle Prize Expense	0	0	0	(10,500)
Pick 4 prize expense	133,049	127,576	1,024,437	969,246
\$100,000 Cash Game prize expense	139,726	229,314	1,419,203	1,625,671
Pull-tab prize expense	1,043,349	1,100,353	8,229,037	8,730,900
Promotional prize expense	9,515	8,198	193,587	381,802
Advertising/publicity	864,633	577,647	4,877,460	4,496,110
Retailer compensation expense	1,338,309	1,337,257	10,198,277	9,978,233
Ticket expense	221,439	216,333	1,801,181	1,776,032
Vendor compensation expense	678,271	681,854	5,217,270	5,101,220
Salary and benefits	656,856	650,557	5,603,607	5,708,589
Travel	37,015	20,063	233,138	282,000
Supplies	10,124	5,276	76,837	73,272
Printing	1,277	210	12,148	4,098
Postage	349	(1,137)	4,322	1,574
Communications	51,181	51,526	371,863	373,424
Rentals	21,196	23,592	189,414	190,170
Utilities	10,804	5,983	72,150	79,577
Professional fees	7,118	2,015	77,511	104,687
Vending machine maintenance	40,700	40,798	325,789	326,661
Outside services and repairs	11,054	8,923	96,264	184,766
Data processing	3,208	3,461	21,924	27,630
Equipment	7,093	9,079	111,650	112,761
Reimbursement to other state agencies	48,711	30,897	312,482	281,648

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE MONTH AND YEAR ENDED FEBRUARY 28, 2010

	<u>Month ended February 28, 2010</u>	<u>Month ended February 28, 2009</u>	<u>Year-to-date February 28, 2010</u>	<u>Year-to-date February 28, 2009</u>
Depreciation	58,226	117,131	802,265	930,934
Other	143	7,096	100,925	125,363
Total operating expenses	16,956,129	16,256,645	126,797,426	121,805,242
Operating income (loss)	4,044,079	5,022,160	35,770,366	37,933,611

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE MONTH AND YEAR ENDED FEBRUARY 28, 2010

	<u>Month ended February 28, 2010</u>	<u>Month ended February 28, 2009</u>	<u>Year-to-date February 28, 2010</u>	<u>Year-to-date February 28, 2009</u>
Interest Income	11,839	56,949	88,764	317,407
Interest expense	(3,831)	(4,105)	(30,651)	(32,840)
Income before transfers	4,052,087	5,075,004	35,828,479	38,218,178
Transfer to:				
Gambler's Treatment Program	0	(106,620)	0	(800,036)
Veterans Trust Fund	(319,374)	(279,052)	(1,627,715)	(1,917,930)
State General Fund	(3,884,803)	(4,959,147)	(34,600,997)	(36,145,756)
	<u>(4,204,177)</u>	<u>(5,344,819)</u>	<u>(36,228,712)</u>	<u>(38,863,722)</u>
Change in net assets	(152,090)	(269,815)	(400,233)	(645,544)
Net assets, beginning of period	<u>4,165,500</u>	<u>5,292,052</u>	<u>4,413,643</u>	<u>5,667,781</u>
Net assets, end of period	<u><u>\$4,013,410</u></u>	<u><u>\$5,022,237</u></u>	<u><u>\$4,013,410</u></u>	<u><u>\$5,022,237</u></u>

**IOWA LOTTERY AUTHORITY
2ND QUARTER FY 2010
CONFERENCE/SEMINAR OUT OF STATE TRAVEL**

DATES	NAME	DESTINATION	TOTAL EXPENSES
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THERE WAS NO OUT OF STATE TRAVEL FOR THE 2ND QUARTER OF FY2010

TOTAL	\$0.00
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Marketing/Sales Board Report, October 2009

Game	Details	October Sales	October Weekly Per Capita*	Fiscal YTD Sales			FY2010 YTD Goal	
				FY2009	FY2010	Change	\$	%
	There was one \$100,000 prize won in the \$100,000 Cash Game in October: Jerome Caraher from Bayard (10.20.09).	\$355,947	\$0.03	\$1,367,846	\$1,383,794	1.17%	\$1,333,332	103.78%
	There were two \$1 million prizes won in Powerball in October: Richard Smith from Des Moines (10.07.09) and Daniel Kelley Jr. was one of 10 co-workers from the Firestone plant to split the prize. The jackpot reached its peak for October at \$189 million on Oct. 3 and ended the month at \$55.3 million on Oct. 31.	\$4,885,607	\$0.38	\$19,049,286	\$21,990,096	15.44%	\$20,976,668	104.83%
	There were four \$10,000 prizes won in Hot Lotto in October: Michael Kuhl from Marshalltown (10.06.09), Hubert Morris from Ankeny (10.16.09), Raymond Steffen from Storm Lake (10.19.09) and Charles Dreier from Waverly (10.22.09). There were two \$30,000 prizes won in Hot Lotto in October: Theodore Starostka from Urbandale (10.12.09) and Marta Parsons from Norwalk (10.21.09). The jackpot was at its highest level for October and ended the month at \$6.1 million on Oct. 31.	\$1,283,686	\$0.10	\$4,860,833	\$5,593,514	15.07%	\$4,000,000	139.84%
	Pick 4 sales for October averaged \$51,551 per week.*	\$228,296	\$0.02	\$807,219	\$856,549	6.11%	\$733,332	116.80%
	Pick 3 sales for October averaged \$125,302 per week.*	\$554,910	\$0.04	\$2,115,625	\$2,190,030	3.52%	\$2,100,000	104.29%

Game	Details	October Sales	October Weekly Per Capita*	Fiscal YTD Sales			FY2010 YTD Goal	
				FY2009	FY2010	Change	\$	%
	Instant sales for October averaged \$2,477,268 per week. † Six instant games were introduced in October: "Snowman Bingo" (\$2) and "Jingle Bell Crossword" (\$3) were introduced on Oct. 5. "Season's Delight" (\$1), "Oh, Deer!" (\$2), "Holly Jolly Jackpot" (\$5) and "Nutcracker Cash" (\$10) were introduced on Oct. 26.	\$10,970,760	\$0.84	\$42,035,275	\$42,202,087	0.40%	\$45,833,332	92.08%
	Pull-tab sales for October averaged \$380,574 per week. † One new pull-tab game was introduced in October: "Knead Some Dough" (\$.50) was introduced on Oct. 19.	\$1,685,399	\$0.13	\$7,364,763	\$6,688,726	-9.18%	\$6,833,332	97.88%
Totals		\$19,964,605		\$77,600,847	\$80,904,796	4.26%	\$81,809,996	98.89%

*Based on the state population of 3 million people.

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

PROMOTIONS FOR OCTOBER 2009

	<p>The popularity of the nation's first instant-scratch game sold jointly in two states has led the Kansas and Iowa lotteries to release a third version of "Midwest Millions." Tickets in this year's version of Midwest Millions have a retro-postcard design and feature different scenes of outdoor activities and attractions in both Iowa and Kansas. Players in both states will again buy tickets in this year's game and compete for prizes as part of one big pool. Midwest Millions ticket sales began Monday, Sept. 14.</p> <p>Tickets in Midwest Millions cost \$10 and the game offers instant prizes ranging from \$10 to \$50,000. There also will be two second-chance drawings that each will offer a top prize of \$500,000 along with five prizes of \$10,000. The overall odds of winning in the game are some of the best the lotteries have offered: 1 in 2.84. The game's first drawing will be Friday, Jan. 15 in Kansas, with the second drawing on Friday, April 16 in Iowa. Entries in the second-chance drawings will be determined as a percentage of sales (e.g. if one state sells 60 percent of the tickets in the game, it will get 60 percent of the entries in the second-chance drawing).</p>
	<p>During the "Smilin' October Special" running October 11-31, players will receive a special price on two of the lottery's hottest games: Powerball and Hot Lotto.</p> <p>Players can purchase 5 Powerball with Power Play plays on one ticket (\$10 value) for \$9. Players can also purchase 5 Hot Lotto Sizzler plays on one ticket (\$10 value) for \$9.</p> <p>Players may choose their own numbers or ask for an easy pick. Play slip and manual plays are eligible. Plays issued with the Smilin' October Special are good for the next drawing of each game and may include multi-draws.</p>



Marketing/Sales Board Report, November 2009

Game	Details	November Sales	November Weekly Per Capita*	Fiscal YTD Sales			FY2010 YTD Goal	
				FY2009	FY2010	Change	\$	%
	Iowa's \$100,000 Cash Game sales for November averaged \$81,153 per week.*	\$324,612	\$0.02	\$1,691,835	\$1,708,406	0.98%	\$1,666,665	102.50%
	There were three \$10,000 Powerball winners in November: Shirley Johnson from Manly (11.03.09), Stephen Ronk from Council Bluffs (11.06.09) and Carol Wegmann from De Witt (11.09.09). The jackpot reached its peak for November at \$96 million on Nov. 11 and ended the month at \$25 million on Nov. 28.	\$3,905,314	\$0.30	\$23,052,317	\$25,895,410	12.33%	\$26,220,835	98.76%
	There was one \$30,000 Hot Lotto winner in November: Tony Dam from Sioux City (11.12.09). The jackpot reached its peak for November at \$6.7 million and ended the month at \$1.1 million on Nov. 28.	\$1,283,686	\$0.10	\$4,860,833	\$5,593,514	15.07%	\$4,000,000	139.84%
	Pick 4 sales for November averaged \$56,847 per week.*	\$227,389	\$0.02	\$1,005,527	\$1,083,938	7.80%	\$916,615	118.25%
	Pick 3 sales for October averaged \$132,653 per week.*	\$530,614	\$0.04	\$2,638,531	\$2,720,644	3.11%	\$2,625,000	103.64%

Game	Details	November Sales	November Weekly Per Capita*	Fiscal YTD Sales			FY2010 YTD Goal	
				FY2009	FY2010	Change	\$	%
	Instant sales for November averaged \$2,955,975 per week. † One instant game was introduced in November: “Sherlock Holmes” (\$2) was introduced on November 16.	\$11,823,900	\$0.91	\$53,051,199	\$54,025,987	1.84%	\$57,291,665	94.30%
	Pull-tab sales for November averaged \$411,539 per week. † Two new pull-tab games were introduced in November: “Change in Your Pocked” (\$.25) and “Diamonds in the Rough” (\$1) were introduced on November 16.	\$1,646,659	\$0.13	\$8,884,084	\$8,334,884	-6.18%	\$8,541,665	97.58%
Totals		\$19,460,281		\$96,683,314	\$100,365,076	3.81%	\$102,262,495	98.14%

*Based on the state population of 3 million people.

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

PROMOTIONS FOR NOVEMBER 2009



During the "Tech the Halls" second-chance promotion running November 2 through January 4, players have a chance to enter their nonwinning holiday scratch tickets online for a chance to win several Sony® electronic prizes as well as 10 cash prizes of \$10,000. Each holiday ticket corresponds to a different prize. Prizes are as follows:

- \$1 Season's Delight = Chance to win one of 50 Sony® portable DVD players.
- \$2 Snowman Bingo and Oh, Deer! = Chance to win one of 50 Sony® Blu-ray Disc™ players.
- \$3 Jingle Bell Crossword = Chance to win one of 50 Sony® VAIO® notebook computers.
- \$5 Holly Jolly Jackpot = Chance to win one of 50 Sony® Bravia® 32-inch LCD TVs.
- \$10 Nutcracker Cash = Chance to win one of 10 prizes of \$10,000.

The promotion has brought in record numbers of entries, totaling nearly 230,000 entries at last count. The drawing for the prizes will be held Tuesday, Jan 5.



Marketing/Sales Board Report, December 2009

Game	Details	December Sales	December Weekly Per Capita*	Fiscal YTD Sales			FY2010 YTD Goal	
				FY2009	FY2010	Change	\$	%
	There was one top prize winner in the \$100,000 Cash Game in December: Richard Cordle from Urbandale (12.18.09).	\$338,167	\$0.03	\$2,043,814	\$2,046,573	0.13%	\$1,999,998	102.33%
	There was one \$200,000 Powerball winner in December: Robert Kelley from North English (12.17.09). The jackpot reached its peak for December at \$128.6 million on Dec. 26 and ended the month at \$20 million on Dec. 30.	\$4,737,848	\$0.36	\$27,372,427	\$30,633,258	11.91%	\$31,465,002	97.36%
	The jackpot reached its peak for December and ended the month at \$2.14 million on Dec. 30.	\$1,000,663	\$0.08	\$7,370,289	\$7,596,470	3.07%	\$6,000,000	126.61%
	Pick 4 sales for December averaged \$52,744 per week.*	\$233,581	\$0.02	\$1,225,971	\$1,317,519	7.47%	\$1,099,998	119.77%
	Pick 3 sales for December averaged \$123,144 per week.*	\$545,354	\$0.04	\$3,184,827	\$3,265,998	2.55%	\$3,150,000	103.68%

Game	Details	December Sales	December Weekly Per Capita*	Fiscal YTD Sales			FY2010 YTD Goal	
				FY2009	FY2010	Change	\$	%
	Instant sales for December averaged \$2,840,033 per week. † Two instant games were introduced in December: "Crossword" (\$3) was introduced on Dec. 10 and "Bingo Night" (\$2) was introduced on Dec. 18.	\$12,577,289	\$0.97	\$65,165,812	\$66,603,276	2.21%	\$68,749,998	96.88%
	Pull-tab sales for December averaged \$371,939 per week. † No new pull-tab games were introduced in December.	\$1,647,157	\$0.13	\$10,576,228	\$9,982,041	-5.62%	\$10,249,998	97.39%
Totals		\$21,080,059		\$116,939,368	\$121,445,135	3.85%	\$122,714,994	98.97%

*Based on the state population of 3 million people.

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

PROMOTIONS FOR DECEMBER 2009

	<p>The popularity of the nation's first instant-scratch game sold jointly in two states has led the Kansas and Iowa lotteries to release a third version of "Midwest Millions." Tickets in this year's version of Midwest Millions have a retro-postcard design and feature different scenes of outdoor activities and attractions in both Iowa and Kansas. Players in both states will again buy tickets in this year's game and compete for prizes as part of one big pool. Midwest Millions ticket sales began Monday, Sept. 14.</p> <p>Tickets in Midwest Millions cost \$10 and the game offers instant prizes ranging from \$10 to \$50,000. There also will be two second-chance drawings that each will offer a top prize of \$500,000 along with five prizes of \$10,000. The overall odds of winning in the game are some of the best the lotteries have offered: 1 in 2.84. The game's first drawing will be Friday, Jan. 15 in Kansas, with the second drawing on Friday, April 16 in Iowa. Entries in the second-chance drawings will be determined as a percentage of sales (e.g. if one state sells 60 percent of the tickets in the game, it will get 60 percent of the entries in the second-chance drawing).</p>
	<p>During the "Tech the Halls" second-chance promotion running Nov. 2 through Jan. 4, players have a chance to enter their nonwinning holiday scratch tickets online for a chance to win several Sony® electronic prizes as well as 10 cash prizes of \$10,000. Each holiday ticket corresponds to a different prize. Prizes are as follows:</p> <ul style="list-style-type: none">• \$1 Season's Delight = Chance to win one of 50 Sony® portable DVD players.• \$2 Snowman Bingo and Oh, Deer! = Chance to win one of 50 Sony® Blu-ray Disc™ players.• \$3 Jingle Bell Crossword = Chance to win one of 50 Sony® VAIO® notebook computers.• \$5 Holly Jolly Jackpot = Chance to win one of 50 Sony® Bravia® 32-inch LCD TVs.• \$10 Nutcracker Cash = Chance to win one of 10 prizes of \$10,000. <p>The promotion has brought in a record number of entries so far. The drawing for the prizes will be held Tuesday, Jan. 5.</p>



Marketing/Sales Board Report, January 2010

Game	Details	January Sales	January Weekly Per Capita*	Fiscal YTD Sales			FY2010 YTD Goal	
				FY2009	FY2010	Change	\$	%
	There were two top-prize winners in the \$100,000 Cash Game in January: Ronald Limburg from Council Bluffs (01.12.10) and Kyle Johnson from Ankeny (01.20.10).	\$325,742	\$0.03	\$2,398,900	\$2,372,315	-1.11%	\$2,333,331	101.67%
	There was one \$200,000 Powerball winner in January: Mark Bowers from Ames (01.19.10). The jackpot reached its peak for January and ended the month at \$92.5 million on Jan. 30.	\$4,189,971	\$0.32	\$32,833,914	\$34,823,229	6.06%	\$36,709,169	94.86%
	There was one \$10,000 Hot Lotto winner in January: Christopher Sims from Des Moines (01.21.10). There was one \$30,000 Hot Lotto winner in January: Debra Bacon from Des Moines (01.29.10). The jackpot reached its peak for January at \$3.62 million on Jan. 16 and ended the month at \$1.15 million on Jan. 30.	\$1,020,220	\$0.08	\$8,397,240	\$8,616,690	2.61%	\$7,000,000	123.10%
	Mega Millions sales started in Iowa on Jan. 31.							
	Pick 4 sales for January averaged \$52,717 per week.*	\$233,463	\$0.02	\$1,451,306	\$1,550,982	6.87%	\$1,283,331	120.86%
	Pick 3 sales for January averaged \$125,197 per week.*	\$554,442	\$0.04	\$3,745,155	\$3,820,440	2.01%	\$3,675,000	103.96%

Game	Details	January Sales	January Weekly Per Capita*	Fiscal YTD Sales			FY2010 YTD Goal	
				FY2009	FY2010	Change	\$	%
	Instant sales for January averaged \$2,779,927 per week. † Six instant games were introduced in January: "Double Cherry Twist" (\$2), "Instant Cash Keno" (\$3) and "Black Pearls" (\$5) were introduced on Jan. 4, "Dough Plow" (\$1) was introduced on Jan. 11, "Veterans Cash" (\$1) was introduced on Jan. 20 and "Super 7's" (\$2) was introduced on Jan. 25.	\$12,311,106	\$0.95	\$77,475,835	\$78,914,382	1.86%	\$80,208,331	98.39%
	Pull-tab sales for January averaged \$331,033 per week. † Two new pull-tab games were introduced in January: "Star Spangled Bucks" (\$1) and "Let the Chips Fly" (\$2) were introduced on Jan. 11.	\$1,466,003	\$0.11	\$12,150,650	\$11,448,044	-5.78%	\$11,958,331	95.73%
Totals		\$20,100,947		\$138,453,000	\$141,546,082	2.23%	\$143,167,493	98.87%

*Based on the state population of 3 million people.

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

PROMOTIONS FOR JANUARY 2010



The popularity of the nation's first instant-scratch game sold jointly in two states has led the Kansas and Iowa lotteries to release a third version of "Midwest Millions." Tickets in this year's version of Midwest Millions have a retro-postcard design and feature different scenes of outdoor activities and attractions in both Iowa and Kansas. Players in both states will again buy tickets in this year's game and compete for prizes as part of one big pool. Midwest Millions ticket sales began Monday, Sept. 14.

Tickets in Midwest Millions cost \$10 and the game offers instant prizes ranging from \$10 to \$50,000. There are also two second-chance drawings that each will offer a top prize of \$500,000 along with five prizes of \$10,000. The overall odds of winning in the game are some of the best the lotteries have offered: 1 in 2.84. The game's first drawing was Friday, Jan. 15 in Topeka, KS.

The \$500,000 winner from the Jan. 15 drawing was Kim Hertel from Washington, Iowa. The five \$10,000 winner's names drawn on Jan. 15 were: Ronnie Burnett from Leavenworth, Kan; James Hess from Clay Center, Kan; Deberia Blair from Topeka, Kan; Diane Robinson from Indianola, Iowa and Mark Loftin from Elk City, Kan.

The second Midwest Millions drawing will be on Friday, April 16 in Des Moines. Entries in the second-chance drawings will be determined as a percentage of sales (e.g. if one state sells 60 percent of the tickets in the game, it will get 60 percent of the entries in the second-chance drawing).



During the "Tech the Halls" second-chance promotion running Nov. 2 through Jan. 4, players had a chance to enter their nonwinning holiday scratch tickets online for a chance to win several Sony® electronic prizes as well as 10 cash prizes of \$10,000. Each holiday ticket corresponds to a different prize. Prizes are as follows:

- \$1 Season's Delight = Chance to win one of 50 Sony® portable DVD players.
- \$2 Snowman Bingo and Oh, Deer! = Chance to win one of 50 Sony® Blu-ray Disc™ players.
- \$3 Jingle Bell Crossword = Chance to win one of 50 Sony® VAIO® notebook computers.
- \$5 Holly Jolly Jackpot = Chance to win one of 50 Sony® Bravia® 32-inch LCD TVs.
- \$10 Nutcracker Cash = Chance to win one of 10 prizes of \$10,000.

The promotion brought in a record number of entries. The drawing for the prizes was held Tuesday, Jan. 5.

The official winners of the 50 Sony® portable DVD players were: Melvin Bailey from Evansdale, Janell Birnbaum from Fort Dodge, Catharina Blaser from Indianola, Dale Blough from Cedar Rapids, Becky Bonham from Dunlap, Marie Bonnstetter from West Bend, Heidi Boysen from Monticello, Dennis Coop from Ottumwa, John Costello from Marion, Teri Denny from Cedar Falls, Jeffrey Denzin from Des Moines, Karla Foresman from Altoona, Karen Franzen from West Union, Sue Herrick from Carlisle, Gay Hindbaugh from Muscatine, Christine Holst from Goodell, Sharol Hopes from Mena, AR, Everett Houge from Superior, Stacy Kelsey from Hiawatha, Ted Klopp from Iowa City, Larry Levendusky from Waterloo, Susan Lewiston from Waukeel, Mike Libke from Anthon, Cindy Lee Linnabery from Toronto, Marilyn McBee from Chariton, Cherri McGill from Wapello, Cynthia Michel from Kalona, Sayavong Mila from Des Moines, Dave Moret from Washta, Lynette Niemand from Fort Dodge, Lori Oldorf from Cedar Rapids, Lori Pearson from Cedar Rapids, Sue Reed from Washington, Dan Roby from Des Moines, Randall Schaller from Fairfield, Kathryn Schwartzkopf from Highland, KS, David Shoemaker from Polk City, Jeffrey Smith from Parkersburg, Mary Stickler from Centerville, James Szabo from Cedar Rapids, Randal Tait from Osceola, Gina Thomas from Norwalk, Vince Thomas from Mount Vernon, Louise Walk from Little Cedar, Kim Wells from Waterloo, Alan Wertz from Denison, Craig Wigton from Des Moines, Beth Winborn from Bondurant, Julie Wisong from Clinton and Margaret Yancey from Cedar Rapids.



The official winners of the 50 Sony® Blu-ray Disc™ players were: Penny Adams from Charles City, Leighton Becker from Solon, Larry Bickert from New Market, Janet Bordwell from Clarion, Mary Boudreau from Missouri Valley, Cheyenne Brown from Colo, Lisa Burkhardt from Osage, Cory Coppess from Clinton, Michael Culver from Menlo, Marieta David from Algona, Dianna Dellarosa from Maquoketa, Holly Donaldson from Cherokee, Kerry Eberline from Newton, Renee Elliott from Muscatine, Tom Feld from Marion, William Fitzgerald from Ottumwa, Richard Foster from Radcliffe, Kevin Hapner from Cedar Rapids, Alyson Harrison from Des Moines, Craig Heilskov from Mason City, Dustin Howard from Des Moines, Jane Innes from Greene, Julie Jensen from Denver, Paul Johnson from West Des Moines, Ron Johnson from Perry, William Kranz from Davenport, Anna Krzysztofiak from Bettendorf, Tatum Lange from Harlan, Jeanie Mallory from Madrid, Paulette Mann from Marshalltown, Jeff Mason from Sumner, Karon McDowell from Indianola, Bonnie McNabb from Davenport, Steven Moine from Strawberry Point, Amanda Nauman from Altoona, Gary Newcomb from Muscatine, Garry Novak from Charles City, Maegan Oelmann from Cedar Falls, Susan Pascasio from Des Moines, Steve Plumb from Harlan, Sherry Salmons from Minden, Casi Shultz from Cedar Rapids, Betty Sobaski from Iowa City, Kennon Springer from Hiawatha, Rob Taylor from Des Moines, Amber Titlbach from Cedar Rapids, Connie Van Cleave from Des Moines, Carol Welbes from Cedar Rapids, Barb Wessel from Des Moines and Susan Zeman from Dakota City.

The official winners of the 50 Sony® VAIO® notebook computers were: Cindy Alder from Saint Ansgar, Mindy Anderson from Fort Dodge, Sarah Aronsen from Mason City, Deb Becker from Fort Dodge, Denise Bishop from Jesup, Decotis Bolden from Waterloo, Marie Brown from La Porte City, Theresa Buehler from Alleman, Amy Casey from Waterloo, Judie Crossett from Ainsworth, John Davis from Mount Pleasant, Sarah Davis from Wellman, Shannon Davis from Cedar Rapids, Dianna Dellarosa from Maquoketa, Julie Driscoll from Evansdale, Stacey Elam from Central City, Cindy Gardner from Evansdale, Kim Gatlin from Ottumwa, Trish Hubbard from Peru, Toni Hunter from Washington, Marilyn Inman from Coralville, Robert Jenkins from Atkins, Joleen Johnson from Harpers Ferry, Lee Kibsgaard from Mason City, Kim Koenigs from Riceville, Brad Kraft from Mason City, Larry Leggett from Marion, Mark Lincoln from Perry, Providencia Lopez from Dubuque, Terri Lyons from Dubuque, Jill McAvoy from Denver, Yolanda Mendoza from Des Moines, Roger Merriman from Omaha, NE, Brenda Miller from Cedar Rapids, Richard Mulder from Hartley, Sharon Novander from Dubuque, Matthew Palmer from Cedar Rapids, Tom Prymek from Des Moines, Roger Rasmussen from Manilla, Robyn Rippey from Fairfield, Barbara Rupp from Bedford, Kevin Sly from Fort Madison, Denyce Stanford from Waterloo, Liz Stout from Des Moines, Roger Tangeman from Des Moines, Brenda Wagner from Sabula, Jason White from Vinton, Sherri White from Holland, Julie Wisong from Clinton and Merle Worple from Elma.

The official winners of the 50 Sony® Bravia® 32-inch LCD TVs were: Becky Ahlhelm from Osage, Larry Billings from Eldridge, Betty Borchardt from Riceville, Vivian Bradley from Des Moines, Adnan Causevic from Urbandale, Ernie Cole from Waterloo, John Dixon from Mount Pleasant, Holly Donaldson from Cherokee, Denise Ehrig from Spencer, Thomas Ellis from Storm Lake, John Erdman from Mason City, Jeff Freel from Des Moines, Cindy Goshorn from Newton, Patricia Hale from Cedar Rapids, Kevin Hapner from Cedar Rapids, Kophay Houangvan from Des Moines, Gladys Jenkins from Newton, Leighton Jones from Winterset, Brad Kass from Le Mars, Alice Kluver from Mapleton, Jason Kreutzer from Coralville, Lori Kunde from Keokuk, James Lumley from Des Moines, Kathryn Lydon from Urbandale, Deena Manz from Ayshire, Andrew Mattes from Des Moines, Kathy McCollough from Williams, Deanna McFadden from Davenport, Bonnie McNabb from Davenport, Mark Mogensen from Lake View, Jennifer Moine from Dundee, Colette Molumby from Cedar Rapids, Jeff Moreland from Iowa City, Michelle Mullica from Des Moines, Richard Olson from Des Moines, Helen Owens from Des Moines, Pete Pedersen from Council Bluffs, Cindy Proffitt from Knoxville, Jacqueline Reinier from Iowa City, Nick Riley from Traer, Merica Robbins from Des Moines, Paula Robinson from Bloomfield, Lynne Schwartzkopf from Charles City, Teresa Simpson from Eddyville, Candy Stevenson from Cedar Falls, Dennis Swartz from Corning, Diane Ulrich from Milford, Brenda Vaughn from Ankeny, Jesse Willison from Humboldt and Cindy Woollums from La Motte.

The official winners of the 10 \$10,000 cash prizes were: Bryan Barker from Nevada, Stacey Dozier from Des Moines, Stacey Fulton from Ogden, Molly Glaspie from Des Moines, Keith Lewis from Waterloo, Terrence Prunty from Waterloo, Joe Robert from Evansdale, Angela Sheely from Oskaloosa, Wendell Terrell from Eddyville and Dennis True from Mason City.



Marketing/Sales Board Report, February 2010

Game	Details	February Sales	February Weekly Per Capita*	Fiscal YTD Sales			FY2010 YTD Goal	
				FY2009	FY2010	Change	\$	%
	\$100,000 Cash Game sales for February averaged \$73,909 per week. †	\$295,637	\$0.02	\$2,745,102	\$2,667,952	-2.81%	\$2,666,664	100.05%
	There was one \$200,000 Powerball winner in February: A group of 28 co-workers from Sears in Fort Dodge (02.16.10). The jackpot reached its peak for February at \$141.4 million on Feb. 6 and ended the month at \$96.5 million on Feb. 27.	\$4,005,439	\$0.31	\$38,110,025	\$38,828,668	1.89%	\$41,953,336	92.55%
	The jackpot reached its peak for February and ended the month at \$3.07 million on Feb. 27.	\$852,574	\$0.07	\$9,468,797	\$9,469,264	0.00%	\$8,000,000	118.37%
	The jackpot reached its peak for February and ended the month at \$99 million on Feb. 26.	\$918,630	\$0.07		\$918,630		\$1,050,000	87.49%
	Pick 4 sales for February averaged \$55,877 per week. †	\$223,507	\$0.02	\$1,667,308	\$1,774,489	6.43%	\$1,466,664	120.99%
	Pick 3 sales for February averaged \$135,336 per week. †	\$541,346	\$0.04	\$4,304,877	\$4,361,786	1.32%	\$4,200,000	103.85%

Game	Details	February Sales	February Weekly Per Capita*	Fiscal YTD Sales			FY2010 YTD Goal	
				FY2009	FY2010	Change	\$	%
	Instant sales for February averaged \$3,126,362 per week. † Two instant games were introduced in February: "Tropical Treasures" (\$3) was introduced on Feb. 15 and "Double Blackjack Double Play" (\$5) was introduced on Feb. 22.	\$12,505,450	\$0.96	\$89,530,369	\$91,419,832	2.11%	\$91,666,664	99.73%
	Pull-tab sales for February averaged \$413,917 per week. † No new pull-tab games were introduced in February.	\$1,655,670	\$0.13	\$13,903,683	\$13,103,714	-5.75%	\$13,666,664	95.88%
Totals		\$20,998,253		\$159,730,161	\$162,544,335	1.76%	\$164,669,992	98.71%

*Based on the state population of 3 million people.

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

PROMOTIONS FOR FEBRUARY 2010



The popularity of the nation's first instant-scratch game sold jointly in two states has led the Kansas and Iowa lotteries to release a third version of "Midwest Millions." Tickets in this year's version of Midwest Millions have a retro-postcard design and feature different scenes of outdoor activities and attractions in both Iowa and Kansas. Players in both states will again buy tickets in this year's game and compete for prizes as part of one big pool. Midwest Millions ticket sales began Monday, Sept. 14.

Tickets in Midwest Millions cost \$10 and the game offers instant prizes ranging from \$10 to \$50,000. There are also two second-chance drawings that each will offer a top prize of \$500,000 along with five prizes of \$10,000. The overall odds of winning in the game are some of the best the lotteries have offered: 1 in 2.84. The game's first drawing was Friday, Jan. 15 in Topeka, Kan.

The \$500,000 winner from the Jan. 15 drawing was Kim Hertel from Washington, Iowa. The five \$10,000 winner's names drawn on Jan. 15 were: Ronnie Burnett from Leavenworth, Kan., James Hess from Clay Center, Kan., Deberia Blair from Topeka, Kan., Diane Robinson from Indianola, Iowa and Mark Loftin from Elk City, Kan.

The second Midwest Millions drawing will be on Friday, April 16 in Des Moines. Entries in the second-chance drawings will be determined as a percentage of sales (e.g. if one state sells 60 percent of the tickets in the game, it will get 60 percent of the entries in the second-chance drawing).

To: Iowa Lottery Board

From: Ken Brickman

Re: 2010 Association Membership Dues

For many 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 are aware, the Board must approve memberships for the lottery. These billings come in annually about the same time, so as with past practice, we have packaged them for Board approval.

Membership and active participation in IGIA events and activities has led to greater cooperation between the Iowa Lottery and our retailers. IGIA represents the interests of a majority of our retailer outlets. Membership enables us to keep up to date on convenience and grocery store industry trends and concerns. ILA staff recommends approval of the \$500 membership dues so that we may continue to develop stronger relationships with leaders in our retailer community.

Again this year, the Iowa Lottery has been invited to participate as a business associate member of the PMCI. Membership and active participation in retailer industry events has enabled us to keep our fingers on the pulse of the industry and has led to stronger bonds of cooperation between the ILA and our convenience store retailers. Approximately 64% of our retailers are convenience stores selling nearly 75 percent of our products. Staff recommends approval of the \$685 membership dues in PMCI.

Staff also recommends approval of the \$16,000 membership dues for NASPL (North American Association of State and Provincial Lotteries). All North American lotteries are members of NASPL. NASPL plays a critical role in connecting member lotteries with essential education, information and communication on key trends and issues and acts as a united voice for the lottery industry on critical issues. NASPL is a key participant in building and maintaining relationships with national corporate retailers as well as the standardization or major procurements for member lotteries.

Staff further supports approval of membership in WLA (World Lottery Association). Quoted as 5,600 Swiss Francs, the dues are approximately \$5,216 US at the monetary exchange rate current when this document was prepared on April 8, 2010. WLA membership offers several benefits not available from other sources:

1. The ILA is proceeding 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). Management will ask Board approval of a consulting contract with BSI Management Systems to initiate the assessment stage of the process during the first part of FY 2011. WLA membership is required for participation in the ISO/Security Standards program.

2. WLA offers the WLA Responsible Gaming Program certification. ILA is qualified at the first level of a multi-tier responsible gaming certification program and is working on completion of the next several steps toward full certification. Again, WLA membership is required for participation in this program.
3. WLA membership has afforded the ILA the opportunity to participate in numerous educational programs geared to the international industry level of gaming. For example, VP Security Diaz benefitted greatly from participation in a joint NASPL/WLA security directors meeting in 2009. As with other ventures, lottery industry problems and opportunities are no longer constrained or defined by international borders.



April 2, 2010

TO: Iowa Lottery Authority Board
FR: Sally Robson
RE: Advertising Agency Extensions – FY11

In 2007, both Creative Service and Broadcast Media Planning and Buying Services were bid, and awards were made to the Integer Group Midwest and Strategic America, respectively, beginning July 1 for FY08. Last year, the Board voted to extend the contracts for a second option year for FY10.

The Integer Group Midwest (Integer) provided the creative concept development for many successful initiatives this year including the Tech the Halls promotion for the holidays, the launch of Mega Millions, and co-branding the jackpot games with fresh jackpot awareness commercials and print ads. It also provided the Lottery new direction for the website and brand identification.

The media team at Strategic America began utilizing the services of Specific Media to provide the Lottery more cost-effective audience delivery on the internet. It negotiated the text messaging contract with a new vendor, Catchwind, and secured a lower cost provider for television commercial delivery, Extreme Reach. Beginning in January, Strategic America assumed the jackpot awareness newspaper ad placement.

It is our recommendation to extend the contracts with an additional option year in FY11 with both the Integer Group Midwest and Strategic America.

**EXTENSION AND AMENDMENT TO THE AGREEMENT FOR
MEDIA PLANNING, BUYING SERVICES AND PRODUCTS**

THIS EXTENSION, is effective on July 1, 2010 and is made by and between the **IOWA LOTTERY AUTHORITY** (the "Lottery"), an enterprise agency of the State of Iowa, and **STRATEGIC AMERICA** (Agency).

In consideration of the premises and the mutual promises and covenants herein contained, the parties hereto agree as follows:

SECTION 1. IDENTITY OF THE PARTIES.

1.1 The Lottery is an instrumentality of the State of Iowa and is authorized by Iowa Code Chapter 99G to conduct a lottery in the State of Iowa. The Lottery's address is 2323 Grand Ave., Des Moines, Iowa 50312.

1.2 Strategic America (Agency) is an Iowa corporation, whose business, is among other things, of providing media purchasing services for clients. The address for Agency is 1500 NW 118th Street, Des Moines, IA 50325.

SECTION 2. STATEMENT OF AGREEMENT AND PURPOSE. The Lottery and Agency entered into a one-year Agreement providing for media planning and buying services by the Agency to support advertising and marketing efforts to sell Lottery products.

SECTION 3. EXTENSION. Effective July 1, 2007, the Lottery and the Agency entered into a one-year Agreement (reference RFP 07-02) for media planning and buying services. The term of the Agreement was for a one-year period with four (4) one-year option periods. Effective February 1, 2010 an Addendum was entered into with the Agency assuming newspaper advertising buying and placement duties. This Addendum was for a six-month period ending June 30, 2010. Pursuant to Section 4 of the Agreement, the term of the Agreement and Addendum are hereby extended for the third option period through June 30, 2011.

SECTION 4. AMENDMENT. Pursuant to Section 13.3 of the Agreement, a sixty (60) day notice of Termination for Convenience is required with the following exception; a thirty (30) day notice of termination shall apply to newspaper advertising buying and placement services described in the Addendum to the Agreement effective February 1, 2010.

SECTION 5. RATIFICATION. Except as expressly amended hereby, the Agreement or any other amendments to the Agreement shall remain in full force and effect, and the parties hereby ratify and confirm the terms and conditions thereof.

SECTION 6. AUTHORIZATION. Each party to this Agreement represents and warrants to the other that:

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

6.2 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, except as enforceability may be limited by bankruptcy, insolvency and similar laws.

SECTION 7. 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

STRATEGIC AMERICA

By: _____
Kenneth A. Brickman
Executive Vice-President

By: _____
John C. Schreurs
President

Date: _____

Date: _____

**EXTENSION TO THE AGREEMENT
FOR CREATIVE ADVERTISING SERVICES**

THIS EXTENSION, is effective on July 1, 2010 and is made by and between the **IOWA LOTTERY Authority** (the "Lottery"), an enterprise agency of the State of Iowa, and **THE INTEGER GROUP** (Agency).

In consideration of the premises and the mutual promises and covenants herein contained, the parties hereto agree as follows:

SECTION 1. IDENTITY OF THE PARTIES.

1.1 The Lottery is an instrumentality of the State of Iowa and is authorized by Iowa Code Chapter 99G to conduct a lottery in the State of Iowa. The Lottery's address is 2323 Grand Ave., Des Moines, Iowa 50312.

1.2 The Integer Group (Agency) is a wholly owned company of Omnicom Group, Inc. whose business, is among other things, of providing advertising planning and preparation services for clients. The address for Agency is 2633 Fleur Drive, Des Moines, IA 50321.

SECTION 2. STATEMENT OF AGREEMENT AND PURPOSE. The Lottery and Agency entered into a one-year Agreement providing that the Agency would provide advertising and marketing support for planning and preparation of materials intended to advertise the Lottery, its services and products during the term of the Agreement.

SECTION 3. EXTENSION. On July 1, 2007, the Lottery and Agency entered into an Agreement for Creative Advertising Services. The term of the Agreement was for a one-year period with four one-year option periods. The Agreement was extended and amended effective July 1, 2008 to reflect a change to Section 6.4 Outside Services and Products. Pursuant to Section 4 of the Agreement, the third option period is hereby exercised through June 30, 2011.

SECTION 4. RATIFICATION. Except as expressly amended hereby, the Agreement or any other amendments to the Agreement shall remain in full force and effect, and the parties hereby ratify and confirm the terms and conditions thereof.

SECTION 5. AUTHORIZATION. Each party to this Agreement represents and warrants to the other that:

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

5.2 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, except as enforceability may be limited by bankruptcy, insolvency and similar laws.

SECTION 6. 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

THE INTEGER GROUP

By: _____
Kenneth A. Brickman
Executive Vice-President

By: _____
Al Tramontina
Executive Vice-President

Date: _____

Date: _____

***AGREEMENT FOR MAINTENANCE OF
PULL-TAB and INSTANT TICKET
VENDING MACHINES***

October 1, 2010

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**AGREEMENT FOR MAINTENANCE OF
PULL-TAB and INSTANT TICKET VENDING MACHINES**

This Agreement for maintenance of pull-tab and instant ticket vending machines ("Agreement") is effective on October 1, 2010, and is entered into by and between the Iowa Lottery Authority ("Lottery"), and Pollard Games, Inc., doing business as American Games, Inc. ("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. The Lottery is authorized by Iowa Code chapter 99G to conduct a lottery in the state of Iowa.

1.2 The Contractor is a corporation incorporated in Delaware engaged in the business of, among other things, providing ITVM and PTVM equipment and related services with a full service office in Iowa. The address for Contractor is 504 34th Avenue, Council Bluffs, IA 51501.

SECTION 2. PURPOSE. The Lottery is desirous of hiring Contractor to provide maintenance, repair, relocation and storage of instant and pull-tab vending machines. The Contractor designs and manufactures vending equipment and has the requisite skill, expertise, and personnel required to assist the Lottery in providing a full service maintenance program.

SECTION 3. DEFINITIONS. The following words shall have the meanings set forth below. Words in the singular shall be held to include the plural and vice versa, and words of gender shall be held to include any other gender as the context requires. For the purposes of this Agreement, the following terms and all other terms defined in this Agreement shall have the meanings so defined unless the context clearly indicates otherwise.

3.1 "Party" means either of the legal entities identified in Section 1 of this Agreement.

3.2 "ITVM" means instant ticket vending machine owned by the Lottery.

3.3 "PTVM" means pull-tab ticket vending machine owned by the Lottery.

3.4 "Relocation" means the moving of either instant ticket or pull-tab ticket vending machine to a different retail location or storage facility maintained by Contractor.

3.5 "Maintenance Program" means a full service program to include a toll-free number for trouble calls, dispatching service, replacement parts for equipment and knowledgeable service personnel to repair equipment.

3.6 "Fully Installed" means a machine that has been installed in a retail location, is fully operational, and for which the retailer has been trained.

3.7 "Non-Functional machine" means a machine that does not properly dispense tickets, accept money, perform accounting functions, or that fails to properly operate for any other reason.

SECTION 4. TERM. The term of this Agreement will be from October 1, 2010 to September 31, 2012 plus two one-year option periods that may be exercised at the sole option of the Lottery.

SECTION 5. SCOPE OF WORK.

5.1 Scope of Services. The maintenance program 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 Scope of Services. The parties agree that Schedule A, Maintenance Program Scope of 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 related services.

5.4 Personnel to Perform the Services. The Lottery reserves the right to disapprove of any employee of the Contractor directly involved in maintenance services. If the Lottery disapproves of any such person, the Contractor shall ensure that they are not involved in the service of the Lottery's equipment. The Contractor shall require its employees involved with the maintenance service to submit to background investigations by the Lottery and to complete all background disclosure forms as may be required by the Lottery.

5.5 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, agent, or subcontractor of any vendor 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." Ticket purchase is restricted to all pull-tab tickets or instant tickets that may be dispensed from a PTVM or ITVM.

5.6 Ownership. All vending machines remain the property of the Lottery at all times, unless and until such time as, the Lottery may sell the vending machines back to the Contractor. Contractor agrees to purchase any PTVM or ITVM equipment from the Lottery at a price of \$1.00 per machine with all transactions to be documented in writing.

SECTION 6. COMPENSATION.

6.1 Pricing. Upon execution of the Agreement, the total number of machines installed at retail locations throughout Iowa is 1,013 PTVM's and 304 ITVM's. The Lottery agrees to pay reasonable cost for replacement parts as deemed necessary, relocation fees and monthly maintenance fees as follows:

Monthly maintenance fees shall be:

6 column PTVM	\$26.92 per machine/month
12 column PTVM	\$26.92 per machine/month
12 bin ITVM	\$43.87 per machine/month
16 bin ITVM	\$43.87 per machine/month
20 bin ITVM	\$43.87 per machine/month

Relocation fees shall be:

PTVM relocation	\$110 per machine/relocation
ITVM relocation	\$450 per machine/relocation

6.2 Payment to Contractor.

6.2.1 The Contractor shall submit a detailed monthly invoice to the Lottery for the maintenance program and any relocations. Machines may be removed from the serviceable inventory due to damage such as fire, flood, break-in, etc. Once a machine is removed from the serviceable inventory, the machine must be removed from the invoice list for service.

6.2.2 The Lottery shall pay all approved invoices in arrears and in conformance with Iowa Code Section 8A.514 and 11 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 the second year of the original contract period and each of the two one-year 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 September to September. The new price will be effective October 1st of each calendar year. The applicable increase or decrease shall be 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 Delay of Payment Due to Contractor's Failure. If the Lottery in good faith determines that the Contractor has failed to perform or deliver any task or product as required by this Agreement, the Contractor shall not be entitled to any payment in relation to that particular task or product under this Agreement until such task or product is completed or delivered. Except for situations covered in Section 6.7, Liquidated Damages, the Lottery will give the Contractor prior written notice detailing the failure and ten (10) days to effect cure of the failure. In the event of partial performance, the Lottery may only withhold that portion of the Contractor's fee, which represents payment for the unsatisfactory services.

6.7 Liquidated Damages.

The parties acknowledge that the Contractor's failure to perform, or to perform in a timely manner, will have an adverse impact on the Lottery's ability to maximize the sale of Lottery tickets. The parties also acknowledge that it will be difficult to determine the amount of damages caused by the Contractor's failure. Accordingly, the Contractor agrees to the following liquidated damages as reasonable damages in each of the following circumstances provided that the failure or delay in performance is caused solely by the fault or neglect of the Contractor and is not contributed to or occasioned by the fault or neglect of the Lottery or any third party, nor caused by force majeure:

6.7.1 The Contractor shall pay the Lottery \$50.00 per day or part of a day, per machine, that each machine is not fully installed within the time frame established for machine relocations.

6.7.2 The Contractor shall pay the Lottery \$200 per day or part of a day, per machine, for each machine that remains non-functional as defined in Section 3.7.

6.7.3 The Contractor shall pay the Lottery \$200.00 per day for any machine delivered to retail locations in an unsatisfactory condition. An unsatisfactory condition is defined but not limited to a machine that has visible scratches, is damaged or is not fully installed.

6.8 Remedies. The remedies provided throughout this Agreement including, without limitation, the remedies associated with non-functional and not fully installed machines, are not intended to be exclusive and do not prevent either party from seeking any other legal or equitable remedy provided by applicable law or this Agreement.

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. Proof of compliance with this section shall be provided by Contractor 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's or loss payee, as applicable:

Type of Insurance	Limit	Amount
General Liability (Including contractual liability) written on an occurrence basis	General Aggregate	\$2 million
	Products Completed Operations Aggregate	\$1 million

	Personal Injury	\$1 million
	Each Occurrence	\$1 million
Automobile Liability, including any auto, hired autos and non-owned autos	Combined Single limit	\$1 million
Errors and Omissions Policy	Each Occurrence	\$1 million
Excess Liability, Umbrella Form	Each Occurrence	\$2 million
	Aggregate	\$2 million
Workers Compensation and Employer Liability	As required by law	
Property Damage	Each Occurrence	\$250,000
	Aggregate	\$250,000

7.3 Coverage for Lottery Property or Personnel on Contractor Premises. The policies must provide coverage for damages to the Lottery's property or personnel, which occurs on the Contractor's premises or premises under the control of the Contractor or Contractor's subcontractors.

7.4 Claims Without Regard to Claim. All insurance policies required by this Agreement, with the exception of the Errors and Omissions Policy, 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 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.

7.6 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. All insurance policies and certificates shall be issued only by companies authorized to transact business in the state of Iowa.

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

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 Iowa Lottery or the state of Iowa. The waiver of subrogation rights shall be indicated on the certificates of insurance coverage supplied to the Lottery.

7.9 Scope of Property Insurance. The Contractor shall not be responsible for any loss or damage to machines where the cause of such loss or damage cannot reasonably be attributed to the acts or omissions of the Contractor, its agents or employees.

SECTION 8. BONDS.

8.1 Performance Bond. The Contractor shall post a performance bond in the amount of two hundred thousand dollars (\$200,000) to the Lottery within ten (10) days of commencement of the term of the Agreement. The Contractor shall pay the cost of the bond. In the event that the Contractor or any subcontractor or any officer, director, employee or agent of the Contractor or any subcontractor or any parent or subsidiary corporation of the Contractor or subcontractor fails to fully and faithfully perform each material requirement of this Agreement, including without limitation the Contractor's obligation to indemnify the Lottery and pay damages to the Lottery, the Lottery shall make claim against the bond. The bond may be renewable annually. Neither non-renewal by the Surety, nor failure or inability of the Contractor to file a replacement bond in the event the Surety exercises its right to not renew this bond, shall itself constitute a loss to the Obligee recoverable under this bond or any extension thereof. The bond shall be in a form customarily used in the lottery industry and shall be written by a Surety authorized to do business in Iowa and that is acceptable to the Lottery. The bond shall be in effect at all times during the term of the Agreement and any extensions or renewals thereof and for ninety (90) days following the conclusion of the Agreement. The Contractor represents and warrants that it will maintain the required performance bond coverage as described herein without any lapse in coverage.

8.2 Fidelity Bond. The Contractor shall post a fidelity bond in the amount of two hundred thousand dollars (\$200,000) to the Lottery within ten (10) days of commencement of the term of the Agreement. The Contractor shall pay the cost of the bond. The bond shall provide funds to the Lottery in the event that the Contractor or Lottery suffers any liability, loss, damage, or expense as a result of any fraudulent or dishonest act or omission of the Contractor or any parent or subsidiary corporation of the Contractor, which occurs during the term of the bond regardless of the date the act or omission is discovered, or a claim is made. The bond shall be in a form customarily used in the lottery industry, and shall be written by a Surety authorized to do business in Iowa and that is acceptable by the Lottery. This bond shall be in effect at all times during the term of the Agreement and any extensions or renewals thereof and for one (1) year following the conclusion of the Agreement. The Contractor represents and warrants that it will maintain the required fidelity bond coverage as described herein without any lapse in coverage.

8.3 Provision of Bonds. Failure on the part of the Contractor to furnish such bonds, or other proof of bond coverage acceptable to the Lottery within ten (10) days of commencement of the term, or to maintain the bonds in full force and effect during the term of the Agreement and any extension or renewal thereof, shall be a material breach of the Agreement and shall be considered cause for the Lottery to declare the Contractor in default under this Agreement. The Lottery's receipt of such bonds or other proof of coverage does not constitute approval of the bonds' coverage nor do the bonds relieve the Contractor from the faithful and honest performance of the Agreement or relieve the Contractor of any losses greater than the bond amount.

SECTION 9. INTELLECTUAL PROPERTY.

9.1 The Lottery's Trademarks, Service Marks, and Trade Names. The Lottery's trademarks, including game names, trade names and service marks used on materials produced pursuant to this Agreement shall remain the sole property of the Lottery. The Contractor shall not use these marks or names on products sold to any person or entity other than the Lottery. The Lottery's marks and specifications concerning the marks shall be provided to the Contractor by the Lottery. The Lottery's marks and names shall be reproduced exactly as specified by the Lottery and only in the quantity specified.

9.2 Acquisition of Proprietary Rights Held by Others.

The Contractor shall obtain releases, licenses, permits and all other authorizations necessary to use licensed property in which third parties have any rights or interests if the licensed property will be used in association with any materials furnished to the Lottery. The Contractor shall ensure that the Lottery's use of the licensed property with Contractor participation or in the manner communicated to the Contractor will not exceed any applicable limitations. The Contractor shall bear the costs associated with the acquisition of any proprietary rights unless prior authorization has been issued by the Lottery.

9.3 Warranty Regarding Intellectual Property Rights. The Contractor represents and warrants that, in the performance of this Agreement, Contractor's work product and the information, data, designs, processes, inventions, techniques, devices, and other such intellectual property furnished, used, or relied upon by Contractor will not infringe any copyright, patent, trademark, trade dress or other Contractor Intellectual Property Right or others; provided, however, that the Contractor need provide no such warranty for information, data, designs, processes, inventions, techniques, devices and other such intellectual property furnished to Contractor by the Lottery.

9.4 Infringement of Trademarks, Patents, Copyrights and Other Proprietary Rights.

9.4.1 The Contractor represents and warrants that all the concepts and materials produced, or provided to the Lottery pursuant to the terms of this Agreement, shall be wholly original with the Contractor or that the Contractor has secured all applicable interests, rights, licenses, permits, or other intellectual property rights in such concepts and materials.

9.4.2 The Contractor represents and warrants that the concepts and materials and the Lottery's use of the materials and the exercise by the Lottery of the rights granted by this Agreement shall not infringe upon any other work, other than material provided by the Lottery to the Contractor to be used as a basis for such materials, or violate the rights of publicity or privacy of, or constitute a libel or slander against, any person, firm or corporation and that the materials will not infringe upon the copyright, trademark, trade name, literary, dramatic, statutory, common law or any other rights of any person, firm or corporation or other entity.

9.4.3 The Contractor represents and warrants that, in the performance of this Agreement, the Contractor's work product and the information, data, designs, processes, inventions, techniques, devices, and other such intellectual property furnished, used, or relied upon by the Contractor will not infringe any copyright, patent, trademark, trade dress or other intellectual property right of the Contractor or others.

9.4.4 The Contractor also represents and warrants that the design and method of manufacture of materials provided pursuant to this Agreement shall not infringe on any patent.

9.5 Product Information Supplied by Lottery. The Lottery shall be responsible for the accuracy and completeness of the information it supplies to the Contractor concerning the games it is seeking from Contractor.

9.6 Approval of Materials by Contractor. The Lottery's approval of materials submitted by the Contractor shall not be construed as relieving the Contractor of any of its responsibilities under this Agreement.

9.7 Possession of Copies. Upon request, the Contractor shall deliver to the Lottery and the Lottery may retain all copies of all materials produced as a result of or in accordance with this Agreement.

9.8 Copyright Notice. All materials and Works produced by the Contractor in which the Lottery shall own the copyright shall contain the following notices, with the correct year inserted, in an appropriate location unless a different form of notice is subsequently specified by the Lottery in writing: "C" enclosed in a circle(©), the year (2010), and the Iowa Lottery (© 2010 Iowa Lottery).

SECTION 10. CONTRACTOR REPRESENTATIONS AND WARRANTIES.

10.1 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.

10.2 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 equipment and services fit in all respects for this purpose that will be designed to maximize tickets sales for the Lottery.

10.3 The Contractor represents and warrants that title to the materials conveyed to the Lottery shall be good and that transfer of title is rightful and that the materials shall be delivered free of any security interest or other lien or encumbrance.

10.4 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.

10.5 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.

10.6 The Contractor represents and warrants that the design, manufacture and sale or use by the Lottery of materials provided by the Contractor pursuant to this Agreement will not infringe on any intellectual property rights of any other person or entity.

10.7 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 11. INDEMNIFICATION.

11.1 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:

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

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

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

11.1.4 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,

11.1.5 Any event in which a third-party asserts that the Lottery's use of a product, design, and use of ticket product provided by Contractor to the Lottery is a violation of such party's rights; provided, however, that Contractor need provide no such indemnification for claims which relate solely to information, data, designs, processes, inventions, techniques, devices and other such intellectual property furnished to Contractor by the Lottery.

11.2 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 12. DEFAULT AND TERMINATION.

12.1 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 possible within 10 days following receipt of written notice of breach from the non-breaching party. Substantial breach events include but are not limited to the following:

12.1.1 Contractor fails to materially perform as required by this Agreement;

12.1.2 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 representations and warranties provided in this Agreement.

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

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

12.3 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:

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

12.3.2 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.

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

12.3.4 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.

12.3.5 If the Contractor terminates or suspends its business.

12.3.6 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.

12.3.7 If an officer, director or employee with significant 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 of federal Racketeer Influenced or corrupt Organization Act (RICO) by a court of competent jurisdiction.

12.3.8 If it is alleged that the Contractor's processes or materials violate any valid patent, trademark, copyright, other intellectual property right or contract, and the Lottery reasonably believes that the allegation may impair the Contractor's performance of this Agreement.

12.3.9 If during the course of this Agreement any action by the Contractor interferes with the Lottery's relationship with its licensed retailers, or promotes products or distribution systems that compete with authorized Lottery products or distribution systems.

12.3.10 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.

12.4 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.

12.5 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 or legal liability 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.

12.6 Remedies of Contractor. In the event of termination of this Agreement the Contractor shall be paid for services completed prior to termination upon submission of invoices and proper proof of claim, for services and materials provided to the Lottery prior to cancellation and for reasonable industrial costs of work-in-progress.

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

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

12.7.2 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

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

SECTION 13. CONFIDENTIAL INFORMATION.

13.1 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.

13.2 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 14.1, either

during the period of the Agreement or thereafter. Any data supplied to American Games by the Lottery shall be considered the property of the Lottery.

13.3 American Games shall use its best efforts to ensure that the details of pull-tab and instant games offered by the Lottery are not disclosed to persons or organizations other than the personnel, agents, and subcontractors of American Games whose assistance is necessary for the dispensing of the tickets in Lottery equipment. In the event that American Games receives a request for information or records concerning the Lottery or its advertising plans, American Games shall immediately forward the request to the Lottery.

13.4 In the event American Games receives a request from a third party (other than a subcontractor working on Contractor's Lottery account) for information supplied to American Games by the Lottery, American Games shall immediately notify the Lottery of the request by telephone and fax. American Games 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.

13.5 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 American Games has obtained an injunction preventing release of the requested information.

SECTION 14. CONTRACT ADMINISTRATION.

14.1 Independent Contractor.

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

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

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

14.1.4 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.

14.2 Compliance with the Law and Regulations.

14.2.1 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 as subcontractors or suppliers.

14.2.2 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.

14.2.3 The Contractor shall give notice to any labor union with which it has a bargaining or other agreement of its commitment under this section of the Agreement. The Contractor shall make the provisions of this section a part of its contracts with any subcontractors providing goods or services related to the fulfillment of this Agreement.

14.2.4 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.

14.2.5 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.

14.3 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, Executive Vice President, Vice President of Finance or the Vice President of Security.

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

14.5 Choice of Law and Forum.

14.5.1 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.

14.5.2 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.

14.5.3 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.

14.6 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 percent (25%) equity interest in the Contractor. The Contractor

may, with the prior written approval of the Lottery, subcontract for the supply of any of the services described in Schedule A, provided that no such subcontract shall relieve the Contractor of its obligations hereunder, who shall remain primarily liable to the Lottery for fulfillment of all obligations hereunder.

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 five percent (5%) 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.

14.7 Integration. This Agreement, including all the documents incorporated by reference, represents 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.

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

14.9 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 here from. 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.

14.10 Obligations Beyond Agreement Term. This Agreement shall remain in full force and effect to the end of the specified term or until terminated or canceled pursuant to this Agreement. All continuing obligations of the Lottery and the Contractor incurred or existing under this Agreement as of the date of expiration, termination or cancellation will survive the termination or conclusion of this Agreement.

14.11 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.

14.12 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 Executive Vice President, Vice President of Finance or the Vice President of Security.

14.13 Notices.

14.13.1 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.: Ken Brickman
2323 Grand Ave.
Des Moines, IA 50312

If to the **Contractor**: American Games, Inc.
Attn.: Gordon O. Pollard
504 34th Street
Council Bluffs, IA 51501

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

14.13.2.1 At the time it is actually received; or,

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

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

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

14.13.4 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.

14.14 Cumulative Rights.

14.14.1 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.

14.14.2 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.

14.15 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.

14.16 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.

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

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

14.17.2 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.

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

14.18 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 their respective successors, assigns, and legal representatives.

14.19 Records Retention and Access.

14.19.1 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.

14.19.2 The Contractor shall retain and maintain all ticket validation, financial, and accounting records, and evidence pertaining to this Agreement and to each game produced under the Agreement in accordance with generally accepted accounting principals and sound business practice and any other procedures reasonably established by the Lottery.

14.19.3 The Contractor shall permit the Auditor of the state of Iowa or any authorized representative of the State or any authorized representative of the United States government, 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 United States government at reasonable times and at no cost to the Lottery during the term of this Agreement and for a period of (3) years following the termination, cancellation or expiration of this Agreement.

14.20 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.

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

14.22 Further Assurances and Corrective Instruments. The parties agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged

and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the expressed intention of this Agreement.

14.23 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.

14.24 Force Majeure.

14.24.1 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".

14.24.2 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 a subcontractor or an agent of the Contractor shall not be considered a "force majeure" unless the subcontractor or 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.

14.24.3 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.

14.24.4 During any such period, the Contractor shall continue to be responsible for all costs and expenses related to alternative performance, subject to not incurring unreasonable costs.

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

14.25 Taxes. The Contractor and its subcontractors, 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 and its subcontractors 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.

14.26 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.

14.27 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.

14.28 Prime Contractor Responsibilities. The Contractor shall assume all responsibility for the delivery and maintenance of ITVMs and PTVMs and the performance of all required services, whether or not subcontractors are involved. The Lottery shall consider the Contractor to be the sole point of contact with regard to all matters related to this Agreement and is not required to initiate or maintain contact with any subcontractor.

14.29 Survival of Obligations.

14.29.1 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.

14.29.2 Such obligations include, without limitation, the Contractor's obligation to indemnify the Lottery, the Contractor's obligations with respect to over-redemption and non-conforming tickets, the licensing and ownership of intellectual property rights and the Contractor's obligations with respect to the retention of records and the maintenance of bonds and insurance.

14.30 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.

14.31 Non-Exclusive Rights. The contract will not be exclusive. The Lottery will reserve the right to contract with other vendors for maintenance services during the contract term.

14.32 Authorization to do Business in Iowa. 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 as American Games.

14.33 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.

14.34 Financial Statements. Each year during the term of this Agreement, the Contractor shall provide the Lottery with an audited financial statement, if available, otherwise, an audited consolidated financial statement of its parent entity, consolidating the financial results of both entities and their subsidiaries. The financial statement shall be provided as soon as practicable following completion of the statement. To the extent it may legally do so, the Lottery agrees to maintain as confidential and not disclose or provide to third parties, the financial statements provided by the Contractor.

14.35 Investigation of Officers, Directors and Shareholders.

14.35.1 The Contractor shall require all officers, directors or shareholders owning five percent (5%) or more of the Contractor or any parent or subsidiary company of the Contractor to participate in background investigations conducted by the Lottery and to complete background

disclosure forms. Throughout the term of this Agreement the Contractor will notify the Lottery of any changes in the identity of persons or entities holding these positions.

14.35.2 The Contractor shall require its employees and the employees of any subcontractors to submit to background investigations if requested by the Lottery and to complete all background disclosure forms as may be required by the Lottery. The Contractor shall bear all costs and expenses associated with background investigations. In the event the Lottery is required to pay any of these costs and expenses, the Contractor agrees to reimburse the Lottery accordingly. Costs may include but are not limited to the hourly charges of the Division of Criminal Investigation's agents, meals, travel, lodging, and miscellaneous expenses and fees incurred in conducting the background investigations.

14.36 Obligations Beyond Agreement Term. This Agreement shall remain in full force and effect to the end of the specified term or until terminated or canceled pursuant to this Agreement. All continuing obligations of the Lottery and the Contractor incurred or existing under this Agreement as of the date of expiration, termination or cancellation will survive the termination or conclusion of this Agreement.

SECTION 15. 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.

**State of Iowa,
Iowa Lottery Authority**

By: _____
Name: Kenneth A. Brickman
Title: Executive Vice President

Date: _____

Pollard Games, Inc.

By: _____
Name: Gordon Pollard
Title: President

Date: _____

Federal ID # _____

**SCHEDULE A
MAINTENANCE PROGRAM
SCOPE OF SERVICES**

1. The Contractor shall provide a 24-hour toll free number for trouble calls or requests for technical assistance. The Contractor's personnel shall staff this service call line during regular business hours of 7 a.m. to 7 p.m., Monday through Saturday, excluding Iowa state holidays. From 7 p.m. to 7 a.m. Monday through Saturday, Sundays and Iowa state holidays the toll-free number must record and log trouble calls and requests for technical help. The Contractor must provide adequate 800-number service to accommodate retailer calls.
2. The Contractor shall provide on-site preventative maintenance and cleaning at a minimum of once every 120 days throughout the term of the Agreement. Contractor's employees or agents providing on-site service shall be dressed in suitable business attire such as corporate logo shirts.
3. The Contractor shall perform maintenance or repair (or, in circumstances determined necessary by the Contractor, replacement, at no additional purchase cost to the Lottery), on a machine that is a non-functional machine as described in Section 3.7. Notwithstanding Section 3.7 for the purposes of this Agreement, a "non-functional machine" shall not include any machine that does not operate properly due to:
 - (a) willful damage or destruction caused by any person other than the Contractor, its authorized agents or employees;
 - (b) accidental damage caused by any person other than the Contractor, the Lottery, a retailer or the authorized agents or employees of any of them or caused by the occurrence of a force majeure event;
 - (c) the use of parts or components not manufactured or supplied by the Contractor;
 - (d) maintenance, modification or service to the machines carried out by any person other than the Contractor or its authorized agents or employees;
 - (e) handling, storage, use, operation or maintenance in a manner or environment not conforming to any published instructions issued by the Contractor or to the Lottery at the time of installation.

The Lottery, in good faith, will make the final determination regarding whether a machine is operating properly and whether a machine fails to operate properly due to one or more of the reasons identified in (a) through (e), above.

4. In the case of a machine that does not operate properly due to one of the reasons identified in section 3 (a) through (e), above, Contractor shall promptly determine whether the machine can be repaired, and, if so shall provide the Lottery with a written estimate of the cost of all parts necessary to effect the repairs and an estimate of the amount of time necessary to complete the repairs. The Lottery shall then notify the Contractor in writing whether it wishes to have the machine repaired. The Contractor shall invoice the Lottery for all parts used in the repair, which shall be paid pursuant to the terms of section 6.2.1 hereof. The Contractor shall provide the labor necessary to effect the repairs at no additional cost to the Lottery.
5. The machines which are reported to the Contractor as "non-functional", must be made fully operational according to the following schedule:

- Calls reporting a non-functional machine reported during normal business hours of 7:00 a.m. to 7:00 p.m. Monday through Saturday must be resolved within 24 hours, excluding Sundays and Iowa state holidays. If only one dispensing bin is not functioning, the repair (or replacement, as the case may be) must be completed in 48 hours.
 - Calls reporting a non-functional machine that are reported to the recording device must be resolved within 24 hours of the commencement of the next regular scheduled business day, Monday through Saturday. If only one dispensing bin is not functioning, the repair (or replacement, as the case may be) must be completed in 48 hours of the commencement of the next regular scheduled business day.
 - Failure to comply within the schedule in the previous bulleted items will result in liquidated damages for downtime. The Contractor will pay the Lottery \$200.00 for any day or portion thereof beyond the grace period that a machine is a non-functional machine.
- 6.** All calls to the Contractor's toll free service number shall be voice-recorded and logged by the Contractor. The Contractor shall retain voice-recordings for a period of 30 days.
- 7.** A daily log of all service activity including preventative maintenance shall be maintained by the Contractor and faxed or sent via e-mail to the Lottery on a daily basis, weekends and Iowa state holidays excluded. A recap report shall be transmitted electronically to the Lottery each week.
- 8.** The Contractor shall ensure that maintenance personnel receive training as necessary to adequately perform service duties throughout the term of the Agreement.
- 9.** The Contractor shall provide a specific contact person or persons designated to the Lottery to coordinate and direct questions, problems and issues.
- 10.** The machines shall have a repair log located inside the cabinets to document all preventative maintenance and service records.
- 11.** The Contractor agrees to relocate or remove machines at retail locations within five (5) business days of a written request from the Lottery. The Contractor must coordinate the scheduled relocation or removal with Lottery staff and the retail location. If machines are to be relocated to another retail location, Contractor agrees to take the necessary steps to deliver in clean condition, free from odor and in operational status ready for service and provide retailer training at the time of delivery. The Lottery will provide written requests for relocation or removal to the Contractor via fax or e-mail.
- 12.** On occasion, emergency removals must be completed by the Contractor in less than five (5) business days.
- 13.** The Contractor shall not remove any machine from the location where it was installed unless instructed in writing by the Lottery unless removal is determined necessary by the Contractor in order to repair or replace a machine that is a non-functional machine.
- 14.** The Contractor will be responsible for all Contractor-supplied Lottery machines, including security and storage, which are not placed at a retail location during the Agreement.
- 15.** Upon request by the Lottery, the Contractor agrees to make performance-based engineering changes as deemed necessary. Any changes or upgrades shall be performed at the Contractor's earliest convenience. The Contractor shall provide a written quote to the

Lottery indicating the costs associated with any modifications or engineering changes to the machines and shall only proceed to effect the changes upon receipt of the Lottery's written approval of the quote and proposed changes. The Lottery reserves the right to test all changes to the machines prior to implementation.

Iowa Lottery Authority – Registration Agreement ISO/IEC 27001 Registration

Client:	Iowa Lottery Authority	State/Prov, Zip/PS:	IA 50312 USA
Main Contact:	John Wolf	Telephone:	(515) 725-7860
		Fax:	(515) 725-7901
Address:	2323 Grand Avenue	E-mail:	jwolf@ialottery.com
City:	Des Moines	Employee Count:	117
Date issued:	May 6, 2009	Assessment Type:	New Registration
Scope:	The management of information security for the Iowa Lottery business and support functions in accordance with the latest version of the Statement of Applicability.		

REGISTRATION TARGET DATES:

To assist BSI with scheduling your registration steps, please list the months you are **targeting** for the following activities.

Site Name	Document Review	(Optional) Pre- assessment	Initial Assessment
Des Moines, IA		September October 2009	

October NOVEMBER 2009

These dates are not a formal commitment. Formal dates will be agreed upon after receipt of this signed agreement.

INVOICE INFORMATION: Please supply invoice address and contact details if different from above.

Invoice Contact Name:	Invoice Contact Details (Tel, Fax and email):	Invoice Mailing Address:

DECLARATION:

- I/ we accept the BSI Conditions of Contract (A667) for registration.
- I/ we have read, understand and agree the quotation explanatory notes, and scheme specific requirements (as appropriate), and noted any additional scheme charges.
- I/ we confirm that we have conducted a full system management review and internal audit cycle in preparation for our initial assessment. If no, by date: _____



Authorized Signature (please sign) <i>[Handwritten Signature]</i>	Position/Title <i>EXEC VP & COO</i>	Date <i>7-9-2009</i>
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Please **fax (or scan and email)** the initialed acceptance of the quotation and the signed registration agreement to:

USA - (703) 674-1005 (Tel: 703 437 9000 or 1 800 862 4977)



Iowa Lottery Authority – Quotation for ISO/IEC 27001 New Registration

This Quotation is for the following sites:

Site 1 Des Moines HQ

Client:	Iowa Lottery Authority	State/ Prov, Zip/PC:	IA 50312 USA
Contact:	John Wolf	Telephone:	(515) 725-7860
		Fax:	(515) 725-7901
Address:	2323 Grand Avenue	E-mail:	jwolf@ialottery.com
City:	Des Moines	Employee Count:	71

Site 2 Cedar Rapids Region 2

Client:	Iowa Lottery Authority	State/ Prov, Zip/PC:	IA 52402 USA
Contact:	John Wolf	Telephone:	(515) 725-7860
		Fax:	(515) 725-7901
Address:	2345 Blairs Ferry Road	E-mail:	jwolf@ialottery.com
City:	Cedar Rapids	Employee Count:	16

Site 3 Mason City Region 3

Client:	Iowa Lottery Authority	State/ Prov, Zip/PC:	IA 50401 USA
Contact:	John Wolf	Telephone:	(515) 725-7860
		Fax:	(515) 725-7901
Address:	2900 4 th Street	E-mail:	jwolf@ialottery.com
City:	Mason City	Employee Count:	11

Site 4 Storm Lake Region 4

Client:	Iowa Lottery Authority	State/ Prov, Zip/PC:	IA 50588 USA
Contact:	John Wolf	Telephone:	(515) 725-7860
		Fax:	(515) 725-7901
Address:	822 Flindt Drive	E-mail:	jwolf@ialottery.com
City:	Storm Lake	Employee Count:	12

Site 5 Council Bluffs Region 5

Client:	Iowa Lottery Authority	State/ Prov, Zip/PC:	IA 51503 USA
Contact:	John Wolf	Telephone:	(515) 725-7860
		Fax:	(515) 725-7901
Address:	Omni Center Business Park Suite 8 300 W. Broadway	E-mail:	jwolf@ialottery.com
City:	Council Bluffs	Employee Count:	7



EW

Initial if above details are correct, or make changes as required.

Iowa Lottery Authority – Quotation for ISO/IEC 27001 New Registration

Client:	Iowa Lottery Authority	State/Prov, Zip/PS:	IA 50312 USA
Main Contact:	John Wolf	Telephone:	(515) 725-7860
		Fax:	(515) 725-7901
Address:	2323 Grand Avenue	E-mail:	jwolf@ialottery.com
City:	Des Moines	Employee Count:	117
Date issued:	May 6, 2009	Assessment Type:	New Registration
Scope:	The management of information security for the Iowa Lottery business and support functions in accordance with the latest version of the Statement of Applicability.		

This quotation is based on a day rate of \$2,200.00 (Inclusive of All Expenses)

Cost to Iowa Lottery Authority for Pre Assessment

Product Name	Description	Days	Rate	Total Price
ISO/IEC 27001 - Pre Assessment (Optional)	Des Moines	2	\$2,200.00	\$4,400.00



EW

Yes, I would like to have a pre-assessment at this site.

Cost for Iowa Lottery Authority to Achieve Registration

Product Name	Description	Days	Rate	Total Price
ISO/IEC 27001 - Application Fee/Audit Prep		N/A	\$800.00	\$800.00
ISO/IEC 27001 - Initial Assessment - Stage 1	Des Moines	1	\$2,200.00	\$2,200.00
ISO/IEC 27001 - Initial Assessment - Stage 2	Des Moines	3	\$2,200.00	\$6,600.00
ISO/IEC 27001 - Initial Assessment - Stage 2	Cedar Rapids	1	\$2,200.00	\$2,200.00
ISO/IEC 27001 - Initial Assessment - Stage 2	Mason City	1	\$2,200.00	\$2,200.00
Total Cost for Achieving Registration				\$14,000.00

Cost for Iowa Lottery to Maintain Registration – Annual Continuing Assessment Visits (CAV)

Sites/Locations	In the 1 st year after Registration	In the 2 nd year after Registration	In the 3 rd year after Registration
Annual Visit Cycle	Days CAV 1	Days CAV 2	Days CAV 3/Re-Assessment
Des Moines HQ	1.5	1.5	Number of Days Required for Re-assessment TBD by Client Manager at CAV 2
Cedar Rapids		1	
Mason City		1	
Storm Lake	1		
Council Bluffs	1		
Total Days	3.5	3.5	
Auditing Cost	\$7,700.00	\$7,700.00	
Annual Management Fee (HQ and Regional Sites)	\$2,700.00	\$2,700.00	\$2,700.00
Total Cost	\$10,400.00	\$10,400.00	TBD



KB

Initial for acceptance of the above quotation.

CMDCAS Scheme Specific Requirements



This document forms part of BSI's Conditions of Contract along with:

- Quotation and Application for Registration (A 700, A 709, A 710 or A 711)
- Quotation Explanatory Notes (A 701)
- Terms and Conditions (A 667)

The following are the additional requirements/ differences appropriate to the scheme above, and should be read in conjunction with Quotation Explanatory Notes.

1. Definition

Registration to CMDCAS means that BSI has evaluated how you satisfy the quality system requirements of the Canadian Medical Devices Regulation (CMDR) using ISO 13485 and ISO 13488 as appropriate.

2. Right of Access

You are required to permit access as requested by Health Canada (HC), Therapeutics Products Directorate (TPD) and Standards Council of Canada (SCC).

3. Access to Subcontractors

As stated in GD210, you are required to permit access to a subcontractor, if during the course of an audit it is determined that a visit is required to effectively evaluate their competence to supply the part, material or service in relation to the medical devices that are manufactured, or designed and manufactured under the registered quality system.

4. Assessment Process

Both the continuing assessments and the reassessment will be used to evaluate the overall performance of your quality system and monitor conformance to the Standard and how you satisfy the quality system requirements of the CMDR using ISO 13485 and ISO 13488 as appropriate.

5. Release of Information

By signing this contract you give BSI permission to release to HC or TPD any document that HC or TPD considers necessary to determine your conformance to ISO 13485 or ISO 13488. These documents may include those that the BSI assessor(s) use to plan, perform or follow-up on an ISO 13485 or ISO 13488 investigation, and to record observations or report results of an ISO 13485 or ISO 13488 quality system assessment.

BSI is not responsible for the confidentiality of any copy(ies) of all documents it supplies to HC or TPD upon their request and held by HC or TPD.

6. Changes to Scope of Registration

BSI is required to inform HC of any changes in the scope of registration as they are made.

7. Disclosure to Minister of Health, Canada

As required by CMDR Requirements, if a new or modified quality system certificate is issued in respect of a licensed medical device, the manufacturer of the device shall submit a copy of the certificate to the Minister within 30 days after it is issued.

CMDCAS Scheme Specific Requirements



In the event of the expiry, cancellation or suspension of a certificate of registration BSI shall inform the Minister in writing with 15 days.

QUOTATION

EXPLANATORY NOTES



This document forms part of BSI's Conditions of Contract along with:

- Quotation and Application for Registration (A 700, A 709, A 710 or A 711)
- Scheme Specific Requirements (as appropriate)
- Trading Terms and Conditions (A 667)

Contents

1. Explanation of the Assessment Process
 - 1.1 Pre-assessment/Introductory Visit
 - 1.2 Application Fee
 - 1.3 Initial Assessment (Stage 1/Stage 2)
 - 1.4 Opening and Closing Meetings
 - 1.5 Certificate Issue
 - 1.6 Surveillance Assessments
 - 1.7 Recertification
 - 1.8 Major Nonconformities
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1. EXPLANATION OF THE ASSESSMENT PROCESS

1.1 Pre-Assessment/Introductory Visit

- 1.1.1 The pre-assessment is an opportunity for your organization to have an informal preliminary assessment that will not affect the outcome of your registration. It will enable you to correct major flaws or gaps in your management system prior to the initial (Stage 1/Stage 2) assessment (audit), as well as to give your employees the chance to meet your assessor (auditor) and to understand future assessment proceedings. A pre-assessment is usually about half of the length of an initial assessment and usually takes place 60-90 days prior to the initial assessment.

1.2 Application Fee

- 1.2.1 This is a one-time, non-refundable payment to cover the administrative costs of advancing your application to the point of Initial Assessment.

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1.3 Initial Assessment

1.3.1 This is the first full assessment of your entire management system. The success of this assessment will determine whether your organization gains registration. Once your documentation is complete, you will send it directly to your Client Manager, who will normally conduct an off-site document review as part of the Initial Stage 1 Assessment, see Clause 1.3.2 below.

The Initial Assessment is conducted in two stages.

1.3.2 The Stage 1 assessment shall be conducted to:

- a) audit your management system documentation and inform you of any gaps;
- b) evaluate your location(s) and any site-specific conditions and to undertake open discussions with your personnel to determine your preparedness for the Stage 2 assessment;
- c) review your status and understanding regarding requirements of the standard, in particular with respect to the identification of key performance or significant aspects, processes, objectives and operation of the management system;
- d) collect necessary information regarding the scope of the management system including processes and related statutory and regulatory aspects and compliance (e.g. quality, environmental, health and safety, legal aspects of your operations, associated risks etc.);
- e) review the allocation of resources for the Stage 2 assessment and agree with you the details of the Stage 2 assessment;
- f) provide a focus for planning the Stage 2 assessment by gaining a clear understanding of your management system and site operations in the context of possible significant aspects, as applicable;
- g) evaluate if the internal audits and management review are being planned and performed, and that the level of implementation of the management system substantiates that you are ready for the Stage 2 assessment.

1.3.3 Stage 1 assessment nonconformities/findings will be documented by BSI and will be communicated to you, including any other areas of concern that could be classified as nonconformity during the Stage 2 assessment.

1.3.4 When determining the interval between the Stage 1 and Stage 2 assessments you should carefully consider the time needed for you to resolve all nonconformities and areas of concern identified by BSI during the Stage 1 assessment. Both parties may need to revise their planned arrangements for the Stage 2 assessment to realize the best opportunity for a successful outcome.

1.3.5 The expectation is that for most management systems at least part of the Stage 1 assessment would be carried out at your premises in order to achieve the objectives stated in Clause 1.3.2 above. BSI's quotation will make it clear if an on-site Stage 1 assessment is required and the fees involved.

1.3.6 The Stage 2 assessment is conducted to evaluate the implementation and effectiveness of the management system. The Stage 2 assessment shall take place at your site(s) and shall include at least the following:

- a) adequate information and evidence of conformance to all requirements of the applicable management system standard(s) or other normative document(s);

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- b) performance monitoring, measuring, reporting and reviewing against key performance objectives and targets (consistent with the expectations in the applicable management system standard(s) or other normative document(s).
- c) your management system and performance as regards legal compliance, as applicable;
- d) operations control of your processes;
- e) effectiveness of internal auditing and management review;
- f) management responsibility for your policies; and
- g) linkage between normative requirements, policy, performance objectives and targets (consistent with the expectations in the applicable management system standard(s) or normative document(s), any applicable legal requirements, responsibilities, competence of personnel, operations, procedures, performance data and internal audit findings and conclusions.

1.4 Opening and Closing Meetings

1.4.1 A formal opening meeting will take place at the beginning of each assessment, regardless of its type. This meeting is to cover the scope of the assessment, scope of registration and the overall process and conduct of the assessment. Similarly a closing meeting will be held at the close of the assessment a report of findings will be presented to you and you will be given a formal copy of it. A clear explanation will be provided about the process for closure of any nonconformities including timeframes and expectations about verification, review and acceptance so that the certification decision and certificate issue can be concluded in a timely manner. At the closing meeting you will be advised if your facility is being recommended for registration.

1.5 Certificate Issue

1.5.1 Following your initial assessment and after review, acceptance, verification of the effectiveness of correction, root cause analysis and corrective actions for Major nonconformities and review and acceptance of your planned correction, root cause analysis and corrective action for Minor nonconformities, BSI will conduct an independent review and make a formal certification decision. As evidence of conformance you will be presented with a signed certificate. Certificates normally take 3-4 weeks to issue following formal acceptance of your corrective actions as described above in this paragraph.

1.5.2 BSI may at any time refuse to issue a certificate or reduce the scope, suspend or withdraw the certificate in circumstances where, in BSI's reasonable opinion, compliance with the specified standard(s), normative document(s) or this Agreement (including, the 'How to display the BSI Registered Logo') has not been met.

1.6 Surveillance Assessments

1.6.1 These visits ensure that your system continues to meet the requirements of the standard(s). After your registration, we will normally conduct surveillance assessments twice a year (annual visits can be arranged and will be noted in your quotation if applicable). The surveillance assessment visits will be planned in such a manner that all key business processes will be addressed within a *three*-year audit cycle period in preparation for the recertification on the 6th surveillance assessment visit. Formal reports are written and left with you at each visit containing non-conformities and opportunities for improvement.

1.7 Recertification

1.7.1 Recertification involves an on-site assessment and is a requirement of ISO/IEC 17021. The purpose of recertification is to:

- a) verify overall continuing effectiveness of your management system (MS) in its entirety in light of internal and external changes and its continued relevance and applicability to your scope of certification;

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- b) demonstrate your commitment to maintain the effectiveness and improvement of your management system in order to enhance overall performance; and
- c) determine if the operation of your certified management system contributes to the achievement of the organization's policy and objectives.

1.7.2 The assessment time for the recertification should be about 2/3rds of the time that would be required for an initial assessment of your organization at the time it is to be recertified. The recertification would normally only involve a Stage 2 assessment. However, in certain circumstances BSI reserves the right to conduct both a Stage 1 and Stage 2 recertification assessment where justified.

1.8 Major Non-Conformities

1.8.1 In the event that a major non-conformity is found during an initial (Stage 1 or Stage 2), surveillance or recertification visit, a special visit may be required at a later date to ensure this major non-conformity has been effectively closed down. Charges for this special visit will be at the normal assessment day rate.

1.9 Annual Management Fee

1.9.1 The management fee is a fixed fee to cover administrative and client management support of your registration with BSI. During the first year of registration this fee will be payable on a pro-rated basis, (year runs from January 1st to December 31st).

2. GENERAL REQUIREMENTS

2.1. Notification of Significant Business Change

You are required to notify BSI of significant business changes that will impact this quotation and the on-going contract with BSI. Significant business changes include the changes in the number of sites covered by the registration, changes in the number of staff, acquisitions, divestments and mergers, and all other aspects that impact the assessment duration or skill requirements.

BSI reserves the right to conduct an unscheduled assessment where significant changes (e.g. change of ownership, personnel or equipment) to your organizational structure may affect the activities and operations covered by the scope of registration.

2.2. Results of Investigation

Should BSI receive any complaints against your organization, we will investigate the issue at the next continuing assessment visit.

However, BSI reserves the right to conduct an unscheduled assessment where the analysis of a complaint or other information brought to the attention of BSI indicates that your organization is no longer in conformance with the requirements of the relevant standard and/or BSI documentation or there is a significant risk to the reputation of BSI and its accreditation body(ies).

3. OTHER INFORMATION

3.1. Draft Scope: The draft "Scope of Registration" represents the information that would appear on your certificate describing the activities covered by the registration, and will be finalized at the closing meeting of the Initial Stage 2 Assessment.

3.2. Legal Entities: In North and South America BSI Management Systems operates through the following legal entities:

- USA - BSI Management Systems America, Inc. (Trading as BSI, Inc. and BSI MS America, Inc.)
- Canada - BSI Management Systems Canada Inc.
- Mexico - BSI Management Systems Mexico S de RL de CV

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- Brazil – BSI do Brasil

Your trading terms and conditions will be issued by the appropriate BSI MS company based in the country where you are located and will be in the national language of the country.

3.3. Accredited Parties: The assessment services delivered under this agreement are under the overall control of BSI Management Systems America, Inc., who is the accredited party responsible for issuing the certificates of registration for the following accreditations:

- ANAB (USA)
- SCC (Canada)
- ema (Mexico)

BSI MS Brazil is the accredited entity for:

- InMetro (Brazil)

(For a detailed listing of accredited schemes for each accreditation body please inquire or visit www.bsiamericas.com)

3.4. Witnessed Audits: Accreditation bodies have the right to conduct witness audits, where applicable. BSI will inform you prior to a visit should the assessment be selected by an accreditation body for witness purposes. Refusal to accept a witnessed assessment will lead to the withdrawal of the accreditation for your certificate of registration.

4. COMPARISON OF COSTS

As you look at the costs of registration from all sources, please be aware that there are many pricing options. BSI can offer you two pricing options:

- an **all-inclusive day rate**. Many organizations prefer this as it lets them know well in advance the exact cost of registration services. There are no hidden expenses for travel, rental cars, meals and lodging with this plan.
- a **day rate plus expenses**. This will help you compare costs with other quotes you may receive. All expenses incurred, which can include mileage, hotel, meals, airfare or other transportation, car rental, will be charged at cost.

We will be happy to provide a quote using either of the options shown above, but feel that the **all-inclusive rate** is a much better value option for you in the long term.

5. PAYMENT

5.1. TIMELINES

Please note the following payment timelines (as applicable):

- Application fee – due at time of acceptance of quotation.
- Off-site Stage 1 assessment - will be invoiced once work is completed.
- On-site Stage 1, Stage 2, Surveillance and Recertification Assessment fees – will be invoiced once work is completed.
- Annual Management Fee – will be invoiced on a pro-rated basis after registration, and in January of every year thereafter.

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5.2. BANK DETAILS FOR WIRE TRANSFER

USA

Bank of America
13910 Collections Center Drive
Chicago, IL 60693
Acct #v a/004133556951
ACH Routing # 0510-0001-7
Incoming Wire Routing # 0260-0959-3

Canada

RBC Royal Bank
200 Bay Street,
Toronto
Ontario, M5J 2J5
Acct # - 100-931-5
Routing # - 021000021 (US Wires)
Swift # - ROYCCAT2 (Foreign Wires)

Mexico

BBVA Bancomer
Av de las Americas No. 1509
Col. Providencia
Guadalajara, Jalisco, C.P. 44630
Acct # 0101446010 (USD)
SWIFT # BCMRMXMM
ABA 021000021
Intermediary Bank JP Morgan Chase Bank (NYC)

6. TRANSFERRING REGISTRATION (IF APPLICABLE)

BSI follows the International Accreditation Forum (IAF) Mandatory Document on transferring registrations when accepting transfers of registration from another accredited registrar.

The following documents must be supplied to BSI:

- Completed and signed application for registration
- Copy of the assessment report(s) for the current or previous certification cycle
- Copy of the accepted corrective action plan(s)
- Copy of confirmation of acceptance of corrective actions
- Copy of valid certificate of registration (must be an accredited certificate e.g. ANAB, SCC)

Following receipt of this documentation BSI will normally conduct a pre-transfer review site visit – this visit is separate from surveillance or other assessment visit. The duration for this pre-transfer review visit has been included in your quotation. Please note that the pre-transfer review is not an audit it is a due diligence visit to verify that there are no issues which would prevent BSI from issuing a certificate based on the recommendation of that review. A possible outcome of the review could be to recommend BSI undertakes an audit prior to BSI issuing its certificate.

Once all documentation has been received, the visit conducted and all reviewed, a BSI certificate of registration will be issued.

7. Multisite Organization – Scope Of Registration

If you are seeking registration as a multi-site organization you shall identify all the sites covered by the scope of certification and all these sites are covered by this contract regardless of the fact that sampling of those sites is/is not applicable. Any site not identified and not shown on the certificate of registration is not covered by this contract. Sites can be added or removed from the contract upon request in writing by you to your Client Manager or Strategic Account Development Manager.

8. Observed Visits

Other party observer(s) – Certain scheme rules and accreditation requirements require that BSI will occasionally be accompanied by other party observers to witness an audit. We will inform you in advance of the visit taking place whenever other parties advise BSI that they will be in attendance. Observed visits cannot be used as justification for cancelling or rescheduling planned audits by BSI.

9. Notice Of Changes By BSI

BSI will provide reasonable due notice to you of any changes to our requirements for certification and will include appropriate timescales for BSI to verify that you comply with the changed or new requirements.

BSI Management Systems Terms for the Supply of Services

1. The Contract

The Contract between us is created by the Application for Certification that you have signed. Forming part of our Contract are:

- these terms for the supply of services (which contain most of the legal provisions setting out how we are going to provide you with the services you require from us, and what you must do in return), and
- the requirements contained in "How to Display the BSI Certification Mark" (which informs you of the correct way in which you are to display your certification), and
- the quotation for the services which we may have already given to you (and which will clearly state the period during which the quote shall remain valid), and
- any other specific set of terms that may relate to the particular certification scheme that you are to be assessed under (these rules are given to you at the same time as your signing the Application for Certification and may rank ahead of the other provisions of the Contract. This will be an express term of these rules if this is so).

When we refer to our Contract in these terms for the supply of services, we are referring to your signed Application for Certification and each of these documents individually, as well as to all of them collectively.

2. Term

This Contract shall remain in effect until it is terminated pursuant to Section 16.

3. How we will Supply the Services

This Section 3 sets out the method used to provide the services and what you must do to assist us. We may have to adjust the services to fit in with your particular circumstances. We will tell you beforehand if this is so.

a. The Non-Refundable Application Fee and appointment of your assessor – the amount of the fee is provided for in the Application for Certification. As soon as reasonably practicable after our receipt of the signed Application for Certification, we shall notify you of the assessor who will perform your assessment. If you wish to change the assessor before an assessment has started, please notify us and, provided the reasons for changing are reasonable, a new assessor will be appointed. If the change in assessor may result in additional fees being charged (such as to cover travel over greater distances than originally anticipated), we shall notify you prior to the change of assessor. We may change the assessor who is to do your assessment if necessary for our purpose. We may also appoint another assessor to perform your future assessments.

b. Your period of certification - the period of your certification covers two separate three-yearly cycles, the audit cycle which starts on the last day of the stage 2 of the Initial Assessment and the certification cycle which starts on the day that the certification decision is made. Your first period of certification will start with the two stage initial assessment (see Section 3c). All of

your periods of certification shall include surveillance assessments (see Section 3e) and a recertification assessment (which is done on the same terms as stage 2 of the initial assessment (see Section 3c). We may conduct other visits and assessments during the periods of certification (see Section 3d)

c. The Initial Assessment and your obligations – the Initial Assessment is divided into two stages – stage 1 and stage 2. Stage 1 is an examination of your management system's documentation and your preparedness for stage 2. The assessor appointed to perform your assessment will arrange the date and time, as well as notify you of the requirements for stage 1.

If the results of stage 1 are positive, at a date and time agreed with you beforehand (with the contact you have provided in the Application for Certification) the assessor appointed to perform your assessment will conduct the stage 2 assessment. The success of the assessment will depend in large part on the assistance and information that you provide. This is fundamental and, therefore, in order for the assessor to determine whether your management system complies with the relevant standard, you will need to provide the following:

- access to all records, documentation, work areas and personnel relevant to the scope of your certification. The information that you give must be in sufficient detail to enable the assessor to draw reasonable conclusions from it. In fact, we shall assume that all information given to us for this purpose will be accurate and complete and the outcome of the assessment will be made on that basis. The overall presentation of the information and the assistance given to the assessor may affect the outcome of the assessment;
- any other information and explanations that we may request, or access to other personnel or work areas whom or that we consider necessary for our performance of the services that we are to provide to you.

(It may be appropriate for you to provide a copy of these terms for the supply of services to those responsible for providing what we require).

The nature and extent of the assessment itself will vary depending on your particular circumstances and the information that you provide to us.

d. Additional visits to confirm your compliance – it may be that you are not able to demonstrate that you comply with the relevant standard during the Initial Assessment. If so, we may require additional visits to your premises before we are able to provide you with the certification that you seek (although there is no guarantee that you will achieve the certification you desire). If this is the case, we will notify you of this at the end of the stage 2 assessment. The assessment fee for the Initial Assessment is payable irrespective of whether you are granted certification or not. We shall then arrange for additional visits to be made to your premises. The fee payable for these additional visits will be our relevant assessment day rate applicable at that time.

SI Management Systems Terms for the Supply of Services

e. *Surveillance assessments* - During the period of certification we will conduct surveillance assessments (which could include visits to your premises) to ascertain the compliance of your management system to the relevant standard. In certain circumstances (such as non-compliance with the relevant standard) it may be necessary for us to make special visits. The duration and frequency of regular and special visits are not fixed but shall be at our reasonable discretion. These visits will be arranged with you in advance. The fee for the regular and special visits shall be our standard assessment day rate applicable at the relevant time. Please see clause 9 for details of our fees.

f. *Observed Visits* - we may need to be accompanied by a third party observer from time to time, who is to witness an assessment. This may be to meet our compliance with our own accreditation. Or, it may be to meet compliance with industry sector rules or other regulatory requirements that may be relevant. If this is required, we shall inform you of this (and the identity of the third party) prior to our attendance at your premises.

g. *If you wish to change an agreed assessment date* – if you wish to change or cancel a booked assessment date, please do so by writing to us to inform us at least 30 days before the assessment date. If you fail to notify us of your intended change or cancellation in time, we will invoice you all of the assessment fee as if the full assessment had taken place. You will be liable to pay this in any event.

h. *Ownership of the assessment reports* – we retain ownership of the assessment reports prepared by us. You will be given a copy of them for your reference. The report is confidential and represents BSI's confidential information and proprietary work. The contents of the report will remain confidential and our obligations in Section 6 will apply to them.

4. Appeals and Complaints

If you wish to appeal the outcome of an assessment, or any determination that affects your certification, we have an appeals procedure that you must follow. Our appeals procedure is found on our website, or you can get further details of it from your normal BSI contact. We may change our appeal procedures from time to time and you are bound by the then current appeal procedures in place at the time of your appeal.

If you have a complaint about the service that you are receiving from us, then please contact your normal BSI contact. We have internal procedures to meet the complaints of our customers and you will be informed of the relevant procedures should you make a complaint.

5. Our Safety

a. *Our observance of your rules on your premises* - We shall observe, as far as we are reasonably able, all of your health and safety rules and regulations and your security requirements. You must inform us of these in writing at the time of agreeing the date for any visits to your premises. If our observing the rules, regulations and requirements of your premises prevents us from providing the services that we have agreed to provide, this may affect our ability to complete our assessment and may also affect your certification. Furthermore, we will not be in breach of our Contract if we are so prevented.

b. *Hazards* – When we attend your premises, you will be responsible for ensuring that adequate information is given on the hazards and risks to which we may be exposed. You will need to provide an appropriate level of supervision as well as personal protective equipment. Please notify us immediately of any accident or incident on any of your premises which could pose risks to us.

c. *Our right to abort a visit* – even if you provide the information required relating to the rules of your premises and hazards, if while on your premises we have a reason to believe that you are not complying with the relevant health and safety rules, or that the safety of our personnel is at risk in any way, then we may abort our visit. We shall report to you the reasons for our terminating the visit. If we do this, we will not attend your affected premises again until we are satisfied that you have resolved the issues that we have reported on. The fee payable for the aborted visit will be payable in full as if the visit had not been aborted.

6. Our Confidentiality Obligations

a. *Confidentiality* - we acknowledge that we may have access from time to time to information that you may regard as commercially sensitive. Your "Confidential Information" shall include any information you have marked as confidential, any information provided orally that you later identify in writing as confidential within 48 hours of disclosing such information orally, and any other information related to your business or business plans, including but not limited to suppliers, customers, prospective customers, contractors, clinical data, the content and format of various clinical and medical databases, utilization data, cost and pricing data, disease management data, software products, programming techniques, data warehouse and methodologies, know-how, trade secrets, technical and non-technical materials, processes, sales and marketing plans and strategies, designs, and any discussions and proceedings relating to any of the foregoing, that would reasonably be perceived as confidential by us. Our "Confidential Information" includes our pricing, databases, contractual documentation, staff resumes, and the method and manner of our certification process. Notwithstanding the foregoing, Confidential Information shall not include information that we can demonstrate (a) was in the receiving party's possession prior to the time of disclosure; (b) is or becomes public knowledge (but not by any action or inaction of the receiving party); (c) was obtained by the receiving party from a third party under no obligation of confidentiality to the disclosing party; or (d) was independently developed by or for the receiving party without violating the terms of this Agreement.

b. *When one of us may disclose confidential information, and to whom* – each of us undertake that neither of us shall at any time during the term of our Contract and for two years from the date of the termination of our Contract disclose any "Confidential Information." We may disclose your confidential information to those of our employees or sub-contractors who have a need to know such information as part of our provision of the services. In addition, we may be asked by the relevant accreditation body for certain confidential information and we may disclose information to them. We will ensure that our employees, sub-contractors and relevant accreditation bodies are subject to a confidentiality obligation similar to this one.

BSI Management Systems Terms for the Supply of Services

Either of us may disclose the Confidential Information of the other party if ordered to by a court or a governmental or regulatory authority, or as may otherwise be required by law. Unless otherwise required by law, each of us will advise the other if we are the recipient of a request or order to turn over the Confidential Information of the other, and, if possible, will provide the other the opportunity to challenge the request or order.

c. *Information from third parties about you* – we may receive information about you, your procedures, policies and/or practices from third parties. You will not be entitled to review this information.

7. Certification

a. *BSI Certificate* - When you have been successful following a certification assessment, we shall provide a written scope of certification describing your assessed activities and their locations. You will receive a BSI certificate as evidence of your successful certification. You may then display the certificate and the BSI Certification Mark, but you must do so in compliance with the terms of our Contract (and in particular with the requirements set out in "How to Display the Certification Mark"). The "How to Display the BSI Certification Mark" document may be amended from time to time, and you agree to any changes through your continued use of the BSI Certification Mark.

EXCEPT AS EXPRESSLY PROVIDED IN THIS SECTION 7, NO RIGHT TO USE THE BSI CERTIFICATION MARK OR BSI NAME IS GRANTED HEREUNDER. Subject to the terms and conditions of this Agreement, BSI grants to you a non-exclusive, non-transferable, royalty-free, worldwide license to use, reproduce, and publicly display copies of the BSI Certification Mark.

b. *Ownership of BSI certificate and BSI Certification Mark* - the BSI certificate (which may be in electronic form) and the right to use the BSI Certification Mark shall remain our property. This means that you may not transfer any rights under our Contract to anyone else. You may also not charge or license them in favor of someone else in any way. You may not tamper with the content or change the appearance of the certificate or the BSI Certification Mark.

You acknowledge that, as between us, BSI is the sole and exclusive owner of the worldwide rights to all trademarks, service marks, certification marks, copyrights, rights of affiliation and publicity, moral rights and other intellectual property rights of any kind in the BSI Name and BSI Certification Mark. You agree that: (i) you shall do nothing inconsistent with such ownership either during the term of this Contract or afterwards; (ii) all use of the BSI Certification Mark by you shall inure to the benefit of BSI; (iii) you shall take no action that shall interfere with or diminish BSI's right in the BSI Certification Mark, and; (iv) you shall use the BSI Certification Mark so as to create a separate and distinct impression from any other service mark or trademark that might be used by you.

c. *Our right to refuse to issue a certificate, or to revoke a certificate that has been issued* - we may at any time refuse to issue a certificate or revoke an issued certificate if, in our reasonable opinion, you do not meet, or fail to continue to meet, the relevant standard,

or if you breach any term of our Contract (which includes the content of "How to display the BSI Certification Mark"). If we do revoke a certificate that has already been issued to you, you will be required to return the certificate, the assessment reports and any other papers that may have been given to you with the certificate.

d. *Your certification status must be public information* – pursuant to our obligations to bodies governing the certification process, we must maintain a directory of certain information, including your company name, the relevant certification document governing your certification, scope and geographical location of your certification. We may provide this directory to any inquiring party, publish this directory on our website or through other means, and respond to any specific inquiries regarding your certification. We may also include your certification status, including whether it is active, terminated or suspended. We will endeavor to maintain this directory as up to date as possible. We shall have no liability to you for our activities under this Section 7d.

8. Your Obligations with Regard to Your Certification

In this clause, we set out what your obligations are with regard to your certification. Because the certification is a representation to the rest of the world, we require strict compliance with these obligations. We may withdraw or suspend your certification immediately if you do not comply with these obligations. We will not need to inform you of the suspension or withdrawal beforehand and we will not necessarily provide you with an opportunity to cure your non-compliance. In addition, we may rely on any other contractual remedies that we may have for breach of contract.

a. *Duty to inform us of changes in circumstances* - you must inform us immediately in writing of any changes that may occur to your circumstances that are reasonably likely to affect the compliance of your management system to the standard used for your certification.

b. *No misleading statements or use of the BSI Certification* - you may not make any misleading statement concerning your application or certification. You may not use, or permit the use of a certification or any part thereof in any misleading manner. You may not make any reference to a management system certification that may imply that your certification includes the certification of a product, service or process. This will include the statements that you make in your advertising brochures (whether used for internal or external purposes).

c. *No harm caused to BSI's name* – you may not say, publish or do anything that could have the effect of harming our name, our company, the BSI Certification Marks or the certification process. This includes anything that may cause any person to question the authenticity or merit of your certification.

d. *Change in scope of certification* – in the event there is a change in the scope of your certification, you agree to immediately change your use of the BSI certificate, BSI Certification Mark and your marketing and advertising materials to reflect the change in scope of your certification.

BSI Management Systems Terms for the Supply of Services

e. *Upon termination or suspension* – upon termination or suspension you will remove all references to BSI and cease all use of the BSI Certification Mark from your premises and your marketing and advertising materials. If the suspension is for less than the full scope of your certification, you will conform your use of the BSI certification and BSI Certification Mark, as well as your marketing and advertising materials, to reflect the current scope of your certification. We may require you to confirm that you have removed or otherwise conformed all references and shall write to you if this is the case.

F. *Your representations and warranties* – you represent and warrant that:

- All information provided by you to us, is a true, accurate and complete representation as of the date of delivery to BSI;
- you shall, at all times during the term of this Contract, comply with all declarations, obligations, promises and claims you have made during the certification process;
- you shall, at all times during the term of this Agreement comply with the applicable certification standard; and
- you will not display the BSI Certification as part of any web site or document that is, misleading, unlawful, or violative of the rights of third parties.

9. Fees and Charges

a. *Fees* - we shall invoice you for the following:

- your initial assessment fee;
- fees for ongoing assessment;
- special visit fees; and
- annual management fees. The period for annual management runs from 1st May through to 30th April the following year. If you were to terminate our Contract during a particular year, the invoiced amount for the annual management fee for the year of termination is payable in full and will be non-refundable and not capable of set-off.

The fees applicable to you for at least the first year of services will be in your quotation. For subsequent years, our fees that shall apply are those published on our website from time to time.

We may change the fees that are applicable to you at any time. However, if we do, we shall immediately inform you of this, either in writing or by putting the changes onto our website. The changed fees shall only apply either once we have notified you of them or they have been published on our website. In this regard, we ask that you check the website from time to time.

b. *Payment terms* - you must pay the fees within 30 days following the date of relevant invoice.

c. *Interest on late payments* – we may charge interest at the annual rate of two and a half per cent over the prime rate from time to time published in the Wall Street Journal on any amount that is paid later than the payment terms mentioned in Section 9b.

d. *Invoice query* – You may query our invoice within 21 days of the date of the relevant invoice. To do so, please address your query in writing to your normal

contact at BSI. Please note that a query of an invoice will not affect the 30 day invoice payment period.

10. Force Majeure

We shall not be liable for failure or delay in performing our obligations hereunder if such failure or delay is due to circumstances beyond our reasonable control, including, without limitation: acts of any governmental body; war; insurrection; terrorism; sabotage; embargo; fire; flood; strike or other labor disturbance; interruption of or delay in transportation; unavailability of, interruption, or delay in telecommunications or third party Internet service providers; or failure of third party Internet service providers

11. Insurance

Each of us may require the other to produce evidence (such as a letter from an insurance broker) that either you or we have reasonably sufficient insurance cover in place to meet any third party liability.

12. Limitation of Liability; Warranty Disclaimer

OUR LIABILITY TO YOU UNDER OUR CONTRACT SHALL BE LIMITED. THIS SHALL APPLY TO MATTERS RAISED AGAINST US BOTH IN CONTRACT AND TORT. NEITHER OF US SHALL BE LIABLE TO THE OTHER OR ANY THIRD PARTY FOR ANY INDIRECT, INCIDENTAL, PUNITIVE OR CONSEQUENTIAL DAMAGES, OR DAMAGES FROM LOST PROFITS, LOST USE, DAMAGE TO GOODWILL OR ANY OTHER THEORY EVEN IF THE PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. THE LIMIT OF OUR LIABILITY SHALL BE EQUAL TO THE AMOUNT PAYABLE BY YOU TO US IN THE 12 MONTHS BEFORE THE DATE OF THE EVENTS GIVING RISE TO YOUR CLAIM AGAINST US. HOWEVER, OUR LIABILITY SHALL NOT BE LIMITED FOR THOSE MATTERS THAT WE ARE NOT ABLE TO LIMIT PURSUANT TO APPLICABLE LAW, AND, IN REGARD TO THOSE MATTERS, OUR LIABILITY SHALL BE UNLIMITED.

THE WARRANTIES SET FORTH IN THIS AGREEMENT ARE THE ONLY WARRANTIES MADE BY US, AND NO OTHER WARRANTIES ARE PROVIDED TO YOU OR ANY THIRD PARTY AND, EXCEPT FOR THE SPECIFIC WARRANTIES PROVIDED HEREIN ALL SERVICES, DELIVERABLES AND THE BSI CERTIFICATION MARK ARE PROVIDED "AS IS". WE DISCLAIM ALL OTHER WARRANTIES, WHETHER EXPRESS OR IMPLIED, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

13. Other Services

We would like to keep you informed about products, services and additional benefits that we believe may be of interest to you. If you don't want us to do this, please inform us in writing.

14. Assignment

Neither party may assign our Contract to any other person. However, we may assign our Contract to any of our affiliated entities, provided that to do so does not cause there to be a conflict of interest (as reasonably determined by us) relating to services being provided to you, or which is prohibited by any other contract that we may have entered into with third parties. This Contract

BSI Management Systems Terms for the Supply of Services

shall be binding upon permitted successors and assigns of the parties.

15. Amendments to Our Contract

We may amend our Contract from time to time. If the Contract is amended, we shall put full details of the changes on our website a reasonable time beforehand. The changes will not come into effect before they are put onto the website.

16. Termination of Our Contract

a. By either of us in the usual course -

either of us may terminate our Contract by giving the other 60 days' notice in writing of the intention to terminate.

b. By either of us immediately -

either of us may terminate our Contract immediately by serving notice on the other if the other:

- becomes insolvent, or is otherwise unable to pay its debts in the normal course of business;
- makes a proposal to its creditors to reschedule any of debts;
- has or takes any action for or in connection with its winding up or for the appointment of an administrator or an administrative receiver;
- has someone who is entitled and does take such action to attach or takes possession of any of its assets; or
- ceases to be engaged in the business it was engaged in at the time of entering into our Contract

c. by BSI immediately and without notice -

we may terminate this Agreement immediately if:

- you do not comply with all of the obligations set forth in Sections 2c or 8;
- any fees remain outstanding for a period of ten (10) days despite our notice informing you that they are overdue and calling for their payment;
- you have materially breached any representation or warranty contained in this Contract; and
- your use of the BSI Certification Mark in a manner inconsistent with the license grant contained herein;

d. the effect of termination of our Contract

On termination of our Contract your certification will be cancelled immediately. You will return to us the certificate, the assessment reports and any other papers that may have been given to you with the certificate. You will comply with the requirements of Section 8e. All fees that you have paid to us shall be non-refundable.

17. Third Party Rights

No person who is not a party to our Contract shall have any rights under or in connection with it.

18. Law

The laws of the Commonwealth of Virginia governs our Contract, excluding its conflicts of law body of law, and we both agree that the courts of Fairfax County, Virginia and the Federal District Court of the Eastern District of Virginia shall have exclusive jurisdiction and both parties consent to the personal jurisdiction of the aforementioned courts.

19. Miscellaneous

This Contract, including the documents references in Section 1, embody the entire understanding between us. Should any provision of this Contract be held unenforceable or in conflict with the law of any jurisdiction, the validity of the remaining provisions shall not be affected by such holding. Any notice or other communications required or permitted hereunder shall be sufficiently given if in writing and delivered personally or sent by Federal Express (or other similar reputable third party delivery service), registered mail or certified mail, postage prepaid and addressed to:

BSI Management Systems America, Inc.
Attention: SVP Finance
12110 Sunset Hills Road
Suite 200
Reston, VA 20190
USA

In any action to interpret or enforce this Agreement, the prevailing party shall be awarded all court costs and reasonable attorneys' fees it incurs. Nothing contained in this Agreement shall be construed as creating a joint venture, partnership, agency or employment relationship between us, and neither of us shall have any right to bind the other or incur any obligation on the other's behalf without the other's prior written consent. No waiver of any provision of this Agreement shall be deemed, or shall constitute, a waiver of any other provision, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the waiving party.

ADDENDUM 1

1. BSI agrees to defend, indemnify and hold the State of Iowa, the Lottery, and their employees harmless from any and all liabilities, damages, 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 any negligent acts or omissions of BSI or claims for any violation of any intellectual property right including but not limited to infringement of patents, trademarks, trade dress, trade secrets or copyrights arising from any of the goods or service performed in accordance with this Agreement.
2. This agreement shall not render BSI or BSI employees an employee(s) of the Lottery for any purpose. BSI is an independent contractor in its relationship to the Lottery.
3. BSI shall maintain in full force and effect, with insurance companies licensed by the State of Iowa, at the BSI's expense, insurance covering its work during the entire term of this Contract and any extensions or renewals. The BSI's insurance shall, among other things, be occurrence based and shall insure against any loss or damage resulting from or related to the BSI's performance of this Contract regardless of the date the claim is filed or expiration of the policy. The State of Iowa and the Lottery shall be named as additional insureds or loss payees, or the BSI shall obtain an endorsement to the same effect, as applicable.
4. All insurance policies required by this Contract shall remain in full force and effect during the entire term of this Contract and any extensions or renewals thereof and shall not be canceled or amended except with the advance written approval of the Lottery. The BSI shall submit certificates of insurance, which indicate coverage and notice provisions as required by this Contract, to the Lottery upon execution of this Contract. The certificates shall be subject to approval by the Lottery. The insurer shall state in the certificate that no cancellation of the insurance will be made without at least thirty (30) days' prior written notice to the Lottery. Approval of the insurance certificates by the Lottery shall not relieve the BSI of any obligation under this Contract.
5. 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 and without any advance notice as a result of any of the following:
 - If the Lottery's authorization to conduct its business is withdrawn or there is a material alteration in the programs the Lottery administers; or
 - If Lottery's duties are substantially modified.

6. The Lottery shall pay all approved invoices in arrears and in conformance with Iowa Code Section 8A.514 and 11 IAC § 41.1(2). The Lottery may pay in less than sixty (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. The funds of the state of Iowa, as opposed to the funds of the Iowa Lottery, are not available to meet the Lottery's obligations under this Agreement. This paragraph replaces paragraph 9 "Fees and Charges" in the Terms for the Supply of Services in full.
7. Paragraph 10 "Force Majeure" in the Terms for the Supply of Services is amended as follows: "*Neither party* shall be liable for failure or delay in performing *its* obligations hereunder"
8. This Contract may be amended only upon written consent from both parties. This sentence replaces paragraph 15 "Amendments to Our Contract" in full.
9. The laws of the State of Iowa govern this contract, and parties agree that the courts of Polk County, Iowa, and the Federal District Court of the Southern District of Iowa shall have exclusive jurisdiction. Both parties consent to the personal jurisdiction of the aforementioned courts. This paragraph replaces paragraph 18 "Law" in the Terms for the Supply of Services in full.

THE PARTIES HAVE READ THIS ADDENDUM, UNDERSTAND IT, AND BY SIGNING BELOW, AGREE TO BE BOUND BY IT. EACH PARTY REPRESENTS THAT THE INDIVIDUAL SIGNING ON ITS BEHALF HAS FULL AUTHORITY TO BIND SUCH PARTY.

**BSI MANAGEMENT SYSTEMS
AMERICA, INC**

IOWA LOTTERY AUTHORITY

By: _____

By:  _____

Printed Name: _____

Printed Name: Kenneth A. Brickman

Title: _____

Title: EVBL VP & COO

Date: _____

Date: 7-9-2009