



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

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

**A G E N D A**  
**IOWA LOTTERY BOARD**  
**September 2, 2010**  
**11:00 a.m.**  
**Iowa Lottery Headquarters**

1. Call to Order  
Approval of Minutes
2. Notice of Intent to Award Contract from Marketing Research RFP Committee
3. On-Line RFP Evaluation Committee Presentation to CEO and Board of Directors and Board of Directors Vote on Notice of Intent to Award Subject to Completion of Successful DCI Background Investigation
4. Approval of Preliminary Budget for FY2012
5. Monthly Reports
  - a. Finance
  - b. Marketing
  - c. Security
6. CEO Report
  - a. FY2010 Update
  - b. ILOT's 25<sup>th</sup> Anniversary
  - c. Update on lottery industry trends and developments
7. Contract Approvals
  - a. Maintenance of Pull-Tab and Instant Vending Machines
  - b. Instant Ticket Printing
    - i. Scientific Games
    - ii. Pollard Banknote
  - c. Pull Tab printing extension – American Games
8. CLOSED SESSION – Personnel
9. Clarification of Hearing Board Designees
10. Election of Officers
11. Adjournment



**MINUTES**  
**IOWA LOTTERY BOARD**  
**June 8, 2010**

The meeting of the Iowa Lottery Board was called to order by Chairman Michael Klappholz at 10:05 a.m. at the Iowa Lottery Headquarters in Des Moines. Board members present: Brad Schroeder, Thomas Rial, and Michael Fitzgerald. Michael Klappholz, and Elaine Baxter attended by teleconference.

Staff present at Lottery Headquarters: Terry Rich, Chief Executive Officer; Kenneth Brickman, Chief Operating Officer; Joe Diaz, Vice President for Security; Brenda Loy, Chief Financial Officer; Teri Wood, Vice President for Marketing; Molly Juffernbruch, Assistant Vice President for Legal Affairs.

Others present: Dave Berger from Scientific Games and Jeff Hicks from Faegre & Benson.

After calling the meeting to order, Baxter moved allow participation in the meeting by conference call pursuant to Iowa Code section 21.8 governing the conduct of electronic meetings in Iowa. Baxter seconded the motion. A meeting with all members in attendance in person was impracticable due to Board members' personal scheduling conflicts. The meeting originated from the Lottery central offices in Des Moines and public notice of the meeting was given pursuant to Iowa Code section 21.4, with public access to the conversation of all participants provided by means of speakerphone for the benefit of all in attendance at the meeting site. The motion to conduct the meeting by electronic means carried unanimously.

### **Minutes**

Schroeder moved to approve the minutes of the May 12th meeting. Baxter seconded the motion and it carried unanimously.

### **Monthly Reports**

#### ***Financial Report***

The March and April financial reports were provided in the Board packet as well as the performance reports. Rich indicated proceeds are a little behind, mainly because of large prize payouts that are unpredictable. In general, the Lottery is on track and doing well for the year. We also have a one to one and a half million expense to budget for benefits for the people who opted to take early retirement. It will likely be the second or third best year for proceeds for the Lottery.

The Lottery generally mirrors the Department of Administrative Services in its fiscal policies. DAS has recently changed the policy for mileage reimbursement for use of a personal vehicle. Prior to the change, a person could be reimbursed up to 12,000 miles for travel in their personal vehicle. That number has been increased to 14,000 miles per year. The Lottery does not have anyone that comes close to that number so the change will not have a practical effect. The mileage rate will stay the same.

### ***Marketing Report***

Wood updated the Board on some promotions currently going on at the Lottery. The Silver Ticket celebration is for the Lottery's 25<sup>th</sup> anniversary. The Lottery has partnered with the Iowa Tourism Office, naming 25 Cash Stop events around Iowa where Lottery players can enter their nonwinning tickets in drawings. Many businesses have offered discounts with the presentation of the Silver Ticket. We are also selling two veterans' tickets, one scratch game and one pull-tab game. The Lottery has raised 2.3 million for the Veterans' Trust Fund this year. This is on track with our estimates. Recently, we introduced a new ticket called Cash Bonanza. There are several different ways to play on this ticket and in the advertising, we ask, "What kind of winner would you be if you won?" [Showed 3 commercial clips].

Baxter moved to approve the monthly reports. Schroeder seconded the motion which carried unanimously.

### **CEO Report**

Rich presented the amended line of succession which adds Teri Wood as the new Vice President of Marketing. Schroeder moved to accept the new line of succession and Baxter seconded the motion. The motion passed unanimously.

### **Contract Amendments**

The Lottery currently has contracts with Scientific Games and Pollard for printing tickets. The need for amendments to the existing contracts arose when we asked Scientific Games and Pollard to print a different size of ticket for an upcoming game. The standard size ticket could not fit the security code, the artwork, and all of the other information on it. Thus, we got a new bid for the different sized ticket and are adding the production of this to our current contract. Baxter asked if it was a customized size or a standard size that we have not used before. Brickman advised it is a standard sized ticket. Schroeder moved to approve the contract amendments and Rial seconded. The motion passed unanimously.

## **Approval of Annual Budget**

Rich noted that each year we propose both a preliminary budget early in the year and a final budget in June. This year we had to revise the preliminary budget based on the change in salaries. With the retirements and consolidating some positions, we will save somewhere between \$600,000 and \$700,000. We added in COLA and step increases for contract employees, which led to a \$400,000 decline overall in what we budget. Management salaries are not budgeted for any increase in fiscal year 2011. The other thing we changed was the prize payout line. We increased that line so we can be conservative with our estimate of proceeds to the state. We are budgeting \$58 million for proceeds and are confident that we can make and hopefully exceed that goal. Fitzgerald asked what number for proceeds was given to state officials. Rich said in September, the Lottery predicted it would be able to give the state \$60 million in proceeds and that was the last estimate given. Rial moved to approve the revised budget for 2011. Baxter seconded the motion and it was approved unanimously.

## **Personnel**

Rich stated he hoped to propose a new candidate for the Executive Secretary position but it did not get completed before this meeting. Instead, he asked the Board to rescind its prior action, adjusting the salary range from \$38,875.20 to \$58,947.20 down to \$32,801.60 to \$48,464.00. Rich stated he wanted to merge several of the secretaries' duties into this one position and add some project management. To get an applicant with the additional skills, he needs a higher top-end of the pay scale. Schroeder asked what had happened since the last meeting to change the Lottery's approach to this position. Rich stated the idea to add project management to the position and the reaction from interviewees to the high end of the salary range caused the Lottery to rethink the salary range. The salary we will offer is the same with either pay range; the Lottery just wanted a higher top end of the pay scale. Schroeder moved the Board rescind the action of May 12, 2010 in which the Board downgraded the key position of Executive Secretary to a pay range of \$32,801.60 to \$48,464.00 and reinstate the pay range to \$38,875.20 to \$58,947.20. Rial seconded the motion, which unanimously passed.

## **Adjournment**

Schroeder moved to adjourn the meeting and Baxter seconded the motion. The motion passed unanimously and the meeting was adjourned at 10:32 a.m.



## MEMORANDUM

**TO:** Terry Rich Elaine Baxter  
Brad Schroeder Mary Junge  
Michael Klappholz Thomas Rial

**FROM:** Joe Dullard Cassie Kibling  
Brent McManus Teri Wood  
Deirdre Demmerly

**DATE:** July 29, 2010

**RE:       **MARKETING RESEARCH REQUEST FOR PROPOSALS  
(RFP) EVALUATION****

Iowa Lottery RFP IL 10-03 for marketing research services was issued to 32 prospective vendors on April 27, 2010. Proposals were received from:

Crawford Johnson & Northcott of Des Moines, Iowa  
Central Surveys, Inc. of Shenandoah, Iowa  
Mosak Advertising & Insights of Austin, Texas  
SNG Research Corporation of Rochester, Minnesota  
Trilix Research of Johnston, Iowa  
Vernon Research Group of Cedar Rapids, Iowa  
Flynn Wright of Des Moines, Iowa  
Strategic Marketing & Research Inc. of Carmel, Indiana

The proposals were evaluated against the criterion of the RFP and were scored based on cost, vendor experience and personnel, technical and submission of proposal. A total of 60 points were not awarded because the variety of financial information submitted was difficult to evaluate and could have resulted in inequitable scoring results for all vendors.

All 8 of the vendors were determined to be responsive to the requests outlined in the RFP. In scoring, the vendors were fairly close in all areas of technical evaluation as each vendor demonstrated adequate capabilities to assist the Lottery in its research assignments. Mosak Research, Strategic Marketing, Flynn Wright and Trilix Research stood out from among the vendors with detailed accounts of experience for the Vendor and subcontractors and each provided innovative methods and ideas to further research.

However, in evaluating costs, the Trilix Research proposal offers more competitive pricing over the options presented by the other vendors.

Based on factors of cost, previous business experience and scope of services offered, it is the committee's recommendation that Trilix Research be selected as marketing research vendor for the Iowa Lottery. The committee recommends negotiation with this firm for an initial contract term for the period of Jan. 1, 2011 through Dec. 31, 2011 with up to four additional, one-year option periods.

**EVALUATION PROCESS**

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

**Scoring Methodology:**

1. The score for "Cost" will be calculated as:  
 Lowest Single Proposal Price / Vendor's Single Proposal Price = %  
 % x maximum points = available score

2. The score for the other components will be as follows:  
 0 = not acceptable or applicable;  
 3 or 4 = marginally meets the Lottery's requirements (There is no score of 1 or 2)  
 6, 7 or 8 = meets Lottery's requirements (There is no score of 5)  
 10 = exceeds Lottery's requirements (There is no score of 9)

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

Lowest Single Proposal Price  
 \$242,100.00

Example: Maximum score is 20 points  
 Firm 1 = \$400,000  
 Firm 2 = \$600,000  
 Firm 3 = \$800,000  
 Firm 1 would receive maximum of 20 points  
 Firm 2 would receive 13.3 points  
 Firm 3 would receive 10 points  
 \$400,000 divided by \$600,000 or 67% of the 20 points (13 points rounded)  
 \$800,000 divided by \$800,000 or 50% of the 20 points (10 points)

COMPONENT	POINTS	MAXIMUM SCORE	WEIGHTED SCORE	Single Proposal Price	Vernon Research Score	Weighted	Central Surveys Score	Weighted	SNG Research Score	Weighted	Crawford Johnson Score	Weighted
3.3 Cost	60	10.00	= 600.00	60%	6.60	396.00	7.20	432.00	4.50	270.00	8.40	504.00
Experience and Personnel Vendor experience, subcontractors, terminated contracts Sections 3.2.5.1, 3.2.5.2, 3.2.5.4, 3.2.4.7, 3.2.8, 3.2.4.5, and 3.2.6	12	10	= 120.00		6	72.00	8	96.00	7	84.00	8	96.00
Technical Comparable projects and response rate, focus group moderation, quality control procedures, approach for each project, innovative concepts/ideas presented Sections 3.2.5.3, 3.3, 3.2.5.5, 3.2.4.7, 4.2, 4.0 and 4.3	18	10	= 180.00		6	114.00	6	114.00	7	133.00	7	133.00
3.2.7 Financial Stability Submission of Proposal Sections 3.1, 2.16, 3.2.1, 3.3 and 3.2.9	6	10	= 60.00		0	-	0	-	0	-	0	-
	3	10	= 30.00		2	6.00	3	9.00	6	18.00	4	12.00
<b>TOTAL SCORE:</b>			<b>1,000.00</b>			<b>588.00</b>		<b>651.00</b>		<b>505.00</b>		<b>745.00</b>

COMPONENT	POINTS	MAXIMUM SCORE	WEIGHTED SCORE	Single Proposal Price	Mosak Research Score	Weighted	Strategic Marketing Score	Weighted	Flynn Wright Score	Weighted	Trilk Score	Weighted
3.3 Cost	60	10.00	= 600.00	60%	7.80	468.00	6.70	402.00	7.60	456.00	10.00	600.00
Experience and Personnel Vendor experience, subcontractors, terminated contracts Sections 3.2.5.1, 3.2.5.2, 3.2.5.4, 3.2.4.7, 3.2.8, 3.2.4.5, and 3.2.6	12	10	= 120.00		8	96.00	8	96.00	8	96.00	8	96.00
Technical Comparable projects and response rate, focus group moderation, quality control procedures, approach for each project, innovative concepts/ideas presented Sections 3.2.5.3, 3.3, 3.2.5.5, 3.2.4.7, 4.2, 4.0 and 4.3	19	10	= 190.00		8	152.00	8	152.00	8	152.00	8	152.00
3.2.7 Financial Stability Submission of Proposal Sections 3.1, 2.16, 3.2.1, 3.3 and 3.2.9	6	10	= 60.00		0	-	0	-	0	-	0	-
	3	10	= 30.00		8	24.00	8	24.00	8	24.00	6	18.00
<b>TOTAL SCORE:</b>			<b>1,000.00</b>			<b>728.00</b>		<b>674.00</b>		<b>728.00</b>		<b>866.00</b>

**COMPILATION OF THE SINGLE PROPOSAL PRICE: Vendor 1**

	Year 1 2011	Year 2 2012	Year 3 2013	Year 4 2014	Year 5 2015
Project 1: Purchase Behavior Baseline Study					
Preparing the questionnaire	\$1,000	\$0	\$1,000	\$0	\$1,000
Conducting the telephone survey	\$16,000	\$0	\$16,000	\$0	\$16,000
Report preparation	\$5,500	\$0	\$5,500	\$0	\$5,500
Oral presentation	\$1,500	\$0	\$1,500	\$0	\$1,500
Travel to present findings	\$0	\$0	\$0	\$0	\$0
Other costs	\$0	\$0	\$0	\$0	\$0
Total	\$24,000	\$0	\$24,000	\$0	\$24,000

CPI Markup  
Inflation

0%  
3%

**Project 2: Lottery Image & Advertising Focus Groups**

Facility - given	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Incentives - given	\$4,320	\$4,320	\$4,320	\$4,320	\$4,320
Preparing the screener	\$100	\$100	\$100	\$100	\$100
Recruiting participants	\$5,850	\$5,850	\$5,850	\$5,850	\$5,850
Preparing the moderator's guide	\$750	\$750	\$750	\$750	\$750
Moderating the groups	\$6,750	\$6,750	\$6,750	\$6,750	\$6,750
Report preparation	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Oral presentation	\$750	\$750	\$750	\$750	\$750
Travel to conduct groups & present findings	\$700	\$700	\$700	\$700	\$700
Other costs	\$0	\$0	\$0	\$0	\$0
Total	\$26,220	\$26,220	\$26,220	\$26,220	\$26,220

**Project 3: Retailer Satisfaction Survey**

Preparing the questionnaire	\$3,000	\$0	\$3,000	\$0	\$3,000
Conducting the mail survey	\$4,500	\$0	\$4,500	\$0	\$4,500
Report preparation	\$5,500	\$0	\$5,500	\$0	\$5,500
Other costs	\$0	\$0	\$0	\$0	\$0
Total	\$13,000	\$0	\$13,000	\$0	\$13,000

Yearly Total

\$63,220      \$26,220      \$63,220      \$26,220      \$63,220

**SINGLE PROPOSAL PRICE: Vendor 1**

**\$242,100.00**





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DATE: June 16, 2010  
TO: Board Members of the Iowa Lottery Authority  
FROM: Brenda Loy, Chief Financial Officer 

Attached are the financial statements for May 2010. During May, we had revenue of \$23,459,968. This sales level resulted in \$5,856,542 of proceeds payable to the State General Fund and \$178,455 of proceeds payable to the Veterans Trust Fund.

Attachments

**IOWA LOTTERY AUTHORITY**  
**SCHEDULE OF ECONOMIC BENEFITS**

May 31, 2010

<b>Proceeds to Iowa Plan</b>		\$170,318,439
<b>Proceeds to CLEAN fund</b>		\$35,894,355
<b>Proceeds to Special Appropriations</b>		\$13,773,572
<b>Proceeds to Gambler's Treatment Program</b>		15,732,208
<b>Proceeds to the State General Fund:</b>		
Prior to Fiscal Year 2010	\$952,253,908	
Fiscal Year 2010		
Transferred	41,118,642	
Payable	10,389,118	
	<hr/>	1,003,761,668
<b>Proceeds to the Veterans Trust Fund:</b>		
Prior to Fiscal Year 2010	\$2,783,377	
Fiscal Year 2010		
Transferred	2,083,449	
Payable	410,321	
	<hr/>	5,277,147
<b>Total</b>		<hr/> <hr/> <b>\$1,244,757,389</b>

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

	Month ended May 31, 2010	Month ended May 31, 2009	Year-to-date May 31, 2010	Year-to-date May 31, 2009
<b>OPERATING REVENUES</b>				
Instant-scratch ticket sales	\$12,994,812	\$11,319,971	\$131,069,372	\$125,325,715
Pick 3 sales	530,149	567,638	6,004,053	6,006,050
Powerball sales	5,488,258	6,988,996	54,634,788	54,388,433
Mega Millions sales	1,165,516	0	4,745,036	0
Hot Lotto sales	1,188,577	1,281,335	12,803,066	13,120,543
Raffle	0	0	789,200	0
Pick 4 sales	216,959	230,305	2,453,903	2,349,081
\$100,000 Cash Game sales	302,460	339,847	3,606,387	3,785,945
Pull-tab sales	1,571,573	1,750,967	18,482,307	19,502,629
Application fees	375	250	3,650	3,480
Other revenue	1,289	685	17,830	45,411
<b>Total operating revenues</b>	<b>23,459,968</b>	<b>22,479,994</b>	<b>234,609,592</b>	<b>224,527,287</b>
<b>OPERATING EXPENSES</b>				
Scratch ticket prize expense	7,757,581	6,962,706	83,659,959	75,681,992
Pick 3 prize expense	312,680	336,103	3,644,774	3,522,716
Powerball prize expense	2,431,087	3,435,893	26,334,441	26,265,105
Mega Millions prize expense	591,874	0	2,409,963	0
Hot Lotto prize expense	577,289	627,932	6,203,034	6,422,910
Raffle Prize Expense	0	0	394,516	(10,500)
Pick 4 prize expense	129,216	135,908	1,421,285	1,364,980
\$100,000 Cash Game prize expense	143,111	160,232	1,862,666	2,117,194
Pull-tab prize expense	985,368	1,100,690	11,606,131	12,251,088
Promotional prize expense	37,472	(38,428)	302,775	477,594
Advertising/publicity	849,359	793,182	7,050,676	6,381,870
Retailer compensation expense	1,477,962	1,410,223	14,730,884	14,048,497
Ticket expense	215,837	232,951	2,450,757	2,483,784
Vendor compensation expense	736,278	714,346	7,485,275	7,181,506
Salary and benefits	684,337	697,599	7,823,033	7,887,229
Travel	30,392	23,706	335,094	372,408
Supplies	8,734	4,036	102,050	94,417
Printing	105	636	14,222	7,082
Postage	856	354	5,838	3,572
Communications	36,479	37,723	510,557	515,428
Rentals	23,416	26,690	261,688	264,682
Utilities	6,662	5,219	92,188	97,553
Professional fees	59,711	3,081	145,871	113,106
Vending machine maintenance	40,727	40,798	447,970	449,055
Outside services and repairs	92,245	9,527	220,070	223,905
Data processing	3,807	3,755	33,878	37,725
Equipment	8,303	31,461	131,211	149,292
Reimbursement to other state agencies	32,138	27,622	401,685	367,559
Depreciation	13,130	116,653	852,223	1,281,735
Other	2,803	11,411	117,102	161,683
MUSL administrative expense	0	0	17,818	0
<b>Total operating expenses</b>	<b>17,288,959</b>	<b>16,912,009</b>	<b>181,069,634</b>	<b>170,215,167</b>
<b>Operating income (loss)</b>	<b>6,171,009</b>	<b>5,567,985</b>	<b>53,539,958</b>	<b>54,312,120</b>

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

	<u>Month ended May 31, 2010</u>	<u>Month ended May 31, 2009</u>	<u>Year-to-date May 31, 2010</u>	<u>Year-to-date May 31, 2009</u>
Interest Income	6,287	479	328,051	375,602
Interest expense	(3,831)	(4,105)	(42,145)	(45,155)
<b>Income before transfers</b>	<b>6,173,465</b>	<b>5,564,359</b>	<b>53,825,864</b>	<b>54,642,567</b>
Transfer to:				
Gambler's Treatment Program	0	(112,505)	0	(1,124,446)
Veterans Trust Fund	(178,455)	(139,233)	(2,493,770)	(2,690,083)
State General Fund	(5,856,542)	(5,471,857)	(51,507,760)	(51,948,944)
	<u>(6,034,997)</u>	<u>(5,723,595)</u>	<u>(54,001,530)</u>	<u>(55,763,473)</u>
<b>Change in net assets</b>	<b>138,468</b>	<b>(159,236)</b>	<b>(175,666)</b>	<b>(1,120,906)</b>
Net assets, beginning of period	<u>4,099,509</u>	<u>4,706,111</u>	<u>4,413,643</u>	<u>5,667,781</u>
<b>Net assets, end of period</b>	<b><u>\$4,237,977</u></b>	<b><u>\$4,546,875</u></b>	<b><u>\$4,237,977</u></b>	<b><u>\$4,546,875</u></b>



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Terry Rich • Chief Executive Officer

DATE: July 27, 2010  
TO: Board Members of the Iowa Lottery Authority  
FROM: Brenda Loy, Chief Financial Officer 

Attached are the financial statements for June 2010. During June, we had revenue of \$21,671,521. This sales level resulted in \$3,741,741 of proceeds payable to the State General Fund and \$167,784 of proceeds payable to the Veterans Trust Fund.

Attachments



**IOWA LOTTERY AUTHORITY  
STATEMENT OF NET ASSETS  
JUNE 30, 2010**

**ASSETS**

Current Assets:

Cash	\$17,940,676
Cash on hand	600
Cash - Debt Service Account	11,891
Restricted assets - cash	474,192
Interest receivable	18,506
Prepaid expense	25,829
Accounts receivable - net	3,702,634
Ticket inventories	1,594,135
	<hr/>
Total current assets	23,768,463

Noncurrent Assets:

Investment in prize annuities	9,009,789
Reserve on deposit with MUSL	4,358,760
Capital assets - net	3,435,075
	<hr/>
Total noncurrent assets	16,803,624

<b>Total assets</b>	<b>\$40,572,087</b>
	<hr/>

IOWA LOTTERY AUTHORITY  
STATEMENT OF NET ASSETS  
JUNE 30, 2010

**LIABILITIES**

Current liabilities:

Online games prizes payable	2,295,124
Accounts payable	2,731,026
Current obligation for annuities	1,400
Administrative payroll payable	101,032
Due to:	
State General Fund	14,130,860
Veterans Trust Fund	578,105
Other state agencies	100,868
Interest Payable	3,558
Deferred revenue	166,072
Accrued compensated absences	1,465,993
State withholding payable	102,998
Federal withholding payable	24,500

Total current liabilities 21,701,536

Long-term liabilities:

Annuities payable	9,009,789
Bonds payable	1,300,000
Prize reserve fund	4,358,760

Total long-term liabilities 14,668,549

Total liabilities 36,370,085

**NET ASSETS**

Invested in capital assets	2,135,075
Unrestricted	2,066,927

Total net assets \$4,202,002

**IOWA LOTTERY AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE MONTH AND YEAR ENDED JUNE 30, 2010**

	Month ended June 30, 2010	Month ended June 30, 2009	Year-to-date June 30, 2010	Year-to-date June 30, 2009
<b>OPERATING REVENUES</b>				
Instant-scratch ticket sales	\$12,689,886	\$10,942,840	\$143,759,258	\$136,268,555
Pick 3 sales	526,948	528,715	6,531,001	6,534,764
Powerball sales	4,555,079	3,831,770	59,189,867	58,220,203
Mega Millions sales	799,092	0	5,544,128	0
Hot Lotto sales	850,680	1,209,067	13,653,746	14,329,610
Raffle	0	0	789,200	0
Pick 4 sales	208,288	206,157	2,662,191	2,555,238
\$100,000 Cash Game sales	302,397	327,362	3,908,784	4,113,307
Pull-tab sales	1,735,009	1,812,794	20,217,316	21,315,424
Application fees	325	200	3,975	3,680
Other revenue	3,817	19,562	21,647	64,973
<b>Total operating revenues</b>	<b>21,671,521</b>	<b>18,878,467</b>	<b>256,281,113</b>	<b>243,405,754</b>
<b>OPERATING EXPENSES</b>				
Scratch ticket prize expense	7,819,895	6,164,628	91,479,853	81,846,620
Pick 3 prize expense	313,229	312,019	3,958,003	3,834,735
Powerball prize expense	2,223,841	1,853,056	28,558,282	28,118,161
Mega Millions prize expense	469,849	0	2,879,811	0
Hot Lotto prize expense	407,442	592,804	6,610,476	7,015,713
Raffle Prize Expense	(1,640)	0	392,876	(10,500)
Pick 4 prize expense	122,733	108,607	1,544,018	1,473,587
\$100,000 Cash Game prize expense	142,667	154,282	2,005,333	2,271,476
Pull-tab prize expense	1,096,587	1,138,561	12,702,718	13,389,649
Promotional prize expense	19,643	12,326	322,417	489,920
Advertising/publicity	488,288	606,193	7,538,965	6,988,062
Retailer compensation expense	1,378,753	1,250,143	16,109,637	15,298,641
Ticket expense	232,511	190,209	2,683,268	2,673,994
Vendor compensation expense	682,998	588,038	8,168,273	7,769,544
Salary and benefits	1,984,516	844,332	9,807,548	8,731,561
Travel	28,541	29,013	363,635	401,421
Supplies	2,488	15,742	104,539	110,159
Printing	254	2,500	14,477	9,582
Postage	327	1,145	6,166	4,717
Communications	49,972	52,406	560,529	567,835
Rentals	23,971	25,572	285,660	290,254
Utilities	5,844	7,019	98,032	104,572
Professional fees	4,961	30,777	150,832	143,883
Vending machine maintenance	40,727	40,754	488,697	489,809
Outside services and repairs	208,863	(27,373)	428,932	196,532
Data processing	3,822	3,204	37,700	40,929
Equipment	18,337	55,106	149,548	204,398
Reimbursement to other state agencies	60,652	55,411	462,337	422,969
Depreciation	12,740	120,772	864,963	1,402,507
Other	(12,659)	(29,264)	104,443	132,419
MUSL administrative expense	0	0	17,818	0
<b>Total operating expenses</b>	<b>17,830,152</b>	<b>14,197,982</b>	<b>198,899,786</b>	<b>184,413,149</b>
<b>Operating income (loss)</b>	<b>3,841,369</b>	<b>4,680,485</b>	<b>57,381,327</b>	<b>58,992,605</b>

IOWA LOTTERY AUTHORITY  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 FOR THE MONTH AND YEAR ENDED JUNE 30, 2010

	Month ended June 30, 2010	Month ended June 30, 2009	Year-to-date June 30, 2010	Year-to-date June 30, 2009
Interest Income	35,739	28,251	363,790	403,853
Interest expense	(3,558)	(3,831)	(45,702)	(48,986)
<b>Income before transfers</b>	<b>3,873,550</b>	<b>4,704,905</b>	<b>57,699,415</b>	<b>59,347,472</b>
Transfer to:				
Gambler's Treatment Program	0	(94,520)	0	(1,218,966)
Veterans Trust Fund	(167,784)	(93,294)	(2,661,554)	(2,783,377)
State General Fund	(3,741,741)	(4,649,318)	(55,249,502)	(56,598,262)
	<u>(3,909,525)</u>	<u>(4,837,132)</u>	<u>(57,911,056)</u>	<u>(60,600,605)</u>
<b>Change in net assets</b>	<b>(35,975)</b>	<b>(132,227)</b>	<b>(211,641)</b>	<b>(1,253,133)</b>
Net assets, beginning of period	<u>4,237,977</u>	<u>4,546,875</u>	<u>4,413,643</u>	<u>5,667,781</u>
<b>Net assets, end of period</b>	<b><u><u>\$4,202,002</u></u></b>	<b><u><u>\$4,414,648</u></u></b>	<b><u><u>\$4,202,002</u></u></b>	<b><u><u>\$4,414,648</u></u></b>

IOWA LOTTERY AUTHORITY  
ANALYSIS OF NET ASSETS  
JUNE 30, 2010

Cash on deposit - state vehicle dispatcher	472,792
Ticket inventory	1,594,135
Capital assets - net of related debt	2,135,075
Net Assets	<u>4,202,002</u>

IOWA LOTTERY  
PERFORMANCE MEASURES  
FY 2010

PRELIMINARY

Month:

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
<b>Gross Sales</b>												
Budget 10	18,333,332	20,211,277	19,360,538	21,262,049	19,570,807	20,555,531	21,096,497	21,488,295	22,040,647	20,705,211	21,343,583	19,462,233
Actual 09	18,582,307	18,682,642	20,886,808	19,749,080	19,082,468	20,256,054	21,513,631	21,277,161	21,367,006	21,367,006	22,479,059	18,858,705
Actual 10	19,040,396	22,285,181	19,614,614	19,964,605	19,460,281	21,080,059	20,100,947	20,996,253	24,902,646	23,682,829	23,458,304	21,867,379
<b>Prize Expense</b>												
Budget 10	10,278,385	11,331,234	10,854,277	11,920,339	10,974,162	11,524,237	11,827,524	12,047,181	12,356,851	11,608,153	11,966,050	10,911,291
Actual 09	10,446,069	10,393,054	12,024,701	11,111,666	10,494,213	12,190,611	12,518,090	12,468,084	11,590,186	12,145,365	12,721,036	10,332,262
Actual 10	11,008,744	12,885,945	11,457,691	11,590,409	11,177,370	12,395,334	12,887,034	12,888,422	13,856,385	14,726,535	12,965,878	12,614,246
<b>Operating Expenses</b>												
Budget 10	641,321	919,588	919,587	919,587	919,587	1,226,047	919,587	919,587	919,587	919,587	919,587	1,569,960
Actual 09	689,978	764,399	869,773	854,976	875,339	1,264,886	756,387	795,741	790,285	878,546	792,522	1,540,153
Actual 10	542,134	833,390	814,169	832,892	808,120	1,044,094	755,973	872,015	854,294	773,491	913,845	1,389,016
<b>Proceeds Transfer-General</b>												
Budget 10	4,515,415	4,765,371	4,526,078	5,060,929	4,585,222	4,555,742	5,014,363	5,124,566	5,279,930	4,904,303	5,083,862	3,904,309
Actual 09	4,425,921	4,383,158	4,254,409	4,979,410	4,994,240	3,710,269	5,132,617	5,065,767	5,069,668	5,473,578	5,584,362	4,696,539
Actual 10	4,216,491	4,943,188	4,347,444	4,165,398	4,592,408	4,913,856	3,857,410	3,884,803	6,517,645	4,532,576	5,856,542	3,741,741
<b>Proceeds Transfer-Veterans</b>												
Budget 10	250,943	250,943	250,943	250,943	250,943	250,943	250,943	250,943	250,943	250,943	250,943	250,943
Actual 09	110,916	584,994	296,863	171,861	150,898	127,193	196,152	279,052	460,079	172,841	139,233	93,294
Actual 10	69,484	542,277	211,064	141,357	113,846	97,070	133,242	319,374	455,734	231,865	175,455	167,784
<b>Total Proceeds Transfers</b>												
Budget 10	4,766,358	5,016,314	4,777,021	5,311,872	4,836,165	4,806,685	5,265,306	5,375,509	5,530,873	5,155,246	5,334,805	4,155,252
Actual 09	4,536,837	4,968,152	4,551,272	5,151,271	5,145,138	3,837,462	5,328,769	5,344,819	5,529,737	5,646,419	5,723,595	4,789,833
Actual 10	4,285,975	5,485,465	4,558,508	4,306,755	4,706,254	5,010,926	3,670,692	4,304,177	6,973,379	4,764,441	6,034,997	3,909,625
<b>Gross Sales</b>												
Budget 10	18,333,332	38,544,608	57,905,147	79,167,196	98,738,003	119,293,534	140,390,031	161,878,325	183,918,973	204,624,184	225,967,767	245,430,000
Actual 09	18,582,307	37,264,949	57,851,757	77,600,847	96,883,315	116,939,369	138,453,000	159,730,161	180,632,330	201,999,336	224,478,395	243,337,101
Actual 10	19,040,396	41,325,577	60,940,191	80,904,796	100,365,077	121,445,136	141,546,083	162,544,336	187,446,981	211,129,810	234,588,114	256,255,491
<b>Prize Expense</b>												
Budget 10	10,278,385	21,609,619	32,463,896	44,384,235	55,356,397	66,880,634	78,708,158	90,755,338	103,112,190	114,720,343	126,686,393	137,597,664
Actual 09	10,446,069	20,839,123	32,863,824	43,975,490	54,469,703	66,660,314	79,178,404	91,646,488	103,226,674	115,372,039	128,093,075	136,425,341
Actual 10	11,008,744	23,894,889	35,352,380	46,942,789	58,120,159	70,515,493	83,402,527	96,290,949	110,147,334	124,873,869	137,839,547	150,453,787
<b>Operating Expenses</b>												
Budget 10	641,321	1,560,909	2,480,496	3,400,084	4,319,671	5,545,719	6,465,306	7,384,894	8,304,481	9,224,068	10,143,656	11,713,616
Actual 09	689,978	1,454,377	2,324,150	3,179,126	4,054,465	5,319,351	6,075,738	6,871,479	7,661,764	8,540,310	9,332,832	10,872,985
Actual 10	542,134	1,375,524	2,189,693	3,022,585	3,830,705	4,874,799	5,630,772	6,502,787	7,357,081	8,139,572	9,044,417	10,433,431
<b>Proceeds Transfer-General</b>												
Budget 10	4,515,415	9,280,786	13,806,864	18,867,793	23,453,015	28,008,757	33,023,120	38,147,686	43,427,616	48,331,919	53,415,781	57,320,090
Actual 09	4,425,921	8,809,079	13,063,488	18,042,898	23,037,138	26,747,407	31,880,024	36,945,791	42,015,449	47,489,027	53,073,389	57,769,929
Actual 10	4,216,491	9,159,679	13,507,123	17,672,521	22,264,929	27,178,785	30,716,195	34,600,998	41,118,643	45,651,219	51,507,761	55,249,502
<b>Proceeds Transfer-Veterans</b>												
Budget 10	250,943	501,885	752,828	1,003,770	1,254,713	1,505,655	1,756,598	2,007,540	2,258,483	2,509,425	2,760,368	3,011,310
Actual 09	110,916	695,910	992,773	1,164,634	1,315,532	1,442,725	1,638,877	1,917,929	2,378,008	2,550,849	2,690,082	2,763,377
Actual 10	69,484	611,761	822,825	964,182	1,078,028	1,175,096	1,308,340	1,527,714	2,083,448	2,315,313	2,493,766	2,661,554
<b>Total Proceeds Transfers</b>												
Budget 10	4,766,358	9,782,671	14,559,692	19,871,563	24,707,728	29,514,412	34,779,718	40,155,226	45,686,099	50,841,344	56,176,149	60,331,400
Actual 09	4,536,837	9,504,389	14,056,261	19,207,532	24,352,670	28,190,132	33,518,901	38,853,730	44,393,457	50,039,876	55,763,471	60,563,301
Actual 10	4,285,975	9,771,440	14,329,948	18,636,793	23,342,957	28,363,883	32,924,535	36,228,712	43,202,081	47,966,532	54,001,529	57,971,068

\* 2009 Gambler's Treatment Fund transfer included with General Fund transfer

- 1) Actual FY10 compared to Budget FY10
- 2) Actual FY10 compared to Actual FY09
- 3) Budget FY10 Prize Expense as a % of Budget FY10 Sales
- 4) Actual FY09 Prize Expense as a % of Actual FY09 Sales
- 5) Actual FY10 Prize Expense as a % of Actual FY10 Sales

**IOWA LOTTERY AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR FISCAL YEARS 2006 THROUGH 2010**

	PRELIMINARY				
	Fiscal Year 2010	Fiscal Year 2009	Fiscal Year 2008	Fiscal Year 2007	Fiscal Year 2006
<b>OPERATING REVENUES</b>					
Instant-scratch ticket sales	143,759,258	136,268,555	\$137,917,848	\$125,147,976	106,562,536
Pick 3 sales	6,531,001	6,534,765	6,373,362	6,282,529	6,056,037
Powerball sales	59,189,867	58,220,203	63,761,024	61,548,520	71,110,985
Mega Millions sales	5,544,128	0	0	0	0
Hot Lotto sales	13,653,746	14,329,610	11,724,416	14,453,908	9,634,818
Raffle sales	789,200	0	1,425,460	0	0
Pick 4 sales	2,662,191	2,555,237	2,315,469	2,224,092	2,066,769
\$100,000 Cash Game sales	3,908,784	4,113,307	4,291,933	4,362,916	4,323,511
Touch Play Machine (Net Receipts)				(77,671)	123,887,516
Touch Play Uncollected Amounts					(2,436,987)
Pull-tab sales	20,217,316	21,315,424	21,407,956	21,058,969	18,314,338
Application fees	3,975	3,680	5,150	6,325	60,525
Other revenue	21,647	65,449	47,962	147,426	1,326,245
<b>Total operating revenues</b>	<b>256,281,113</b>	<b>243,406,230</b>	<b>249,270,580</b>	<b>235,154,990</b>	<b>340,906,293</b>
<b>OPERATING EXPENSES</b>					
Scratch ticket prize expense	91,479,853	81,846,620	85,907,684	76,461,872	64,494,790
Pick 3 prize expense	3,958,003	3,834,735	3,763,710	3,710,127	3,533,969
Powerball prize expense	28,558,282	28,118,140	30,749,779	29,416,275	34,745,273
Mega Millions prize expense	2,879,811	0	0	0	0
Hot Lotto prize expense	6,610,476	7,015,713	5,668,710	7,097,545	4,683,123
Raffle prize expense	392,876	(10,500)	1,200,000	0	0
Pick 4 prize expense	1,544,018	1,473,587	1,352,661	1,202,769	1,042,785
\$100,000 Cash Game prize expense	2,005,333	2,271,476	2,525,366	2,212,777	2,036,709
Pull-tab prize expense	12,702,718	13,389,649	13,397,429	13,103,358	11,395,588
Promotional prize expense	322,417	485,921	104,236	152,137	326,367
Advertising/Publicity	7,538,965	7,007,617	7,307,529	6,277,829	6,952,369
Retailer compensation expense	16,109,637	15,298,641	15,650,431	14,674,744	107,849,743
Ticket expense	2,683,268	2,674,067	2,444,025	2,626,607	2,348,063
Vendor compensation expense	8,168,273	7,796,934	7,823,721	7,339,692	6,754,262
Salary and benefits	9,807,548	8,759,206	9,435,111	8,412,628	8,462,406
Travel	363,635	404,876	443,445	396,384	366,149
Supplies	104,539	110,739	107,592	97,168	143,139
Printing	14,477	9,582	17,737	22,485	34,253
Postage	6,166	4,718	4,528	44,942	48,990
Communications	560,529	568,096	574,029	544,149	652,191
Rentals	285,660	290,254	277,173	276,385	366,065
Utilities	98,032	103,240	114,292	91,013	114,856
Professional fees	150,832	121,965	144,953	91,137	83,723
Vending machine maintenance	488,697	489,809	492,495	492,576	492,576
Outside services & repairs	428,932	197,386	264,151	182,157	213,512
Data processing	37,700	40,929	37,998	38,380	22,908
Equipment	149,548	204,598	155,425	238,897	164,950
Reimbursement to other state agencies	462,337	435,976	500,235	350,385	312,079
Depreciation	864,963	1,403,051	1,407,901	1,415,964	1,417,593
Other	104,443	132,141	129,169	124,649	152,839
MUSL administrative expense	17,818	0	0	(32,454)	85,289
<b>Total operating expenses</b>	<b>198,899,786</b>	<b>184,479,166</b>	<b>192,001,515</b>	<b>177,062,577</b>	<b>259,296,559</b>

**IOWA LOTTERY AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR FISCAL YEARS 2006 THROUGH 2010**

	<b>PRELIMINARY</b>				
	Fiscal Year				
	2010	2009	2008	2007	2006
<b>Operating income (loss)</b>	57,381,327	58,927,064	57,269,065	58,092,413	81,609,734
<b>Non-operating revenue (expense)</b>					
Interest income	363,790	421,090	699,922	821,922	938,212
Interest expense	(45,702)	(48,986)	(109,467)	(175,147)	(240,811)
<b>Income before transfers</b>	57,699,415	59,299,168	57,859,520	58,739,188	82,307,135
<b>Transfers to:</b>					
Gambler's Treatment Program	0	(1,219,137)	(1,249,853)	(1,179,883)	(1,709,221)
Veterans Trust Fund	(2,661,554)	(2,783,377)	0	0	0
State General Fund	(55,249,502)	(56,550,792)	(55,296,265)	(56,970,554)	(79,166,575)
<b>Total Transfers</b>	(57,911,056)	(60,553,306)	(56,546,118)	(58,150,437)	(80,875,796)
<b>Change in net assets</b>	(211,641)	(1,254,138)	1,313,402	588,751	1,431,339
Net assets, beginning of period	4,413,643	5,667,781	4,354,379	3,765,628	2,334,289
<b>Net assets, end of period</b>	<b>\$4,202,002</b>	<b>\$4,413,643</b>	<b>\$5,667,781</b>	<b>\$4,354,379</b>	<b>\$3,765,628</b>



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

Terry Rich • Chief Executive Officer

DATE: August 17, 2010  
TO: Board Members of the Iowa Lottery Authority  
FROM: Brenda Loy, Chief Financial Officer *BL*

Attached are the financial statements for July 2010. During July, we had revenue of \$20,706,516. This sales level resulted in \$4,714,318 of proceeds payable to the State General Fund and \$131,645 of proceeds payable to the Veterans Trust Fund.

Attachments

**IOWA LOTTERY AUTHORITY**  
**SCHEDULE OF ECONOMIC BENEFITS**

July 31, 2010

<b>Proceeds to Iowa Plan</b>		\$170,318,439
<b>Proceeds to CLEAN fund</b>		\$35,894,355
<b>Proceeds to Special Appropriations</b>		\$13,773,572
<b>Proceeds to Gambler's Treatment Program</b>		15,732,208
<b>Proceeds to the State General Fund:</b>		
Prior to Fiscal Year 2011	\$1,007,503,410	
Fiscal Year 2011		
Transferred	0	
Payable	4,714,318	
	<hr/>	
		1,012,217,728
<b>Proceeds to the Veterans Trust Fund:</b>		
Prior to Fiscal Year 2011	\$5,444,931	
Fiscal Year 2011		
Transferred	0	
Payable	131,645	
	<hr/>	
		<hr/> 5,576,576
<b>Total</b>		<hr/> <b>\$1,253,512,878</b> <hr/>

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

	Month ended July 31, 2010	Month ended July 31, 2009
<b>OPERATING REVENUES</b>		
Instant-scratch ticket sales	\$12,314,985	\$10,461,183
Pick 3 sales	542,796	537,829
Powerball sales	4,014,993	4,342,558
Mega Millions sales	805,244	0
Hot Lotto sales	892,739	1,459,199
Pick 4 sales	215,810	205,790
\$100,000 Cash Game sales	312,543	343,407
Pull-tab sales	1,584,353	1,690,430
Application fees	475	150
Other revenue	22,578	275
<b>Total operating revenues</b>	<b>20,706,516</b>	<b>19,040,821</b>
<b>OPERATING EXPENSES</b>		
Scratch ticket prize expense	8,433,823	6,547,085
Pick 3 prize expense	321,948	318,277
Powerball prize expense	1,917,446	2,080,449
Mega Millions prize expense	408,952	0
Hot Lotto prize expense	415,755	716,880
Pick 4 prize expense	126,966	117,093
\$100,000 Cash Game prize expense	147,942	162,072
Pull-tab prize expense	993,570	1,060,600
Promotional prize expense	12,637	6,288
Advertising/publicity	403,077	451,615
Retailer compensation expense	1,306,780	1,165,247
Ticket expense	192,279	202,012
Vendor compensation expense	447,337	672,951
Salary and benefits	591,822	728,450
Travel	26,302	23,241
Supplies	22,194	29,595
Printing	149	5,092
Postage	352	520
Communications	33,582	51,541
Rentals	22,001	23,634
Utilities	7,373	6,355
Professional fees	3,176	2,617
Vending machine maintenance	40,727	40,727
Outside services and repairs	37,427	9,587
Data processing	4,463	3,669
Equipment	11,431	14,914
Reimbursement to other		
state agencies	31,462	24,930
Depreciation	12,740	118,371
Other	6,401	12,851
<b>Total operating expenses</b>	<b>15,980,114</b>	<b>14,596,663</b>
<b>Operating income (loss)</b>	<b>4,726,402</b>	<b>4,444,158</b>

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

	<u>Month ended July 31, 2010</u>	<u>Month ended July 31, 2009</u>
Interest expense	(3,558)	(3,831)
<b>Income before transfers</b>	<b>4,722,844</b>	<b>4,440,327</b>
Transfer to:		
Veterans Trust Fund	(131,645)	(69,484)
State General Fund	(4,714,318)	(4,216,491)
	<u>(4,845,963)</u>	<u>(4,285,975)</u>
<b>Change in net assets</b>	<b>(123,119)</b>	<b>154,352</b>
Net assets, beginning of period	<u>4,202,002</u>	<u>4,413,643</u>
<b>Net assets, end of period</b>	<b><u>\$4,078,883</u></b>	<b><u>\$4,567,995</u></b>

IOWA LOTTERY  
PERFORMANCE MEASURES  
FY 2011

Month	YEAR TO DATE												
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	
<b>Gross Sales</b>	<b>Budget '11</b>	18,722,184	21,125,451	19,513,607	21,220,894	19,642,139	20,464,331	21,420,742	22,054,859	23,025,951	21,590,576	21,385,870	19,933,398
	Actual '10	19,040,396	22,285,181	19,614,614	19,964,605	19,460,281	21,080,059	20,100,947	20,998,253	24,902,645	23,692,829	23,456,304	21,667,379
	Actual '11	20,683,463											
<b>Prize Expense</b>	<b>Budget '11</b>	10,924,452	12,326,766	11,386,250	12,382,457	11,461,249	11,841,000	12,499,069	12,869,078	13,435,713	12,598,167	12,476,721	11,631,199
	Actual '10	11,008,744	12,895,945	11,457,691	11,590,409	11,177,370	12,395,334	12,887,034	12,888,422	13,856,385	14,726,535	12,965,678	12,614,246
	Actual '11	12,779,039											
<b>Operating Expenses</b>	<b>Budget '11</b>	595,484	902,980	902,980	902,980	1,309,847	786,732	909,954	909,954	909,954	909,954	1,320,891	1,174,486
	Actual '10	542,134	833,390	814,169	832,892	808,120	1,044,094	755,973	872,015	854,294	773,491	913,845	1,389,016
	Actual '11	539,097											
<b>Proceeds Transfer-General</b>	<b>Budget '11</b>	4,438,166	4,776,813	4,343,452	4,802,474	3,971,142	4,715,312	4,849,230	5,019,719	5,280,807	4,894,892	4,428,918	4,184,811
	Actual '10	4,216,491	4,943,188	4,347,444	4,165,398	4,592,408	4,913,856	3,537,410	3,894,803	6,517,645	4,532,576	5,856,542	3,741,741
	Actual '11	4,714,318											
<b>Proceeds Transfer-Veterans</b>	<b>Budget '11</b>	82,829	517,578	233,211	143,812	121,555	102,869	151,239	274,763	420,489	185,818	145,864	119,872
	Actual '10	69,484	542,277	211,064	141,357	113,846	97,070	133,242	319,374	455,734	231,865	178,455	167,784
	Actual '11	131,645											
<b>Total Proceeds Transfers</b>	<b>Budget '11</b>	4,520,995	5,294,391	4,576,663	4,946,286	4,092,697	4,818,281	5,000,469	5,294,482	5,701,296	5,080,710	4,574,782	4,304,683
	Actual '10	4,285,975	5,485,465	4,558,508	4,306,755	4,706,254	5,010,926	3,670,652	4,204,177	6,973,379	4,764,441	6,034,997	3,909,525
	Actual '11	4,845,963											
<b>Gross Sales</b>	<b>Budget '11</b>	18,722,184	39,847,634	59,361,241	80,582,135	100,224,274	120,688,605	142,109,347	164,164,206	187,190,156	208,780,732	230,166,602	250,100,000
	Actual '10	19,040,396	41,325,577	60,940,191	80,904,796	100,365,077	121,445,136	141,546,083	162,544,336	187,446,981	211,129,810	234,588,114	256,255,491
	Actual '11	20,683,463											
<b>Prize Expense</b>	<b>Budget '11</b>	10,924,452	23,251,217	34,637,467	47,019,924	58,481,173	70,422,173	82,921,241	95,790,319	109,226,033	121,824,200	134,302,921	145,934,120
	Actual '10	11,008,744	23,894,689	35,352,380	46,942,789	58,120,159	70,515,493	83,402,527	96,290,949	110,147,334	124,873,869	137,839,547	150,453,787
	Actual '11	12,779,039											
<b>Operating Expenses</b>	<b>Budget '11</b>	595,484	1,498,464	2,401,444	3,304,424	4,614,271	5,401,003	6,310,957	7,220,911	8,130,865	9,040,819	10,361,710	11,536,196
	Actual '10	542,134	1,375,524	2,189,693	3,022,585	3,830,705	4,874,799	5,630,772	6,502,787	7,357,081	8,130,572	9,044,417	10,433,431
	Actual '11	539,097											
<b>Proceeds Transfer-General</b>	<b>Budget '11</b>	4,438,166	9,214,979	13,558,431	18,360,905	22,332,047	27,047,359	31,896,589	36,916,308	42,197,115	47,092,007	51,520,925	55,705,736
	Actual '10	4,216,491	9,159,679	13,507,123	17,672,521	22,264,929	27,178,785	30,716,195	34,600,998	41,118,643	45,651,219	51,507,761	55,249,502
	Actual '11	4,714,318											
<b>Proceeds Transfer-Veterans</b>	<b>Budget '11</b>	82,829	600,408	833,619	977,431	1,098,986	1,201,955	1,353,194	1,627,957	2,048,446	2,234,264	2,380,128	2,500,000
	Actual '10	69,484	611,761	822,825	964,182	1,078,028	1,175,698	1,308,340	1,627,714	2,083,448	2,315,313	2,493,768	2,661,564
	Actual '11	131,645											
<b>Total Proceeds Transfers</b>	<b>Budget '11</b>	4,520,995	9,815,387	14,392,050	19,338,336	23,431,033	28,249,314	33,249,783	38,544,265	44,245,561	49,326,271	53,901,053	58,205,736
	Actual '10	4,285,975	9,771,440	14,329,948	18,636,703	23,342,957	28,249,314	32,024,555	36,228,712	43,202,091	47,966,532	54,001,529	57,911,056
	Actual '11	4,845,963											

- 1) Actual FY11 compared to Budget FY11
- 2) Actual FY11 compared to Actual FY10
- 3) Budget FY11 Prize Payout
- 4) Actual FY10 Prize Payout
- 5) Actual FY11 Prize Payout

**IOWA LOTTERY AUTHORITY  
3RD QUARTER FY 2010  
CONFERENCE/SEMINAR OUT OF STATE TRAVEL**

<b>DATES</b>	<b>NAME</b>	<b>DESTINATION</b>	<b>TOTAL EXPENSES</b>
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**THERE WAS NO OUT OF STATE TRAVEL FOR THE 3RD QUARTER OF FY2010**

TOTAL	\$0.00
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# Marketing/Sales Board Report, June 2010

Game	Details	June Sales	June Weekly Per Capita*	Fiscal YTD Sales		FY2010 YTD Goal		
				FY2009	FY2010	Change	\$	%
	\$100,000 Cash Game sales for June averaged <b>\$70,559</b> per week.*	\$302,397	\$0.02	\$4,113,307	\$3,908,784	-4.97%	\$4,000,000	97.72%
	There was one \$200,000 Powerball winner in June: Errett Jackson Jr. in Mason City (06.22.10). And there was one \$1 million Powerball winner in June: Rolle Zellers from Sioux City and Keith Olson from Whiting split the prize (06.21.10). The jackpot reached its peak for June at \$261.6 million and ended the month at \$27.4 million on June 30.	\$4,555,079	\$0.35	\$58,220,203	\$59,189,867	1.67%	\$62,930,000	94.06%
	The jackpot reached its peak for June and ended the month at \$2.17 million on June 30.	\$850,680	\$0.07	\$14,329,610	\$13,653,746	-4.72%	\$12,000,000	113.78%
	The jackpot reached its peak for June at \$36 million and ended the month at \$16 million on June 29.	\$799,092	\$0.06		\$5,544,128		\$5,000,000	110.88%
	Pick 4 sales for June averaged <b>\$48,601</b> per week.*	\$208,288	\$0.02	\$2,555,238	\$2,662,191	4.19%	\$2,200,000	121.01%
	Pick 3 sales for June averaged <b>\$122,955</b> per week.*	\$526,948	\$0.04	\$6,534,764	\$6,531,001	-0.06%	\$6,300,000	103.67%

Game	Details	June Sales	June Weekly Per Capita*	Fiscal YTD Sales			FY2010 YTD Goal	
				FY2009	FY2010	Change	\$	%
	Instant sales for June averaged <b>\$2,960,973</b> per week.* Three instant games were introduced in June: "Lucky Lines" (\$3) was introduced on June 7, "Just A Buck" (\$1) and "Fat Cat Doubler" (\$2) were introduced on June 28.	\$12,689,886	\$0.98	\$136,288,555	\$143,759,258	5.50%	\$137,500,000	104.55%
	Pull-tab sales for June averaged <b>\$404,835</b> per week.* Two new pull-tab games were introduced in June: "Iowa Jackpot" (\$2) was introduced on June 7, "Quarter Play" (\$2.25) was introduced on June 21.	\$1,735,009	\$0.13	\$21,315,424	\$20,217,316	-5.15%	\$20,500,000	98.62%
<b>Totals</b>		<b>\$21,667,379</b>		<b>\$243,337,101</b>	<b>\$255,466,291</b>	<b>4.98%</b>	<b>\$250,430,000</b>	<b>102.01%</b>

\*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 JUNE 2010**

Sales began in the Pot O' Gold Raffle game on Jan. 17. The raffle offered players 102 prizes ranging from an estimated \$1,000 up to \$1 million. Only 120,000 raffle tickets were available for purchase and each cost \$20.



Tickets were made available at lottery terminals in retail locations across the state. Each ticket had a unique number from 10000001 to 10120000.

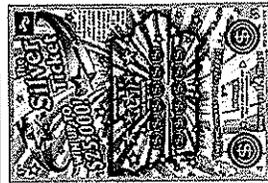
The prizes and odds were: one top prize of an estimated \$1 million (1:120,000 odds of winning); one prize of an estimated \$100,000 (1:120,000 odds) and 100 prizes of an estimated \$1,000 (1:1,200 odds).

Raffle ticket sales ended March 13. The drawing was held on March 17, St. Patrick's Day. Raffle players had to present their tickets to check them against the winning raffle numbers and to claim their prize. Prizes must be claimed by close of business on June 15.

The prize amounts listed for the raffle were based on all available tickets being sold. Since all tickets were not sold, the prizes were awarded on a pari-mutuel basis based on a percentage of total tickets actually sold and were therefore lower than the set prize amounts.

Carol Laufersweiler of Fort Dodge was the raffle's top prize winner of \$328,833. Leroy Brown of Des Moines claimed the raffle's second prize of \$32,883. There were also 100 prizes of \$328.

Iowans can have fun all summer long -- and win cash prizes or receive discounts to many festivals, attractions and businesses -- in a promotion announced April 19 that partners the Iowa Tourism Office and the Iowa Lottery. This is the second year for a summer travel project from Tourism and the Lottery.

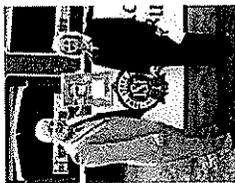


This year's project is being called the "Silver Ticket Celebration" in honor of the lottery's 25<sup>th</sup> anniversary. And the lottery game that is the key to summer fun is "The Silver Ticket," a new \$5 instant-scratch game that celebrates 25 years of lottery entertainment in Iowa. Those who buy a ticket in The Silver Ticket game can win instant prizes ranging from \$5 up to \$25,000. And if you don't win a cash prize, there are a few different ways your ticket can be used for even more value:

- "Silver Ticket Savings." Iowa Lottery players can use nonwinning tickets like a coupon for savings at Iowa events, businesses and attractions. A complete list of the special discount offers available to Silver Ticket customers is available on the Tourism Office Web site at [www.traveliowa.com](http://www.traveliowa.com).
- "Silver Ticket Cash Stops." Lottery players can use nonwinning tickets in The Silver Ticket game for a chance to win cash prizes in contests the lottery will hold at 25 events across the state. Four cash prizes of up to \$500 will be awarded during each contest for a total of \$1,000 in prizes at each event.
- Finally, State Fairgoers can use their nonwinning tickets as an entry in the Silver Ticket Cash Stop festivities during the Tourism-Lottery project's finale event, the Iowa State Fair. We'll kick things off during the Fair's opening ceremonies, which will be at 9 a.m. this year inside the new Richard O. Jacobsen Exhibition Center. While supplies last, the lottery will hand out a \$1 "Veterans Hot 7's" scratch ticket to Fairgoers 21 and older at the event in the new building.



Then, during the Fair's first 10 days (Aug. 12-21), players can visit our booth in the William C. Knapp Varied Industries Building and enter nonwinning tickets in The Silver Ticket game for a chance to win one of five daily cash prizes of \$100 each. The winners' names will be announced each evening at 5:30 p.m. Weekdays, Aug. 12, 13, 16-20, the winner's names will be drawn on the Anderson Erickson Dairy Stage during the KCCI First News at Five. On the weekends, Aug. 14, 15 and 21, the winner's names will be drawn inside our fair booth. Winners do not have to be present



to win. A complete list of all winners will be posted in our booth.

On the last day of the Fair (Aug. 22), players can enter their nonwinning tickets in The Silver Ticket game for the chance to win one of 25 cash prizes of \$100. Winners' names that day will be selected during a contest on the Grand Concourse at 5:30 p.m.

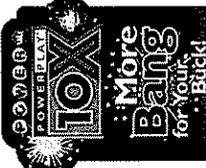
Legislation authorizing a lottery in Iowa was signed into law on April 18, 1985, and the Iowa Lottery sold its first tickets during a kick-off celebration on Aug. 22, 1985, at the Iowa State Fair. Tourism and lottery officials returned to where it all started by announcing this summer's travel initiative on April 19 at the State Fairgrounds.

Sales in The Silver Ticket game began April 19. The first of The Silver Ticket discount offers from businesses and attractions across the state began April 26. Special offers will continue to be available throughout the spring and summer to customers who present The Silver Ticket.

A list of the 25 events that have been chosen as Silver Ticket Cash Stop contest locations is below. During each event, the lottery will hold a contest to give away prizes of \$100, \$150, \$250 and \$500 (a total of \$1,000 at each event). Visitors to each event can enter the local contest with nonwinning tickets in The Silver Ticket game.

25 "Must-See" Silver Ticket Cash Stop Locations

<u>Date</u>	<u>Festival/Event</u>
Saturday, May 15	Celebrate CB, Council Bluffs
<b>Winners:</b> \$500 - Todd Bean, La Vista, NE; \$250 - Betsy Kill, Magnolia; \$150 - Mary Emblen, Council Bluffs; \$100 - Claudette Moriarty, Council Bluffs	
Sunday, May 16	2 <sup>nd</sup> Annual PZAZZ! Great American Grill-Off, Burlington
<b>Winners:</b> \$500 - Jim Foster, Oquawka, IL; \$250 - Vikki Davis, Mount Pleasant; \$150 - Rodney Nelson, Burlington; \$100 - John Dixon, Mount Pleasant	
Friday, May 28	John Wayne Birthday Celebration, Winterset
<b>Winners:</b> \$500 - Michele Shortley, Winterset; \$250 - Randy Kerr, Winterset; \$150 - Terri Scott, Winterset; \$100 - Sierra Treanor, Winterset	
Saturday, May 29	Tivoli Fest, Elk Horn
<b>Winners:</b> \$500 - Edith Irlbeck, Audubon; \$250 - Roger Rust, Harlan; \$150 - John Irlbeck Jr., Audubon; \$100 - Jeanne Nelson, Audubon	
Sunday, May 30	Great Okoboji Wing Ding, Arnolds Park
<b>Winners:</b> \$500 - Kathy Briffett, Sioux Falls, SD; \$250 - Rick Bruchheit, Spencer; \$150 - Mary Kraninger, Milford; \$100 - Keith Swanson, Akron	
Thursday, June 3	My Waterloo Days, Waterloo
<b>Winners:</b> \$500 - Victoria Washington, Waterloo; \$250 - Joe Segebarth, Waterloo; \$150 - David Chilcote, Waterloo; \$100 - Brian Baker, Cedar Falls	
Friday, June 4	1st Fridays Art Walk, Fairfield
<b>Winners:</b> \$500 - Brian Hawthorne, Fairfield; \$250 - Mike Wagner, Fairfield; \$150 - Roberta Fleig, Fairfield; \$100 - John Dixon, Mount Pleasant	
Saturday, June 5	Iowa Arts Festival, Iowa City
<b>Winners:</b> \$500 - Susan Kahler, Cedar Rapids; \$250 - Thomas Schaffnit, Iowa City; \$150 - Jessica Marie, Iowa City; \$100 - Samantha Pieczynski, Davenport	
Saturday, June 12	America's River Festival, Dubuque
<b>Winners:</b> \$500 - Dawn Udelhofen, Peosta; \$250 - Bev Steuer, Dubuque; \$150 - Sherry O'Toole, Dubuque; \$100 - Mary Leslein, Dubuque	

	<p>Sunday, June 13  <b>Winners:</b> \$500 - Timothy Graves, Chariton; \$250 - Tim Foster, West Des Moines; \$150 - Keira Stinson, Des Moines; \$100 - Darrell Fremont, Madrid</p> <p>Friday, June 18  <b>Winners:</b> \$500 - Edith Irlbeck, Audubon; \$250 - John Irlbeck Jr., Audubon; \$150 - Jason Wood, Walnut; \$100 - Timothy Graves, Chariton</p> <p>Saturday, June 19  <b>Winners:</b> \$500 - Brian Van Bruggen, Sioux Center; \$250 - Todd Beaulieu, Clinton; \$150 - Keith Wissink, Sioux Center; \$100 - Gretchen Wissink, Sioux Center</p> <p>Tuesday, June 22  <b>Winners:</b> \$500 - Larry Donahe, Webster City; \$250 - Beth Ann Roberts, Callender; \$150 - Jeff Nemmers Jr., Fort Dodge; \$100 - Larry Ackerson, Fort Dodge</p> <p>Friday, June 25  <b>Winners:</b> \$500 - Janet McCullough, Bloomfield; \$250 - Jim Steele, Batavia; \$150 - Bernard Noel, Bloomfield; \$100 - Robert Kudart, Ottumwa</p> <p>Friday, July 2  <b>Winners:</b> \$500 - Clinton Riverboat Days, Clinton</p> <p>Saturday, July 3  <b>Winners:</b> \$500 - Star Spangled Spectacular, Storm Lake</p> <p>Sunday, July 4  <b>Winners:</b> \$500 - Cedar Rapids Freedom Festival, Cedar Rapids</p> <p>Friday, July 16  <b>Winners:</b> \$500 - Party in the Park, Charles City</p> <p>Saturday, July 17  <b>Winners:</b> \$500 - 57<sup>th</sup> Annual Black Hawk Lake Water Carnival, Lake View</p> <p>Friday, July 23  <b>Winners:</b> \$500 - Downton Street Fest, Davenport</p> <p>Saturday, July 24  <b>Winners:</b> \$500 - LakeFest, Clear Lake</p> <p>Saturday, July 31  <b>Winners:</b> \$500 - Iowa Speedway, Newton</p> <p>Sunday, Aug. 1  <b>Winners:</b> \$500 - National Balloon Classic, Indianola</p> <p>Saturday, Aug. 7  <b>Winners:</b> \$500 - Estherville Sweet Corn Days, Estherville</p> <p>Wednesday, Aug. 11  <b>Winners:</b> \$500 - 50<sup>th</sup> Goodyear Knoxville Nationals, Knoxville</p> <p><u>Finale Event</u>  Aug. 12-22  Iowa State Fair, Des Moines</p> <p>This is the fourth time the Iowa Lottery has offered the Power Play 10X promotion. The Power Play feature normally gives Powerball players the chance to multiply their non-jackpot Powerball winnings by 2, 3, 4 or 5 times for an additional \$1 per play. At the beginning of each Powerball drawing, an animated spinner presents that night's multiplier number.</p> <p>On May 2, one of the four 5X multipliers in the Power Play feature was replaced with a 10X. If the 10X is selected, that means Powerball prizes will be multiplied by 10 times. For example, if a player wins a \$100 prize and the Power Play number is 10, that player would win \$1,000. A \$200,000 prize with the 10X will be multiplied to \$2 million. Jackpot prizes are not eligible for the Power Play option.</p> <p>The Power Play 10X promotion started with the May 2 drawing. The last eligible drawing was set for Saturday, May 29, as long as there was at least one 10X selected during the month of May. Since the 10X did not come up in May, the promotion continued into June until the 10X came up on the June 12 drawing. Richard Patterson Sr. from Savanna, Ill. won a \$10,000 prize with a ticket he purchased in Sabula. Since Patterson had added the Power Play to his ticket and the 10X came up, it multiplied his \$10,000 win by 10 for a \$100,000 prize. At the end of the promotion, the 10X was removed, leaving the original 2X, 3X, 4X and 5X multipliers.</p>
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# Marketing/Sales Board Report, July 2010

Game	Details	July Sales	July Weekly Per Capita*	Fiscal YTD Sales		
				FY2010	FY2011	Change
	There was one \$100,000 Cash Game winner in July: Phillip Jackson in East Moline, Ill. (07.22.10).	\$312,543	\$0.02	\$343,407	\$312,543	-8.99%
	The jackpot reached its peak for July and ended the month at \$85.7 million on July 31.	\$4,014,993	\$0.31	\$4,342,558	\$4,014,993	-7.54%
	There was one \$30,000 Hot Lotto Sizzler winner in July: Sherry Gibbons in Fort Dodge (07.30.10). The jackpot reached its peak for July and ended the month at \$4.14 million on July 31.	\$892,739	\$0.07	\$1,459,199	\$892,739	-38.82%
	The jackpot reached its peak for July at \$64 million and ended the month at \$33 million on July 30.	\$805,244	\$0.06		\$805,244	
	Pick 4 sales for July averaged \$48,731 per week.*	\$215,810	\$0.02	\$205,790	\$215,810	4.87%
	Pick 3 sales for July averaged \$122,567 per week.*	\$542,796	\$0.04	\$537,829	\$542,796	0.92%

Game	Details	July Sales	July Weekly Per Capita*	Fiscal YTD Sales		Change
				FY2010	FY2011	
	Instant sales for July averaged \$2,780,803 per week.* Two instant games were introduced in July: "Veterans Hot 7's" (\$1) and "Cash Vault" (\$2) were introduced on July 19.	\$12,314,985	\$0.95	\$10,461,183	\$12,314,985	17.72%
	Pull-tab sales for July averaged \$357,757 per week.* One new pull-tab game was introduced in July: "Blaze of Glory" (\$.50) was introduced on July 12.	\$1,584,353	\$0.12	\$1,690,430	\$1,584,353	-6.28%
<b>Totals</b>		<b>\$20,683,463</b>		<b>\$19,040,396</b>	<b>\$20,683,463</b>	<b>8.63%</b>

\*Based on the state population of 3,002,555 people.

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

## PROMOTIONS FOR JULY 2010

Iowans can have fun all summer long -- and win cash prizes or receive discounts to many festivals, attractions and businesses -- in a promotion announced April 19 that partners the Iowa Tourism Office and the Iowa Lottery. This is the second year for a summer travel project from Tourism and the Lottery.

This year's project is being called the "Silver Ticket Celebration" in honor of the lottery's 25<sup>th</sup> anniversary. And the lottery game that is the key to summer fun is "The Silver Ticket," a new \$5 instant-scratch game that celebrates 25 years of lottery entertainment in Iowa. Those who buy a ticket in The Silver Ticket game can win instant prizes ranging from \$5 up to \$25,000. And if you don't win a cash prize, there are a few different ways your ticket can be used for even more value:

- "Silver Ticket Savings." Iowa Lottery players can use nonwinning tickets like a coupon for savings at Iowa events, businesses and attractions. A complete list of the special discount offers available to Silver Ticket customers is available on the Tourism Office Web site at [www.traveliowa.com](http://www.traveliowa.com).
- "Silver Ticket Cash Stops." Lottery players can use nonwinning tickets in The Silver Ticket game for a chance to win cash prizes in contests the lottery will hold at 25 events across the state. Four cash prizes of up to \$500 will be awarded during each contest for a total of \$1,000 in prizes at each event.
- Finally, State Fairgoers can use their nonwinning tickets as an entry in the Silver Ticket Cash Stop festivities during the Tourism-Lottery project's finale event, the Iowa State Fair. We'll kick things off during the Fair's opening ceremonies, which will be at 9 a.m. this year inside the new Richard O. Jacobsen Exhibition Center. While supplies last, the lottery will hand out a \$1 "Veterans Hot 7's" scratch ticket to Fairgoers 21 and older at the event in the new building.

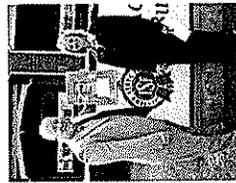
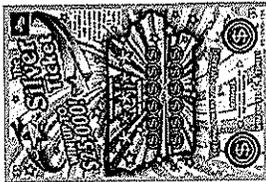
Then, during the Fair's first 10 days (Aug. 12-21), players can visit our booth in the William C. Knapp Varied Industries Building and enter nonwinning tickets in The Silver Ticket game for a chance to win one of five daily cash prizes of \$100 each. The winners' names will be announced each evening at 5:30 p.m. Weekdays, Aug. 12, 13, 16-20, the winner's names will be drawn on the Anderson Erickson Dairy Stage during the KCCI First News at Five. On the weekends, Aug. 14, 15 and 21, the winner's names will be drawn inside our fair booth. Winners do not have to be present to win. A complete list of all winners will be posted in our booth.

On the last day of the Fair (Aug. 22), players can enter their nonwinning tickets in The Silver Ticket game for the chance to win one of 25 cash prizes of \$100. Winners' names that day will be selected during a contest on the Grand Concourse at 5:30 p.m.

Legislation authorizing a lottery in Iowa was signed into law on April 18, 1985, and the Iowa Lottery sold its first tickets during a kick-off celebration on Aug. 22, 1985, at the Iowa State Fair. Tourism and lottery officials returned to where it all started by announcing this summer's travel initiative on April 19 at the State Fairgrounds.

Sales in The Silver Ticket game began April 19. The first of The Silver Ticket discount offers from businesses and attractions across the state began April 26. Special offers will continue to be available throughout the spring and summer to customers who present The Silver Ticket.

A list of the 25 events that have been chosen as Silver Ticket Cash Stop contest locations is below. During each event, the lottery will hold a contest to give away prizes of \$100, \$150, \$250 and \$500 (a total of \$1,000 at each event). Visitors to each event can enter the local contest with nonwinning tickets in The Silver Ticket game.

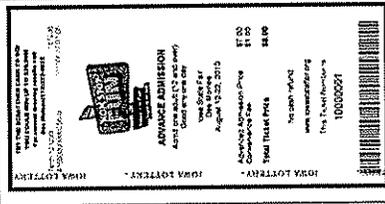




25 "Must-See" Silver Ticket Cash Stop Locations

Date	Festival/Event
Saturday, May 15	Celebrate CB, Council Bluffs
<b>Winners:</b> \$500 - Todd Bean, La Vista, NE; \$250 - Betsy Kill, Magnolia; \$150 - Mary Emblen, Council Bluffs; \$100 - Claudette Moriarty, Council Bluffs	
Sunday, May 16	2 <sup>nd</sup> Annual PZZAZI Great American Grill-Off, Burlington
<b>Winners:</b> \$500 - Jim Foster, Oquawka, IL; \$250 - Vikki Davis, Mount Pleasant; \$150 - Rodney Nelson, Burlington; \$100 - John Dixon, Mount Pleasant	
Friday, May 28	John Wayne Birthday Celebration, Winterset
<b>Winners:</b> \$500 - Michele Shortley, Winterset; \$250 - Randy Kerr, Winterset; \$150 - Terri Scott, Winterset; \$100 - Sierra Treanor, Winterset	
Saturday, May 29	Tivoli Fest, Elk Horn
<b>Winners:</b> \$500 - Edith Irlbeck, Audubon; \$250 - Roger Rust, Harlan; \$150 - John Irlbeck Jr., Audubon; \$100 - Jeanne Nelson, Audubon	
Sunday, May 30	Great Okoboji Wing Ding, Arnolds Park
<b>Winners:</b> \$500 - Kathy Briffett, Sioux Falls, SD; \$250 - Rick Bruchheit, Spencer; \$150 - Mary Kraninger, Milford; \$100 - Keith Swanson, Akron	
Thursday, June 3	My Waterloo Days, Waterloo
<b>Winners:</b> \$500 - Victoria Washington, Waterloo; \$250 - Joe Segebarth, Waterloo; \$150 - David Chilcote, Waterloo; \$100 - Brian Baker, Cedar Falls	
Friday, June 4	1st Fridays Art Walk, Fairfield
<b>Winners:</b> \$500 - Brian Hawthorne, Fairfield; \$250 - Mike Wagner, Fairfield; \$150 - Roberta Fleig, Fairfield; \$100 - John Dixon, Mount Pleasant	
Saturday, June 5	Iowa Arts Festival, Iowa City
<b>Winners:</b> \$500 - Susan Kahler, Cedar Rapids; \$250 - Thomas Schaffnit, Iowa City; \$150 - Jessica Marie, Iowa City; \$100 - Samantha Pieczynski, Davenport	
Saturday, June 12	America's River Festival, Dubuque
<b>Winners:</b> \$500 - Dawn Udelhofen, Peosta; \$250 - Bev Steuer, Dubuque; \$150 - Sherry O'Toole, Dubuque; \$100 - Mary Leslein, Dubuque	
Sunday, June 13	Hy-Vee Triathlon, West Des Moines
<b>Winners:</b> \$500 - Timothy Graves, Chariton; \$250 - Tim Foster, West Des Moines; \$150 - Keira Stinson, Des Moines; \$100 - Darrell Fremont, Madrid	
Friday, June 18	AMVET's June Antique Show, Walnut
<b>Winners:</b> \$500 - Edith Irlbeck, Audubon; \$250 - John Irlbeck Jr., Audubon; \$150 - Jason Wood, Walnut; \$100 - Timothy Graves, Chariton	
Saturday, June 19	Awesome Biker Nights, Sioux City
<b>Winners:</b> \$500 - Brian Van Bruggen, Sioux Center; \$250 - Todd Beaulieu, Clinton; \$150 - Keith Wissink, Sioux Center; \$100 - Gretchen Wissink, Sioux Center	
Tuesday, June 22	U.S. Modified Tours Series At Mineral City Speedway, Fort Dodge
<b>Winners:</b> \$500 - Larry Donahe, Webster City; \$250 - Beth Ann Roberts, Callender; \$150 - Jeff Nemmers Jr., Fort Dodge; \$100 - Larry Ackerson, Fort Dodge	
Friday, June 25	33 <sup>rd</sup> Annual Ottumwa Pro Balloon Race, Ottumwa
<b>Winners:</b> \$500 - Janet McCullough, Bloomfield; \$250 - Jim Steele, Batavia; \$150 - Bernard Noel, Bloomfield; \$100 - Robert Kudart, Ottumwa	

Friday, July 2	Clinton Riverboat Days, Clinton <b>Winners:</b> \$500 - Jason Anthony, Clinton; \$250 - Valerie Drury, Clinton; \$150 - Bruce Drury, Clinton; \$100 - Terry Nielsen, Clinton
Saturday, July 3	Star Spangled Spectacular, Storm Lake <b>Winners:</b> \$500 - Tom Ellis, Storm Lake; \$250 - Barb Hartje, Storm Lake; \$150 - Cindy Wagener, Storm Lake; \$100 - Jerome Kippley, Denison
Sunday, July 4	Cedar Rapids Freedom Festival, Cedar Rapids <b>Winners:</b> \$500 - Rodger Stambaugh, Cedar Rapids; \$250 - Don Fleming, Anamosa; \$150 - Wendy Berner, Cedar Rapids; \$100 - Bobbie McLane, Palo
Friday, July 16	Party in the Park, Charles City <b>Winners:</b> \$500 - Janice Barrett, Charles City; \$250 - Leslie Bechthold, Nashua; \$150 - Dennis Smith, Charles City; \$100 - Bryan Schmidt, Charles City
Saturday, July 17	57 <sup>th</sup> Annual Black Hawk Lake Water Carnival, Lake View <b>Winners:</b> \$500 - Kreg Haukap, Storm Lake; \$250 - Susan Musfeldt, Carroll; \$150 - Candy Ludwig, Lake View; \$100 - Jean Lamaak, Pomeroy
Friday, July 23	Downtown Street Fest, Davenport <b>Winners:</b> \$500 - Stephanie Miller, North Liberty; \$250 - Samantha Pieczynski, Davenport; \$150 - Tom Hebbeln, Davenport; \$100 - Richard Hakes, Davenport
Saturday, July 24	LakeFest, Clear Lake <b>Winners:</b> \$500 - John Harbacheck, Mason City; \$250 - Peggy Coleman, Webster City; \$150 - Carolyn Thompson, Forest City; \$100 - Amelia Hartema, Mason City
Saturday, July 31	Iowa Speedway, Newton <b>Winners:</b> \$500 - DeAnn Cahalan, Decorah; \$250 - Darlene Clark, Pleasantville; \$150 - Jennifer Reuter, Jesup; \$100 - Helen Morgan, Milo
Sunday, Aug. 1	National Balloon Classic, Indianola
Saturday, Aug. 7	Estherville Sweet Corn Days, Estherville
Wednesday, Aug. 11	50 <sup>th</sup> Goodyear Knoxville Nationals, Knoxville
<u>Finale Event</u>	
Aug. 12-22	Iowa State Fair, Des Moines



**State Fair Discount Admission Tickets being Sold by Iowa Lottery for First Time**

It's a convenience offered by thousands of new locations where fans can buy fair tickets.

Adult advance-admission tickets to the Iowa State Fair were made available through Iowa Lottery sales terminals this year for the first time, giving Fair fans nearly 2,000 locations statewide where they can buy tickets. The Fair is set for "Non Stop Fun" August 12-22.

Tickets are being printed from Lottery terminals on the same paper that is used for lotto tickets in games such as Powerball. Adult advance-admission is \$7, with a \$1 convenience fee for tickets available from lottery terminals. Tickets went on sale July 1 and must be purchased by August 11, the day before the Fair begins. Tickets are good any one Fair day.

Child advance-admission tickets will not be available through the Lottery system but will be available at all Dahi's Food Stores, participating Fareways, as well as participating Iowa and Omaha-area Hy-Vee and Hy-Vee Drugstores. They will be \$3. Children 5 and under are admitted free every day.



SECURITY REPORT  
APRIL 2010

**INVESTIGATIONS**

Cases opened:	7	Types:	4 Theft
Cases closed:	1		2 Internal Theft
Record of Contact:	9		1 Miscellaneous (2 signatures)

**EVENTS**

Provide security for the \$100,000 Cash Game and all second chance and promotional drawings. Total 26 drawings. Assist with the Midwest Millions Second Chance Drawing.

**WAREHOUSING AND DISTRIBUTION**

See attached:

**MISCELLANEOUS**

Assist Validations Department: 9  
Law Enforcement contacts: 3

**TOTAL RETAILERS**

4927

SECURITY REPORT  
MAY 2010

**INVESTIGATIONS**

Cases Opened: 10  
Cases Closed: 2  
Record of Contact: 9

Types: 3 Burglaries  
2 Internal theft  
2 Customer complaints  
1 Lost/Missing pack  
1 Found tickets  
1 Retailer Accounting problem

**EVENTS**

Provide security for the \$100,00 Cash Game and all second chance and promotional drawings. Total 26 drawings.

**WAREHOUSING AND DISTRIBUTION**

See attached:

**MISCELLANEOUS**

Assist Validations Department: 5  
Law Enforcement Contacts: 7

SECURITY REPORT  
JUNE 2010

**INVESTIGATIONS**

Cases Opened: 6  
Cases Closed: 2  
Record of Contact: 6

Types: 3 Theft  
1 Accounting problem  
1 Missing tickets from a winner  
1 Internal theft

**EVENTS**

Provide security for the \$100,000 Cash Game and all second chance promotional drawings. Total 26 drawings.

**WAREHOUSING AND DISTRIBUTION**

See attached:

**MISCELLANEOUS**

Assist Validations Department: 5  
Law Enforcement Contacts: 7

Said Goodbye to 4 Security Department members

**TOTAL RETAILERS**

4925

SECURITY REPORT  
JULY 2010

**INVESTIGATIONS**

Cases Opened: 7  
Cases Closed: 0  
Record of Contact: 7

Types: 1 Burglary/stolen tickets  
2 Stolen tickets  
2 Stolen packs  
1 Suspected ticket theft

**EVENTS**

Provide security for the \$100,000 Cash Game and all second chance and promotional drawings. Total 27 drawings.

**WAREHOUSING AND DISTRIBUTION**

See attached:

**MISCELLANEOUS**

Assist Validations Department: 5  
Law Enforcement contacts: 7

**TOTAL RETAILERS**

4925

SECURITY REPORT  
AUGUST 2010

**INVESTIGATIONS**

Cases Opened:	3	Types: 2 Burglaries
Cases Closed:	0	1 Internal Theft
Record of Contact:	9	

**EVENTS**

Provide security for the \$100,000 Cash Game and all second chance and promotional drawings. Total 26 drawings. Work at the Iowa State Fair, Security also provided product support for fair. Bring money from fair each day to the Accounting Department. Escort Accounting personnel to the bank to make cash deposit. 7 escorts.

**WAREHOUSING AND DISTRIBUTION**

Roger Mott drove the Iowa Lottery warehouse truck to make deliveries to Regional Offices.

**MISCELLANEOUS**

Assist Validations Department: 20  
Law Enforcement contacts: 15

**TOTAL RETAILERS**

4924



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

**Date:** April 1<sup>st</sup>, 2010

**To:** Joe Diaz  
Vice President Security

**From:** Kevin Jones  
Central Warehouse

**Re.:** INSTANT GAME NO. 680 THE SILVER TICKET

Tickets Received	1,505,460
Tickets Rejected	(0)
Tickets Pulled For Inspection	(240)
Tickets Available For Distribution	1,505,220

**cc:** Terry Rich  
Larry Loss  
Cindy Weber  
Cassie Kibling  
Jonathan Fokken  
Deirdre Demmerly  
Janice Tuil  
Carmen Ledesma  
Joe Dullard  
Brad Thompson, Pollard Banknote



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Terry Rich • Chief Executive Officer

**Date: April 29<sup>th</sup>, 2010**

**To: Joe Diaz  
Vice President Security**

**From: Kevin Jones  
Central Warehouse**

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

**WAREHOUSING**

1. Received and stored the following Instant Game:  
Game no. 680 – Silver Ticket

**DISTRIBUTION**

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

**MISCELLANEOUS**

1. Made a Trip to Milwaukee Paper Board.



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Terry Rich • Chief Executive Officer

Date: May 5<sup>th</sup>, 2010

To: Joe Diaz  
Vice President Security

From: Kevin Jones  
Central Warehouse

Re.: **INSTANT GAME NO. 683 FIRE N DICE**

Tickets Received	1,379,850
Tickets Rejected	(0)
Tickets Pulled For Inspection	(600)
Tickets Available For Distribution	1,379,250

cc: Terry Rich  
Larry Loss  
Cindy Weber  
Cassie Kibling  
Jonathan Fokken  
Deirdre Demmerly  
Janice Tuil  
Carmen Ledesma  
Joe Dullard  
Jennifer Satterfield, Scientific Games



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Date: May 5<sup>th</sup>, 2010

To: Joe Diaz  
Vice President Security

From: Kevin Jones  
Central Warehouse

Re.: **INSTANT GAME NO. 685 JUST A BUCK**

Tickets Received	2,013,000
Tickets Rejected	(0)
Tickets Pulled For Inspection	(1,200)
Tickets Available For Distribution	2,011,800

cc: Terry Rich  
Larry Loss  
Cindy Weber  
Cassie Kibling  
Jonathan Fokken  
Deirdre Demmerly  
Janice Tuil  
Carmen Ledesma  
Joe Dullard  
Jennifer Satterfield, Scientific Games



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Terry Rich • Chief Executive Officer

Date: May 5<sup>th</sup>, 2010

To: Joe Diaz  
Vice President Security

From: Kevin Jones  
Central Warehouse

Re: **INSTANT GAME NO. 686 FAT CAT DOUBLER**

Tickets Received	1,384,500
Tickets Rejected	(0)
Tickets Pulled For Inspection	(600)
Tickets Available For Distribution	1,383,900

cc: Terry Rich  
Larry Loss  
Cindy Weber  
Cassie Kibling  
Jonathan Fokken  
Deirdre Demmerly  
Janice Tuil  
Carmen Ledesma  
Joe Dullard  
Jennifer Satterfield, Scientific Games



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Terry Rich • Chief Executive Officer

Date: May 5<sup>th</sup>, 2010

To: Joe Diaz  
Vice President Security

From: Kevin Jones  
Central Warehouse

Re.: **INSTANT GAME NO. 988 JUST A BUCK – BAR CODE TEST GAME**

Tickets Received	30,600
Tickets Rejected	(0)
Tickets Pulled For Inspection	(1,200)
Tickets Available For Distribution	29,400

cc: Terry Rich  
Larry Loss  
Cindy Weber  
Cassie Kibling  
Jonathan Fokken  
Deirdre Demmerly  
Janice Tuil  
Carmen Ledesma  
Joe Dullard  
Jennifer Satterfield, Scientific Games



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**Date:** May 21<sup>st</sup>, 2010

**To:** Joe Diaz  
Vice President Security

**From:** Kevin Jones  
Central Warehouse

**Re.:** INSTANT GAME NO. 684 LUCKY LINES

Tickets Received	1,119,400
Tickets Rejected	(0)
Tickets Pulled For Inspection	(400)
Tickets Available For Distribution	1,119,000

**cc:** Terry Rich  
Larry Loss  
Cindy Weber  
Cassie Kibling  
Jonathan Fokken  
Deirdre Demmerly  
Janice Tuil  
Carmen Ledesma  
Joe Dullard  
Brad Thompson, Pollard Banknote



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Date: May 26<sup>th</sup>, 2010

To: Joe Diaz  
Vice President Security

From: Kevin Jones  
Central Warehouse

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

**WAREHOUSING**

1. Received and stored the following Instant Games:

- Game # 683 – Fire & Dice
- Game # 684 – Lucky Lines
- Game # 685 – Just a Buck
- Game # 686 – Fat Cat Doubler

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

- Game # 44 – Iowa Jackpot
- Game # 46- Quarter Draw

**DISTRIBUTION**

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



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Date: June 30, 2010

To: Joe Diaz  
Vice President Security

From: Kevin Jones  
Central Warehouse

Re: INSTANT GAME NO. 691 COOL CASH

Tickets received	1,258,650
Tickets rejected	(0)
Tickets pulled for inspection	(600)
Tickets available for inspection	1,258,050

Cc: Terry Rich  
Larry Loss  
Cindy Weber  
Cassie Kibling  
Jonathan Fokken  
Deirdre Demmerly  
Janice Tuil  
Carmen Ledesma  
Joe Dullard  
Jennifer Satterfield, Scientific Games



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Date: June 30, 2010

To: Joe Diaz  
Vice President Security

From: Kevin Jones  
Central Warehouse

Re: INSTANT GAME NO. 693 WHITE ICE 9's

Tickets received	1,258,500
Tickets rejected	(0)
Tickets pulled for inspection	(900)
Tickets available for inspection	1,257,600

Cc: Terry Rich  
Larry Loss  
Cindy Weber  
Cassie Kibling  
Jonathan Fokken  
Deirdre Demmerly  
Janice Tuil  
Carmen Ledesma  
Joe Dullard  
Jennifer Satterfield, Scientific Games



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Terry Rich • Chief Executive Officer

Date: June 30, 2010

To: Joe Diaz  
Vice President Security

From: Kevin Jones  
Central Warehouse

Re: INSTANT GAME NO. 688 VETERAN'S HOT 7's

Tickets received	2,249,400
Tickets rejected	(0)
Tickets pulled for inspection	(1,200)
Tickets available for inspection	2,248,200

Cc: Terry Rich  
Larry Loss  
Cindy Weber  
Cassie Kibling  
Jonathan Fokken  
Deirdre Demmerly  
Janice Tuil  
Carmen Ledesma  
Joe Dullard  
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Terry Rich • Chief Executive Officer

Date: June 30, 2010

To: Joe Diaz  
Vice President Security

From: Kevin Jones  
Central Warehouse

Re: INSTANT GAME NO. 678 DELUXE 7-11-21

Tickets received	1,132,200
Tickets rejected	(0)
Tickets pulled for inspection	(240)
Tickets available for inspection	1,131,960

Cc: Terry Rich  
Larry Loss  
Cindy Weber  
Cassie Kibling  
Jonathan Fokken  
Deirdre Demmerly  
Janice Tuil  
Carmen Ledesma  
Joe Dullard  
Jennifer Satterfield, Scientific Games



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Terry Rich • Chief Executive Officer

Date: June 30, 2010

To: Joe Diaz  
Vice President Security

From: Kevin Jones  
Central Warehouse

Re: WAREHOUSING & DISTRIBUTION – JUNE 2010  
WAREHOUSING

1. Received and stored the following Instant Games:  
Game No. 678 – Deluxe 7-11-21  
Game No. 688 – Veteran's Hot 7's  
Game No. 691 – Cool Cash  
Game No. 693 – White Ice 9's
2. Received and stored the following Pull-Tab Game:  
Game No. 45 – Blaze of Glory

DISTRIBUTION

1. Shipped tickets, marketing materials and supplies to all regional distribution centers as required.



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Date: July 21, 2010

To: Joe Diaz  
Vice President Security

From: Kevin Jones  
Central Warehouse

Re: INSTANT GAME NO. 689 RINGS OF CASH

Tickets received	1,133,300
Tickets rejected	(0)
Tickets pulled for inspection	(400)
Tickets available for distribution	1,132,900

Cc: Terry Rich  
Larry Loss  
Cindy Weber  
Cassie Weber  
Cassie Kibling  
Jonathan Fokken  
Deirdre Demmerly  
Janice Tuil  
Carmen Ledesma  
Joe Dullard  
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Date: July 21, 2010

To: Joe Diaz  
Vice President Security

From: Kevin Jones  
Central Warehouse

Re: INSTANT GAME NO. 690 BLACK CHERRY DOUBLER

Tickets received	2,264,700
Tickets rejected	(0)
Tickets pulled for inspection	(1,200)
Tickets available for distribution	2,263,500

Cc: Terry Rich  
Larry Loss  
Cindy Weber  
Cassie Kibling  
Jonathan Fokken  
Deirdre Demmerly  
Janice Tuil  
Carmen Ledesma  
Joe Dullard  
Jennifer Satterfield, Scientific Games



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Terry Rich • Chief Executive Officer

Date: July 21, 2010

To: Joe Diaz  
Vice President Security

From: Kevin Jones  
Central Warehouse

Re: INSTANT GAME NO. 692 TRIPLE DIAMONDS

Tickets received	1,258,800
Tickets rejected	(0)
Tickets pulled for inspection	(600)
Tickets available for distribution	1,258,200

Cc: Terry Rich  
Larry Loss  
Cindy Weber  
Cassie Kibling  
Jonathan Fokken  
Deirdre Demmerly  
Janice Tuil  
Carmen Ledesma  
Joe Dullard  
Jennifer Satterfield, Scientific Games



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Terry Rich • Chief Executive Officer

**Date: July 29, 2010**

**To: Joe Diaz**  
**Vice President Security**

**From: Kevin Jones**  
**Central Warehouse**

**Re: Warehousing & Distribution-July 2010**  
**Warehousing**

**1. Received and stored the following Instant Games:**

**Game No. 689 – Rings of Cash**  
**Game No. 690 – Black Cherry Doubler**  
**Game No. 692 – Triple Diamonds**

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

**Game No. 47 – Sparking Sapphires**

**Distribution**

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





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

July 28, 2010

TO: Iowa Lottery Authority Board  
FR: Larry Loss  
RE: Maintenance of Pull-Tab and Instant Vending Machines

In previous board action, a contract for the purchase of instant ticket and pull-tab vending machines was approved in 2004. This contract also provided for the continuing maintenance of the machines for a period of four years plus a two-year extension. The last extension expires September 30, 2010.

Because the machines continue to be in good operating order, it is our intent to continue using the machines requiring a maintenance program. While other service companies may be able to provide maintenance of the machines, they would incur the expense of a background investigation and must purchase all parts from American Games who holds the patent for the modular components of the machines. Based on these facts, the Lottery feels American Games is a sole source provider for the maintenance.

American Games has agreed to a lower monthly cost per machine based on CPI adjustments.

I would ask the board to enter into a two-year agreement with two one-year options with American Games for the maintenance of pull-tab and instant ticket vending machines.

**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 34<sup>th</sup> 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 manufactured by the Contractor and owned by the Lottery.

**3.3** "PTVM" means pull-tab ticket vending machine manufactured by the Contractor and owned by the Lottery.

**3.4** "Relocation" means the moving of either ITVM or PTVM to a different retail location in Iowa 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, subject to Section 3 of Schedule A, 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 30, 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. Any such changes shall be documented in an Amendment to this Agreement, as contemplated in section 14.3.

**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." All ticket purchases (pull-tab and instant) that are dispensed from a PTVM or ITVM are prohibited.

**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. At its sole discretion, Contractor may, upon request by the Lottery, agree 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 and approved by the Lottery, and the following relocation fees and monthly maintenance fees:

Monthly maintenance fees shall be:

6 column PTVM	\$29.77 per machine/month
12 column PTVM	\$29.77 per machine/month
12 bin ITVM	\$48.52 per machine/month
16 bin ITVM	\$48.52 per machine/month
20 bin ITVM	\$48.52 per machine/month

Relocation fees shall be:

PTVM relocation	\$115 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 (Oct 1, 2011) 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 beyond the Grace Period (as defined in Schedule A, Section 5) 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 is dirty, damaged or Non-Functional.

**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 fifty thousand dollars (\$50,000) 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 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.

**9.5 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.

## **SECTION 10. CONTRACTOR REPRESENTATIONS AND WARRANTIES.**

**10.1** All representations and warranties made by the Contractor in all provisions of this Agreement, 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 industry 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 reasonable costs and expenses and reasonable 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, or subcontractors, employed by Contractor in the performance of this Agreement; or

**11.1.3** Any failure by the Contractor to comply with all applicable 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 an ITVM or a PTVM 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, if the breach remains uncured 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 Lottery determines that satisfactory performance of this Agreement is substantially endangered or that a default is likely to occur.

**12.3.3** 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.

**12.3.4** If the Contractor terminates or suspends its business.

**12.3.5** 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.

**12.3.6** 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.

**12.3.7** If it is alleged that the Contractor's processes or materials that are material to this Contract 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.

**12.3.8** If during the course of this Agreement any action by the Contractor substantially 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.

**12.3.9** 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 sixty (60) 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 controlling 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 Schedule A, 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 Chief Operating Officer, 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** On the next business day in the case of overnight hand delivery, courier or services such as Federal Express with guaranteed next day of delivery if sent on a business day; 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 financial, and accounting records pertaining to this 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 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 affected 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 is exempt from the payment of Iowa sales tax. 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 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 O. 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 all purposes of this Agreement, a "Non-functional Machine" and this Schedule, 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 and will charge the same to the lottery at an hourly rate of \$60 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. The time between the call reporting the trouble and the time within which the repair or replacement is to be completed is called the "Grace Period."
6. All calls to the Contractor's toll free answering service (for calls outside of business hours) shall be voice-recorded and retained for a period of 30 days.
7. A daily log of all service activity including preventative maintenance shall be maintained by the Contractor. A recap report shall be transmitted electronically to the Lottery each week. A weekly recap 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 weekly basis.
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. If a machine to be relocated is a Non-functional Machine or a machine of the kind described in paragraph 4 above, the time for relocation may be extended with the Lottery's approval by the time reasonably necessary to make any required repairs. 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.



**EXTENSION AND AMENDMENT OF  
AGREEMENT FOR THE PURCHASE OF  
INSTANT TICKETS AND RELATED SERVICES**

This Extension and Amendment of Agreement For the Purchase of Instant Tickets and Related Services (Extension) is effective on the last date set forth below and is made by and between the **Iowa Lottery Authority** (Lottery) and **Scientific Games International, Inc.** (Contractor).

In consideration of the mutual covenants contained in this Extension, 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 and is authorized by Iowa Code Chapter 99G to conduct a lottery in the State of Iowa. The Lottery's address is 2323 Grand Avenue, Des Moines, Iowa 50312.

1.2 The Contractor is a wholly owned subsidiary of Scientific Games Corporation whose business, among other things, includes printing of instant tickets. Contractor's principal place of business is 1500 Bluegrass Lakes Parkway, Alpharetta, GA 30004.

**SECTION 2. EXTENSION OF TERM.**

On or about January 29, 2008, the Lottery and Contractor entered into an Agreement for the Purchase of Instant Tickets and Related Services ("Agreement"). The term of the Agreement was for two years, plus three one-year extension periods exercisable at the option of the Lottery. Pursuant to Section 5 of the Agreement, the second option period is hereby exercised extending the term through December 31, 2011.

**SECTION 3. AMENDMENTS.**

**FailSafe®**

Subject to the license provisions of the Patent License Agreement attached to this Extension as Addendum 1, the Contractor agrees to print the FailSafe® instant ticket bar code on all instant scratch tickets to be produced for the Lottery during the term of this extension. The Contractor also agrees to provide the FailSafe® instant ticket bar code technology to other instant ticket printers as requested in writing by the Lottery.

**SECTION 4. AGREEMENT OTHERWISE UNCHANGED.**

Except as specifically modified hereby, the terms of this Agreement shall remain in full force and effect.

**SECTION 5. 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 Extension and have caused their duly authorized representatives to execute this Extension.

**Iowa Lottery Authority**

By: \_\_\_\_\_  
Name: Kenneth A. Brickman  
Title: Executive Vice President

Date: \_\_\_\_\_

**Scientific Games Corporation**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Date: \_\_\_\_\_

## ADDENDUM 1

### PATENT LICENSE AGREEMENT

**THIS PATENT LICENSE AGREEMENT** (the "**Agreement**") is entered into and forms a part of the Extension between the Iowa Lottery Authority ("LOTTERY") and Scientific Games International, Inc. ("Scientific Games").

#### WITNESSETH:

**WHEREAS**, Scientific Games or one of its Affiliates owns or controls certain technical information, know-how, and patent applications, relating to the Licensed Property (as defined below); and

**WHEREAS**, LOTTERY desires to obtain a license in said technical information, know-how, and patent applications, as well as in any relevant Letters Patent;

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which is acknowledged hereby, the parties, intending to be legally bound, hereby agree:

#### ARTICLE I - DEFINITIONS

- 1.01 The terms "**Affiliate**" or "**Affiliated**" shall mean any person, corporation or other entity which owns, is owned by, or otherwise controlled by one of the parties to this Agreement.
- 1.02 The "**Effective Date**" of the Agreement shall be the date in which the Extension is signed.
- 1.03 The term "**Licensed Property**" or "**Licensed Technology**" shall mean the technical information, know-how, and subject matter described in United States Patent No. 6,308,991 entitled "Printed Document Including Bar Code Authentication System", (the "**Patent**") and all intellectual property rights deriving therefrom, registered or not as well as any United States Patent (defined below) that may issue from the same, together with any divisionals, continuations or continuations in part thereof, including reissues, and reexaminations, as well as any other Letters Patent claiming priority to U.S. Patent 6,308,991.
- 1.04 The term "**Licensed Games**" shall mean instant game tickets as contemplated by the Agreement for the Purchase of Instant Tickets and Related Services (the "**Instant Ticket Contract**") and conducted by the LOTTERY using the Licensed Property as described in the game specifications for that game.
- 1.05 The term "**Sales**" shall mean the gross sales of the Licensed Games.
- 1.06 The preamble and the definitions of the Agreement shall be deemed to form a part of this Agreement for all purposes.
- 1.07 As used herein, the singular shall include the plural and vice versa.

#### ARTICLE II - GRANT OF LICENSE

- 2.01 Scientific Games hereby grants LOTTERY a non-exclusive license (the "**License**") under its rights in the Licensed Property to print, produce, use, sell, offer for sale, or distribute the Licensed Games in the state of Iowa (the "**Licensed Territory**").

- 2.02 Scientific Games acknowledges and agrees that Lottery may select other Lottery vendors to print instant lottery game tickets containing the Licensed Technology for the benefit of the Lottery. In this regard Scientific Games grants the Lottery the limited right to have such tickets printed, produced or made using or containing the Licensed Technology for the use, sale, offer for sale, or distribution in accordance with Article 2.01
- 2.03 Scientific Games represents and warrants:
- 2.03.1 that to the best of its knowledge, it is the owner of the Licensed Property;
- 2.03.2 that it has the right to enter into this Agreement and to grant the License; and
- 2.03.3 that there is no pending litigation, or pending written claims received by Scientific Games or its Affiliates, alleging that Scientific Games' practice of the technology covered by the Licensed Property has infringed any intellectual property rights of any third party.
- 2.04 No rights, licenses, or sublicenses express or implied, other than those granted in this Article II are granted by this Agreement.

### **ARTICLE III - LICENSING FEE**

- 3.01 The parties agree that in return for the contract extension and other good and valuable consideration, receipt which is hereby acknowledged, there will be no additional fee for the Licensed Technology.

### **ARTICLE IV - TERM AND TERMINATION**

- 4.01 The term of the License shall commence on the Effective Date and shall continue pursuant to Section 5 of the Instant Ticket Contract, through the term of the Extension which expires on December 31, 2011 subject to either party's right to terminate this Agreement upon receipt of written notice from the terminating party of that being their intent. Such written notice must be received by the non-terminating party at least thirty (30) days prior to termination of the Agreement or of any extension of the Agreement.
- 4.02 Either party shall have the option of terminating this Agreement if the other party has defaulted in the due observance and performance of its obligations hereunder and has failed or is unable to remedy such default within thirty (30) days of receipt of a written notice of such default from the non-defaulting party.
- 4.03 Upon the termination of this Agreement, Lottery shall, cease any and all further uses of the Licensed Property and the Licensed Games, provided that such expiration or termination shall not restrict the use of any Licensed Property or Licensed Games for which working papers were executed prior to or for tickets printed prior to the expiration or termination of the Agreement.

### **ARTICLE V - PROTECTION OF THE LICENSED PROPERTY**

- 5.01 Lottery acknowledges and agrees that Scientific Games has warranted that to the best of its knowledge it is the owner of all right, title and interest in and to the Licensed Property. Nothing in

this Agreement is intended, nor shall it be deemed, to transfer any ownership or other rights in the Licensed Property to Lottery, other than the License expressly granted hereunder.

- 5.02 Lottery shall promptly notify Scientific Games in writing of any infringements or imitations by others of the Licensed Property of which Lottery becomes aware. Lottery agrees that it shall not initiate or voluntarily participate (unless requested by Scientific Games and deemed appropriate by the Lottery in its sole discretion) in any proceedings brought to challenge the validity of any of the claims of the Licensed Property.
- 5.03 If the Licensed Property is infringed by a third party, Scientific Games shall have the sole right as owner to take action in its own name against the infringing party to the extent permitted by law. Any action that Scientific Games takes against a third party on account of any such infringement shall be at its expense and any final award granted or any settlement made shall be paid to Scientific Games, and Lottery shall have no claim to such award or settlement. Lottery agrees that it shall cooperate with Scientific Games in any such litigation provided that such cooperation is deemed appropriate by the Lottery in its sole discretion and provided that Scientific Games shall reimburse the reasonable legal fees, expenses and any other costs incurred by Lottery in connection therewith.

#### **ARTICLE VI - MISCELLANEOUS**

- 6.01 Lottery agrees that Scientific Games may prepare and issue a press release, upon Lottery's execution of this Agreement, for public dissemination regarding the existence of this Agreement subject to Lottery approval.
- 6.02 This Agreement is entered into pursuant to, and shall be construed in accordance with the Extension. Any provision herein that exceeds the scope or, or is inconsistent with, any provision of such contract shall be null and void.
- 6.03 Lottery expressly acknowledges that Scientific Games considers the terms of this Agreement as reasonable and necessary for the protection of the legitimate business interests of Scientific Games.
- 6.04 This Agreement shall be governed by the laws of the State of Iowa.

**EXTENSION AND AMENDMENT OF  
AGREEMENT FOR THE PURCHASE OF  
INSTANT TICKETS AND RELATED SERVICES**

This Extension and Amendment of Agreement For the Purchase of Instant Tickets and Related Services (Extension) is effective on the last date set forth below and is made by and between the **Iowa Lottery Authority** (Lottery) and **Pollard Banknote Limited Partnership** (Contractor).

In consideration of the mutual covenants contained in this Extension, 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 and is authorized by Iowa Code Chapter 99G to conduct a lottery in the State of Iowa. The Lottery's address is 2323 Grand Avenue, Des Moines, Iowa 50312.

**1.2** The Contractor is a limited partnership established under the laws of the Province of Manitoba, Canada, and whose business, among other things, includes printing of instant tickets. Contractor's principal place of business is 1499 Buffalo Place, Winnipeg, Manitoba R3T 1L7.

**SECTION 2. EXTENSION OF TERM.**

On or about January 11, 2008, the Lottery and Contractor entered into an Agreement for the Purchase of Instant Tickets and Related Services ("Agreement"). The term of the Agreement was for two years, plus three one-year extension periods exercisable at the option of the Lottery. Pursuant to Section 5 of the Agreement, the second option period is hereby exercised extending the term through December 31, 2011.

**SECTION 3. AMENDMENTS.**

**FailSafe®**

On or about October 1, 2008, the Lottery and Scientific Games International, Inc. ("SGI") entered into an Extension / Amendment to the Agreement for a Lottery Gaming System with Associated Gaming Products and Services whereby SGI agreed to provide to the Lottery the use of FailSafe® instant ticket bar code security technology as contemplated by US Patent no.6,308,991 (hereinafter called the "Failsafe technology" or the "Failsafe instant ticket barcode security technology" or the "Failsafe barcode"). The use of the FailSafe® technology was applicable to tickets printed by other instant ticket printers contracted by the Lottery during the contract term, which contract term is still in effect and may be presumed by the Contractor to be in effect until the Contractor receives notice in writing from the Lottery to the contrary. The FailSafe® instant ticket bar code security technology shall be provided to Contractor at no charge to the Contractor by SGI or the Lottery to be used in the production of Lottery instant scratch tickets provided by the Contractor. The Contractor agrees to print the FailSafe® barcode on all instant scratch tickets to be produced for the Lottery, at no additional cost, during the term of the Agreement or until the Contractor receives notice that the term of the contract between SGI and the Lottery authorizing the use of the Failsafe technology has ended, whichever first occurs.

**SECTION 4. AGREEMENT OTHERWISE UNCHANGED.**

Except as specifically modified hereby, the terms of this Agreement shall remain in full force and effect.

**SECTION 5. 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 Extension and have caused their duly authorized representatives to execute this Extension.

**Iowa Lottery Authority**

By: \_\_\_\_\_  
Name: Kenneth A. Brickman  
Title: Executive Vice President

Date: \_\_\_\_\_

**Pollard Banknote Limited Partnership**

By its' General Partner Pollard Banknote Limited

By: \_\_\_\_\_  
Name: Gordon O. Pollard  
Title: Co. Chief Executive Officer

Date: \_\_\_\_\_





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

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

Terry Rich • Chief Executive Officer

## MEMORANDUM

**TO:** Terry Rich Elaine Baxter  
Tom Rial Mary Junge  
Mike Klappholz Brad Schroeder  
Mike Fitzgerald

**FROM:** Molly Juffenbruch  
Teri Wood

**DATE:** September 2, 2010

**RE:** PULL-TAB PRINTING CONTRACT APPROVAL

Iowa Lottery RFP IL 08-01 for pull-tab ticket printing services was issued to several prospective vendors on March 7, 2008. At the board meeting held June 13, you awarded the bid to American Games Inc, of Council Bluffs, Iowa (a subsidiary of Pollard Banknote Limited of Winnipeg, Manitoba, Canada) as it received the highest total score in the evaluation process.

Staff recommends approval of the attached contract with America Games. Vendor personnel background investigation updates are current for American Games. The initial contract term is for the period of January 1, 2009 through December 31, 2010 with up to three one-year option periods at the Lottery's sole discretion. Staff recommends exercising the first one-year option from January 1, 2011 through December 31, 2011.

<b>American Games</b>			
<b>Pull-tab Pricing</b>			
Jan. 1, 2010 - Dec. 31, 2010			
<b>TICKET COSTS</b>	<b>ORDER</b>	<b>COST PER</b>	<b>COST OF</b>
	<b>QUANTITY</b>	<b>TICKET</b>	<b>ORDER</b>
	250,000	\$0.01897	\$4,743.00
	500,000	\$0.01494	\$7,470.00
	1,000,000	\$0.01346	\$13,460.00
	1,500,000	\$0.01288	\$19,320.00
	2,000,000	\$0.01266	\$25,320.00
	2,500,000	\$0.01239	\$30,975.00
	3,000,000	\$0.01201	\$36,030.00
	3,500,000	\$0.01143	\$40,005.00
	4,000,000	\$0.01178	\$47,120.00
	5,000,000	\$0.01165	\$58,250.00
<b>NEW GAME DEVELOPMENT</b>			<b>\$3,500.00</b>
Cost per ticket includes barcoding.			
Prices also include all costs (transportation, etc.) F.O.B. Lottery warehouse, Ankeny, Iowa.			
One time charge for new game development = \$3,500			
includes trademark search, creative development, 12 units of sample tickets			
2,500 retailer manual pages, and 1,600 sales sheets.			
Ultra-violet inks add \$500 per game			
Selective seeding add 10% of the game price per game			
Standard industry ticket size with barcode activation insert discount of \$0.65 per 1000 tickets			

**EXTENSION TO THE  
AGREEMENT FOR THE PURCHASE OF  
PULL-TAB TICKETS AND RELATED SERVICES**

This Extension and Amendment of Agreement For the Purchase of Pull-Tab Tickets and Related Services (Extension) is effective on the last date set forth below and is made 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 Extension, 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 and is authorized by Iowa Code Chapter 99G to conduct a lottery in the State of Iowa. The Lottery's address is 2323 Grand Avenue, Des Moines, Iowa 50312.

**1.2** The Contractor is a corporation established under the laws of Delaware. American Games, Inc. is engaged in the business, among other things, of printing pull-tab tickets. The address for Contractor is 504 34<sup>th</sup> Avenue, Council Bluffs, IA 51501.

**SECTION 2. EXTENSION OF TERM.**

On or about October 7, 2008, the Lottery and Contractor entered into an Agreement for the Purchase of Pull-Tab Tickets and Related Services ("Agreement"). The term of the Agreement was for two years, plus three one-year extension periods exercisable at the option of the Lottery. Pursuant to Section 5 of the Agreement, the first option period is hereby exercised extending the term through December 31, 2011.

**SECTION 3. AGREEMENT OTHERWISE UNCHANGED.**

Except as specifically modified hereby, the terms of this Agreement shall remain in full force and effect.

**SECTION 4. EXECUTION.**

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

**Iowa Lottery Authority**

By: \_\_\_\_\_  
Name: Kenneth A. Brickman  
Title: Executive Vice President

Date: \_\_\_\_\_

**Pollard Games, Inc dba American Games, Inc.**

By: \_\_\_\_\_  
Name: Gordon O. Pollard  
Title: President

Date: \_\_\_\_\_



## **CLARIFICATION OF HEARING BOARD DESIGNEES**

Dear Board:

In Chapter 99G, hearings on certain contested cases need to be conducted by a three-member board comprised of the vice president for external relations, the vice president for finance, and another person to be designated by the Board. The Board designated the executive vice president & COO with the assistant vice president, legal affairs, as the backup designee.

In the event the Board approves the title change of the assistant vice president, legal affairs to vice president, legal counsel, we ask the Board to clarify the record so the backup designee for the executive vice president & COO would be listed as the vice president, general counsel. The clarification of designation is necessitated by the change in title of the backup designee, if approved. Thus, when appeals from license denials are scheduled, the record of the proceedings should reflect the correct title.