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Terry E. Branstad · Governor
Kim Reynolds · Lt. Governor
Terry Rich · Chief Executive Officer

AGENDA
IOWA LOTTERY BOARD
December 20, 2011
10:30 a.m.

- I. Call to Order
 - a. Approval of Minutes
- II. Monthly Reports
 - a. Financial
 - b. Marketing
 - c. External Relations
 - i. Legislative Update
 - ii. Unclaimed Hot Lotto Jackpot
 - d. Security
- III. RFP's
- IV. Contract Extensions
 - a. Instant Ticket - Pollard
 - b. Instant Ticket - Sci-Games
 - c. Pull-Tab - Pollard
- V. CEO Update
 - a. Lottery Succession Plan
 - b. Warehouse Lease
 - c. Lottery Industry Updates
 - d. Brickman Recognition
- VI. CLOSED SESSION
 - a. Personnel – Director of Retail Services Position
- VII. Adjournment

If you require the assistance of auxiliary aids or services to participate in or attend the meeting because of a disability, please call our ADA coordinator at 515-725-7864, or if you are hearing impaired, call Relay TTY at 1-800-735-2942.

MINUTES
IOWA LOTTERY BOARD

September 29, 2011

The Iowa Lottery Board convened at 10:30 a.m., Acting Chair Brad Schroeder presiding.

Board members participating: Michael Klappholz, Brad Schroeder, Deb Burnight (via conference call), Mary Junge. Absent: Herman Richter, Michael Fitzgerald.

Lottery staff present: Terry Rich, CEO; Kenneth Brickman, Executive Vice President/COO; Teri Wood, Vice President Marketing; Brenda Loy, CFO; Larry Loss, Vice President Sales; Mary Neubauer, Vice President External Relations; Molly Juffernbruch, Vice President Legal Counsel; Steve Bogle, Acting VP Security; Dave Van Compernelle, Assistant Attorney General; Jack Schroeder, CIO; and Jamie Becker, Board Secretary.

Others present: Rod Boshart – Cedar Rapids Gazette; Kristi Kielhorn – House Representatives; Dar Danielson – Radio Iowa

Acting Chairperson Schroeder called the meeting to order and noted that some board members were participating by means of a conference call, with the provisions of Iowa code section 21.8 governing the conduct of electronic meetings in effect. A meeting with all members in attendance in person was impractical due to board members' personal scheduling conflicts. The meeting originated from the Lottery headquarters in Des Moines and public notice of the meeting was given pursuant to Iowa Code section 12.4, with public access to the conversation of all participants provided by means of speakerphone for the benefit of all in attendance at the meeting site. Junge moved to conduct the meeting by electronic means. The motion was seconded by Klappholz and carried unanimously.

Minutes

Klappholz moved to approve the minutes of the meeting held on June 20, 2011. The motion was seconded by Junge and carried unanimously.

Monthly Reports

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

Financial

Brenda Loy stated that the final June FY11 reports were included in the packet and stated that the lottery ended the year with over \$68 Million in transfers to the state. Loy stated the 5 year summary was also included the packet, as well as the July FY12 report. As of July the lottery is well ahead of budget for sales and proceeds. Loy stated that August financials are finished and that the lottery stayed ahead of last year. Auditors will be at the lottery headquarters next week to conclude FY11 and Loy expects the auditors to wrap up their findings in January 2012.

Junge inquired as to what the big contributor was for the hike in sales numbers, Loy and Rich replied that instant tickets are selling well, advertising costs are down and the prize expense is within range. Rich stated that Iowa had the 2nd largest increase in sales

while Arizona was first. Rich added that a lot of different factors contributed to the increase in numbers.

Loy continued with the financial report stating that the budget for FY13 information was included in the packet and was based on FY11 actuals. Loy noted that the increased sales numbers are due to the \$2 PowerBall that will be in place in January. The report also shows a change in prize expenses. The overall percentage is in line with FY11 and includes costs for VIP Club and an increase in sales which is primarily due to the \$2 PowerBall with a payout that is lower than scratch tickets.

Loy stated that the lottery plans to go out for bid for ticket vending machines later this year and expects to incur some costs for those vending machines.

Loy continued, stating that the 2nd page includes operating costs for salaries and that the lottery will come back to board in June, as it always does, for salary increases. DSR communication devices are still included and training is now included in the professional fees line. The lottery has money earmarked for building maintenance, as well.

Loy then asked the board for approval of FY13 budget separately from monthly reports.

June moved to approve the FY13 proposed budget. The motion was seconded by Klappholz and it carried unanimously.

Marketing

Teri Wood began by presenting materials for Monopoly, the first licensed game offered in the lottery's VIP Club. The Monopoly promotion ran from July 18 through Aug 31st and had 41,773 entries for the Great Iowa Getaway prizes (8 Iowa locations). Wood then showed the TV commercial supporting the monopoly promotion. In addition to the TV commercial, the lottery used new LIMs (Lottery In Motion) with ads running at 2,400 retailers around the state. Winners were featured on the LIMs.

Wood stated that the Iowa Lottery had a presence again this year at the Iowa State Fair, which ran from August 11 through August 21 where the lottery was able to showcase new terminals and LIMs and promote the VIP club with the help of the VIP Club vendor. The Lottery used LIMs, a monopoly ticket promotion, and gave away VIP club "promo cards" at the fair. Traditional TV or radio was not used for the fair, however print advertising, daily appearances on radio shows, social media, website and onsite signage were used.

Wood continued with describing the new fall sports themed initiative that has begun with all 3 state universities – Great State Tailgate. This promotion includes the chance to win a tricked out tailgate which is being showcased on campus at several Iowa, Iowa State and UNI games. The lottery is not selling or giving away tickets at these events. Players can win the tailgate by entering nonwinning Great State Tailgate tickets into the VIP Club. The lottery is now 4 weeks into this promotion and has received over 30,000 entries. The Great State Tailgate ticket is ranked #12 out of 36 \$2 games. Wood then presented the TV commercial.

Wood noted that the last 2 commercials shown were mostly using computer generated images and is a more cost effective method of producing commercials. This promotion has been supported with TV, traditional and sports radio, outdoor, social media and geo-targeted LIMs. Geo-targeting is advertising that is played in specific areas that may have an event coming up.

Wood then moved on to discuss the holiday promotion. Wood stated that for the last two years Tech the Halls was the lottery's holiday promotion. The first year of this promotion the lottery had 450,000 entries. Last year that number was doubled with 844,000 entries. This year the lottery is doing "SuperTech" which features new Sony prizes and a chance to win a Super Prize. Players must be a member of the VIP Club to enter. Wood noted that TV, radio, POS, LIMs, social media and 15 retailer events with radio stations at retailer locations will be used to support this promotion.

Wood commented that the advertising contracts will expire at the end of 2012 for media and creative and the Lottery will go out to bid. The committee has been formed.

Research analysis is on phase II where 9 focus groups will be conducted. Wood stated that this analysis will be completed by the end of the year and the board will receive a baseline analysis report.

External Relations

Mary Neubauer stated there was a handout which was included in the board packet that was presented to fiscal committee last month. Neubauer said there had been some discussion at the house regarding advertising by the state departments to look at the amounts being spent on advertising. The concern was mostly about smaller entities and wanted to make sure the state's marketing dollars are being spent efficiently. There was talk about having 1 ad agency for all state entities but the state marketing committee felt that solution would end up costing the state more due to loss of competition. The legislature ultimately understood and accepted that each state department has different expertise and different needs and having 1 agency wouldn't work. Neubauer stated that Terry Rich and Jamie Becker have coordinated regular meetings with state marketing directors and managers and a distribution/contact list was compiled for reference. Another meeting is planned for October and this group will continue to meet and keep legislature advised.

Neubauer moved on to discuss the VIP Club saying that as of this morning the VIP Club has more than 23,200 members. All promotion initiatives have had an impact on the numbers and SuperTech is expected to bump those numbers even more. Neubauer mentioned that the VIP Club promo cards are being handed out at the college football games and have seen the numbers jump after the weekend. Neubauer stated that the VIP Club is like the frequent flyer program and that every nonwinning scratch ticket is worth points and those points can be used to buy products.

Deb Burnight joined the meeting via conference call at 11:09am.

Neubauer continued the External Relations report stating that a college fan shop was recently added to the VIP Club where college merchandise can be bought with points and has proved to be very popular with players.

Neubauer added that the VIP Club is also good for litter control as people want to keep their nonwinning tickets to enter for prizes and second chance drawings.

Neubauer moved on to discuss the still unclaimed jackpot. Neubauer mentioned that she had sent a link to a youtube video to the board members. The unclaimed jackpot story went national last week including coverage by CNN and Neubauer pointed out that

there have been only 6 larger lottery prizes that have gone unclaimed from other states. The lottery has placed a countdown clock at the headquarters and will put 1 at the store where the ticket was sold. Although several people have called the lottery about the unclaimed jackpot, no one who has contacted the lottery has the actual ticket. If the jackpot remains unclaimed the money will go into future prize pool for future games and it was noted that the lottery may hold a special promotion next spring if it remains unclaimed.

Security Report

Steve Bogle reported that the last 3 months' security reports are included in the board packet and that it was all pretty routine with the exception of, thanks to the national unclaimed jackpot story, security has started receiving calls from around the country.

Bogle stated that sometime this summer the network ran a story about unscrupulous retailers and the lottery received several calls from concerned players. After investigating, the players were assured that they had been paid correctly. Bogle stated that this is common whenever there is national coverage about lottery retailers scamming players.

Klappholz moved to approve the monthly reports, Junge seconded and the motion carried unanimously.

Fiscal Policy Updates

Brenda Loy stated that 8 policy updates were included in the packet and that the lottery was trying to mirror DAS policies, stating that DAS has updated their policies so the lottery has either updated or is requesting removal of lottery policies to be replaced by DAS policies. Loy asked that policies 204-100 and 204-101 be deleted and DAS's policy be adopted. Loy stated the other 6 policies have bullets describing changes. Loy pointed out that now an overnight stay is required for meal reimbursement and the authorized stay change is for out of state travel which now requires Terry Rich's approval. These changes are needed and the implementation dates are different. Loy noted that the effective date is reflected on each of the policies. All changes requested are to conform to DAS's policies. Loy asked that the board approve the policies and effective dates of those policies.

Junge moved that the 2 policies so stated be removed and the DAS policy be used and the other 6 policies be updated to conform with DAS policies. Klappholz seconded the motion and it carried unanimously.

CEO Update

Terry Rich stated that the packet included the Lottery's 5 year plan, which was requested by the new administration of all state directors. Rich mentioned some highlights stating that the new paradigm will be modernization to go into the next 10 years. Rich stated that the Pull Tabs have reached maturity and is declining in sales each year but is still strong at \$18 million/year. Scratch tickets have been stable and strong and continues to grow and the courier system will help even more with sales. Lotto tickets are \$94 million and Powerball 2 is set to begin January 18. There will be also be a \$5 national game next fall.

Rich stated that 75% of lottery sales come from c-stores and that the top 20% of our retailers sell 51% of our product while the bottom 50% sells 14%. Rich noted that high fuel prices and casino expansion have the biggest potential negative impact on the lottery.

Rich discussed the Lottery's current priorities and stated that there has been a lot of discussion with employees. Future priorities include using best business practices, diversification of retail base, and communications and merchandise payouts through VIP Club and loyalty program. Cross validation for Pull Tabs and new lotto products were mentioned as was electronic delivery, consumer trends and the buzz about internet gaming. Rich stated that 5 years from now there will be a lot of internet gaming and we will advise or make suggestions to the state/governor's office on internet gaming as needed and will keep the board up to date.

Rich also mentioned that the lottery is talking to DNR about hunting and fishing licenses and looking into how having access to 2,500 retailers can help the state in other ways.

Rich stated that getting the state \$60 million is the bottom line.

Rich moved on to give the conversion update noting that things are going well, with some minor hiccups along the way. Rich recognized the efforts of many lottery staff members who helped make the conversion a success. Rich stated that today a release will go out about an iPhone lottery app that is now available for the iPhone3GS and higher noting that the lottery is not selling tickets through this app. Apps are coming for other smartphones soon.

Klappholz stated that using technology to cross over with other departments is important in the state and hope these discussions continue.

Burnight stated this would be a good way for people to get used to interacting electronically and is a good step for a change in player behavior.

Organization Realignment

Rich stated that Ken Brickman announced at the annual meeting that he will be retiring in January after many years with the Iowa Lottery. Ken began in Illinois then moved on to Louisiana and eventually came to the Iowa Lottery in 1995. Rich stated that Ken has been an anchor in the day to day operations and has been extremely loyal.

Brickman addressed the board stating that it's been a great run and has enjoyed it. He stated that the Lottery is in his blood and enjoyed his time in Illinois and Louisiana but Iowa was the crowning jewel in his career and pleased and proud that he was accepted as part of the team, grew with the lottery and had the opportunity to serve under Ed Stanek and Terry Rich. Brickman noted that he was treated exceptionally well, by senior staff especially.

Rich then stated that there will be a formal date set for accolades and he wanted to point out that Ken stepped in as the interim CEO at a difficult time and to recognize this the lottery has put together a display of photos of lottery directors to be displayed in the lobby and Ken's photo will be included in that. Thanks was expressed by Junge for a job well done, Schroeder also thanked Ken saying that he did an outstanding job at the Iowa Lottery.

Rich then stated that there is a hole to be filled with Ken's retirement and that a new org chart was submitted to the board. Rich noted that the lottery will not increase the number of management and will shift Larry Loss to Executive Vice President, Sales and Product Development. Loss will be second in command and will oversee all product, sales and distribution. A Manager of Retail Sales position was added along with a new Vice President, Operations and Systems position overseeing IT, Draw Staff and Purchasing. Further discussions will be held in closed session.

Klappholz moved that the proposed organizational realignment be approved as presented, effective December 23, 2011, subject to the following provisions:

1. That newly-created titles as proposed in the realignment be established and assigned within the Lottery Key Executive Pay Plan as follows: Lottery Executive Vice-President/Sales & Product Development position at Pay Grade 04; Lottery Vice-President Operations & Systems at Pay Grade 02; the Lottery Director of Retail Services at Pay Grade 01; and the Lottery Senior Project Director/Board Secretary at Pay Grade 00;
2. That the following, current key employee titles be abolished effective end of day December 22, 2011; Lottery Vice-President Sales; Lottery Executive Secretary; and that the current Lottery Executive Vice President, Chief Operating Officer position be abolished, but retained with the incumbent for transitional purposes until the end of day January 5, 2012;
3. That the CEO be authorized to reassign current Key Employee executive staff pursuant to the realignment organizational chart, with the concurrence of the Iowa Lottery Board Chair and to initiate the hiring process with respect to any resulting vacancies.

Junge seconded and the motion carried unanimously.

Key Employee Pay Plan update

Rich stated that the Key Employee Pay Plan was drafted to be discussed in closed session and approve in open session. Rich announced that Ken Moon and Roger Mott both announced their upcoming retirements as well.

Schroeder stated "The Chair is advised that the CEO has a matter to discuss with the Board within the parameters of Iowa Code Chapter 21.5(1)(i); that the matter pertains to compensation of noncontract and Key Employees and that the affected individuals have tendered written requests that any such review be conducted in closed session, as provided by law. The chair notes that a vote is required during the public portion of the meeting prior to entering closed session.

The Chair will now entertain a motion to go into closed session pursuant to Iowa Code Chapter 21.5(1)(i) which provides for closed session: 'to evaluate the professional competency of individual(s) whose appointment, hiring, performance or discharge is being considered when necessary to prevent needless and irreparable injury to the individuals' reputation and the individual(s) requests a closed session.'

Junge moved to go into closed session. Burnight seconded.
Roll call vote – Burnight - aye; Junge -aye; Klappholz – aye; Schroeder – aye

Closed session begins at 11:46am

Larry Loss, Ken Brickman, and Dave Van Compernelle remained present in closed session.

Closed session ended at 12:19pm;
Open session resumed at 12:29pm

Schroeder stated that the Chair would entertain a motion to approve the Key Executive Pay Plan.

Junge moved that Pay Grade 00 of the Lottery Key Executive Pay Plan be changed from a range of \$39,644.80 minimum and \$60,132.80 maximum to \$53,456.00 minimum and \$82,659.20 maximum and Pay Grade 01 of the Lottery Key Executive Pay Plan be changed from a range of \$58,323.20 minimum and \$88,379.20 maximum to \$59,488 minimum and \$91,499.20 maximum plus adjustments for cost of living increases effective December 23, 2011 and as may hereafter be adjusted by comparison to any cost of living increase authorized by the legislature and Governor for state noncontract employees. Klappholz seconded and it carried unanimously.

Schroeder stated that the Chair would entertain a motion to approve the Key employee salary adjustments.

Junge moved that the Key employee Compensation increases be approved effective December 23, 2011 or upon the employee's next review date whichever occurs first; that they be within the applicable ranges for the respective positions; be based on performance and be determined by the CEO in consultation with the Board Chair, representing the Board. Burnight seconded.

Discussion – Rich stated that anniversary dates and cost of living adjustments need to be considered and noted that there is a 1% cost of living increase (COLA) effective December 23, 2011. The ranges listed on the handout did not include this COLA and they should be adjusted to reflect the 1% COLA effective on December 23, 2011.

Loy stated that the motion that was made and passed in the last board meeting stated “. . . and as may hereafter be adjusted by comparison to any cost of living increase authorized by the legislature and Governor for state noncontract employees be adopted; that applicable ranges be based on performance and be determined by the CEO in consultation with the Board Chair representing the Board.”

Klappholz asked that Junge's motion be amended to clarify and include the December 23, 2011 cost of living increases to the Key Employee Pay Plan Ranges and the language “and as may hereafter be adjusted by comparison to any cost of living increase authorized by the legislature and Governor for state noncontract employees be adopted.”

Junge seconded the motion to amend and it passed unanimously.

Schroeder stated that now a vote was needed on the amended motion.

Rich added that it is his intent that these changes for key employees will not increase the number of management staff and the total compensation package for the management group will be at least the same, if not reduced.

The Chair asked for all in favor to say “aye” and the motion passed unanimously.

Election of officers

Junge moved to nominate Brad Schroeder as Board Chair for current fiscal year. Klappholz seconded the motion and it carried unanimously.

Klappholz moved to nominate Mary Junge as the Vice Chair. Burnight seconded and it carried unanimously.

Rich clarified that the election of officers is usually held in June rather than September and the board wishes to continue with elections in June.

Meeting adjourned at 12:40pm

IOWA LOTTERY AUTHORITY PERFORMANCE MEASURES FY 2012														
		JUL	AUG	SEP	OCT		NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
Month														
Gross Sales	Budget '12	20,609,581	22,918,806	21,175,340	21,309,099		21,799,177	22,728,637	23,617,742	22,584,290	25,693,244	23,747,534	23,303,424	21,913,126
	Actual '11	20,683,463	20,526,880	20,268,736	20,707,755		22,414,149	23,638,991	23,866,645	22,592,711	27,156,908	24,150,580	22,962,332	22,423,397
	Actual '12	21,873,877	24,265,848	21,821,737	24,435,865									
Prize Expense	Budget '12	12,323,936	13,704,786	12,662,243	12,742,227	59.80% 3)	13,035,280	13,591,070	14,122,729	13,504,755	15,363,820	14,200,341	13,934,776	13,103,418
	Actual '11	12,779,039	11,692,728	11,763,446	12,293,596	59.37% 4)	12,390,886	14,042,187	13,741,084	14,281,690	15,042,753	13,796,588	13,991,657	13,145,424
	Actual '12	12,753,428	13,913,842	12,543,873	14,418,330	59.00% 5)								
Operating Expenses	Budget '12	457,565	940,363	940,363	940,363		1,376,859	811,259	946,511	946,511	946,511	946,511	1,386,080	1,530,701
	Actual '11	539,097	693,153	884,831	807,776		1,184,565	703,967	828,828	936,391	850,695	888,354	1,287,987	1,101,338
	Actual '12	460,879	794,576	991,760	874,688									
Proceeds Transfer-General	Budget '12	4,731,498	4,830,115	4,391,147	4,424,824		4,111,720	4,911,339	4,999,945	4,739,743	5,522,513	5,032,624	4,481,237	3,986,568
	Actual '11	4,714,318	5,198,524	4,295,667	5,010,008		6,255,411	5,606,161	6,208,866	4,335,482	7,234,879	6,253,580	4,814,963	5,023,213
	Actual '12	5,684,111	6,081,167	5,029,059	5,818,860									
Proceeds Transfer-Veterans	Budget '12	87,190	400,958	282,964	170,140		139,576	130,277	137,554	254,521	402,317	199,855	155,648	139,000
	Actual '11	131,645	382,640	441,669	251,116		208,123	203,448	184,063	267,748	472,319	229,155	180,589	152,856
	Actual '12	57,594	350,656	391,066	165,122									
Total Transfers	Budget '12	4,818,688	5,231,073	4,674,111	4,594,964		4,251,296	5,041,616	5,137,499	4,994,264	5,924,830	5,232,479	4,636,885	4,125,568
	Actual '11	4,845,963	5,581,164	4,737,336	5,261,124		6,463,534	5,809,609	6,392,929	4,603,230	7,707,198	6,482,735	4,995,552	5,176,069
	Actual '12	5,741,705	6,431,823	5,420,125	5,983,982		-	-	-	-	-	-	-	-
YEAR TO DATE														
Gross Sales	Budget '12	20,609,581	43,528,387	64,703,727	86,012,826	7.42% 1)	107,812,003	130,540,640	154,158,382	176,742,672	202,435,916	226,183,450	249,486,874	271,400,000
	Actual '11	20,683,463	41,210,343	61,479,079	82,186,834	12.42% 2)	104,600,983	128,239,974	152,106,619	174,699,330	201,856,238	226,006,818	248,969,150	271,392,547
	Actual '12	21,873,877	46,139,725	67,961,462	92,397,327									
Prize Expense	Budget '12	12,323,936	26,028,722	38,690,965	51,433,192	59.80% 3)	64,468,472	78,059,542	92,182,271	105,687,026	121,050,846	135,251,187	149,185,963	162,289,381
	Actual '11	12,779,039	24,471,767	36,235,213	48,528,809	59.05% 4)	60,919,695	74,961,882	88,702,966	102,984,656	118,027,409	131,823,997	145,815,654	158,961,078
	Actual '12	12,753,428	26,667,270	39,211,143	53,629,473	58.04% 5)								
Operating Expenses	Budget '12	457,565	1,397,928	2,338,291	3,278,654		4,655,513	5,466,772	6,413,283	7,359,794	8,306,305	9,252,816	10,638,896	12,169,597
	Actual '11	539,097	1,232,250	2,117,081	2,924,857		4,109,422	4,813,389	5,642,217	6,578,608	7,429,303	8,317,657	9,605,644	10,706,982
	Actual '12	460,879	1,255,455	2,247,215	3,121,903									
Proceeds Transfer-General	Budget '12	4,731,498	9,561,613	13,952,760	18,377,584		22,489,304	27,400,643	32,400,588	37,140,331	42,662,844	47,695,468	52,176,705	56,163,273
	Actual '11	4,714,318	9,912,842	14,208,509	19,218,517		25,473,928	31,080,089	37,288,955	41,624,437	48,859,316	55,112,896	59,927,859	64,951,072
	Actual '12	5,684,111	11,765,278	16,794,337	22,613,197									
Proceeds Transfer-Veterans	Budget '12	87,190	488,148	771,112	941,252		1,080,828	1,211,105	1,348,659	1,603,180	2,005,497	2,205,352	2,361,000	2,500,000
	Actual '11	131,645	514,285	955,954	1,207,070		1,415,193	1,618,641	1,802,704	2,070,452	2,542,771	2,771,926	2,952,515	3,105,371
	Actual '12	57,594	408,250	799,316	964,438									
Total Transfers	Budget '12	4,818,688	10,049,761	14,723,872	19,318,836	22.04% 1)	23,570,132	28,611,748	33,749,247	38,743,511	44,668,341	49,900,820	54,537,705	58,663,273
	Actual '11	4,845,963	10,427,127	15,164,463	20,425,587	15.43% 2)	26,889,121	32,698,730	39,091,659	43,694,889	51,402,087	57,884,822	62,880,374	68,056,443
	Actual '12	5,741,705	12,173,528	17,593,653	23,577,635									

1) Actual FY12 compared to Budget FY12
2) Actual FY12 compared to Actual FY11
3) Budget FY12 Prize Payout
4) Actual FY11 Prize Payout
5) Actual FY10 Prize Payout



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DATE: September 22, 2011
TO: Board Members of the Iowa Lottery Authority
FROM: Brenda Loy, Chief Financial Officer

Attached are the financial statements for August 2011. During August, we had revenue of \$24,266,873. This sales level resulted in \$6,081,167 of proceeds payable to the State General Fund and \$350,656 of proceeds payable to the Veterans Trust Fund.

Attachments

IOWA LOTTERY AUTHORITY
SCHEDULE OF ECONOMIC BENEFITS

August 31, 2011

Proceeds to Iowa Plan		\$170,318,439
Proceeds to CLEAN fund		\$35,894,355
Proceeds to Special Appropriations		\$13,773,572
Proceeds to Gambler's Treatment Program		15,732,208
Proceeds to the State General Fund:		
Prior to Fiscal Year 2012	\$1,072,450,492	
Fiscal Year 2012		
Transferred	0	
Payable	<u>11,765,278</u>	
		1,084,215,770
Proceeds to the Veterans Trust Fund:		
Prior to Fiscal Year 2012	\$8,550,302	
Fiscal Year 2012		
Transferred	0	
Payable	<u>408,250</u>	
		<u>8,958,552</u>
Total		<u><u>\$1,328,892,896</u></u>

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE MONTH AND YEAR ENDED AUGUST 31, 2011

	Month ended August 31, 2011	Month ended August 31, 2010	Year-to-date August 31, 2011	Year-to-date August 31, 2010
OPERATING REVENUES				
Instant-scratch ticket sales	\$14,609,029	\$12,315,994	\$27,965,868	\$24,630,979
Pick 3 sales	529,235	528,749	1,062,423	1,071,546
Powerball sales	5,043,711	3,355,746	9,132,151	7,370,738
Mega Millions sales	1,069,603	1,201,108	2,245,047	2,006,352
Hot Lotto sales	954,019	902,918	1,823,234	1,795,657
Pick 4 sales	222,886	220,306	441,899	436,116
\$100,000 Cash Game sales	351,717	293,985	687,842	606,528
Pull-tab sales	1,485,648	1,708,074	2,781,262	3,292,427
Application fees	275	275	575	750
Other revenue	750	101,975	1,058	124,553
Total operating revenues	24,266,873	20,629,130	46,141,359	41,335,646
OPERATING EXPENSES				
Scratch ticket prize expense	8,724,106	7,429,265	16,912,557	15,863,088
Pick 3 prize expense	311,341	314,289	627,814	636,237
Powerball prize expense	2,476,417	1,539,329	4,461,758	3,456,775
Mega Millions prize expense	537,927	609,962	1,136,761	1,018,914
Hot Lotto prize expense	463,651	424,713	888,340	840,468
Pick 4 prize expense	129,707	125,654	256,774	252,619
\$100,000 Cash Game prize expense	166,372	139,042	325,628	286,983
Pull-tab prize expense	932,653	1,064,802	1,743,313	2,058,372
VIP Club expense	165,112	0	277,612	0
Promotional prize expense	6,556	45,672	36,712	58,310
Advertising/publicity	524,599	579,664	1,004,135	982,741
Retailer compensation expense	1,533,835	1,347,123	2,914,718	2,653,903
Ticket expense	197,787	293,986	366,180	486,265
Vendor compensation expense	487,762	466,842	901,377	914,178
Salary and benefits	799,536	679,739	1,451,122	1,271,561
Travel	43,339	33,569	79,249	59,872
Supplies	4,604	2,533	31,875	24,727
Printing	3,013	555	3,189	704
Postage	375	407	591	759
Communications	9,207	49,383	23,804	82,966
Rentals	22,002	22,464	44,514	44,466
Utilities	7,714	7,953	14,445	15,326
Professional fees	1,476	2,123	4,510	5,299
Vending machine maintenance	44,847	40,727	89,695	81,454
Outside services and repairs	4,088	7,757	28,608	45,184
Data processing	3,884	3,176	7,874	7,638
Equipment	6,102	10,370	17,166	21,801
Reimbursement to other state agencies	29,976	27,720	56,717	59,183
Depreciation	11,295	12,460	22,336	25,200
Other	7,535	7,348	11,312	13,749
MUSL administrative expense	7,518	0	7,518	0
Total operating expenses	17,664,336	15,288,627	33,748,204	31,268,742
Operating income (loss)	6,602,537	5,340,503	12,393,155	10,066,904

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE MONTH AND YEAR ENDED AUGUST 31, 2011

	<u>Month ended August 31, 2011</u>	<u>Month ended August 31, 2010</u>	<u>Year-to-date August 31, 2011</u>	<u>Year-to-date August 31, 2010</u>
Interest Income	45,106	0	45,106	0
Interest expense	(3,284)	(3,558)	(6,568)	(7,115)
Income before transfers	6,644,359	5,336,945	12,431,693	10,059,789
Transfer to:				
Veterans Trust Fund	(350,656)	(382,640)	(408,250)	(514,285)
State General Fund	(6,081,167)	(5,198,524)	(11,765,278)	(9,912,842)
	<u>(6,431,823)</u>	<u>(5,581,164)</u>	<u>(12,173,528)</u>	<u>(10,427,127)</u>
Change in net assets	212,536	(244,219)	258,165	(367,338)
Net assets, beginning of period	<u>4,230,368</u>	<u>4,078,820</u>	<u>4,184,739</u>	<u>4,201,939</u>
Net assets, end of period	<u><u>\$4,442,904</u></u>	<u><u>\$3,834,601</u></u>	<u><u>\$4,442,904</u></u>	<u><u>\$3,834,601</u></u>



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www.ialottery.com

Terry E. Branstad · Governor
Kim Reynolds · Lt. Governor
Terry Rich · Chief Executive Officer

DATE: October 14, 2011
TO: Board Members of the Iowa Lottery Authority
FROM: Brenda Loy, Chief Financial Officer

Attached are the financial statements for September 2011. During September, we had revenue of \$21,822,969. This sales level resulted in \$5,029,059 of proceeds payable to the State General Fund and \$391,066 of proceeds payable to the Veterans Trust Fund.

Attachments

IOWA LOTTERY AUTHORITY
SCHEDULE OF ECONOMIC BENEFITS

September 30, 2011

Proceeds to Iowa Plan		\$170,318,439
Proceeds to CLEAN fund		\$35,894,355
Proceeds to Special Appropriations		\$13,773,572
Proceeds to Gambler's Treatment Program		15,732,208
Proceeds to the State General Fund:		
Prior to Fiscal Year 2012	\$1,072,395,802	
Fiscal Year 2012		
Transferred	0	
Payable	<u>16,794,337</u>	
		1,089,190,139
Proceeds to the Veterans Trust Fund:		
Prior to Fiscal Year 2012	\$8,550,302	
Fiscal Year 2012		
Transferred	0	
Payable	<u>799,316</u>	
		<u>9,349,618</u>
Total		<u><u>\$1,334,258,331</u></u>

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE MONTH AND YEAR ENDED SEPTEMBER 30, 2011

	<u>Month ended</u> <u>September 30, 2011</u>	<u>Month ended</u> <u>September 30, 2010</u>	<u>Year-to-date</u> <u>September 30, 2011</u>	<u>Year-to-date</u> <u>September 30, 2010</u>
OPERATING REVENUES				
Instant-scratch ticket sales	\$13,970,743	\$11,938,480	\$41,936,611	\$36,569,459
Pick 3 sales	521,379	514,348	1,583,803	1,585,893
Powerball sales	3,302,304	4,003,105	12,434,455	11,373,843
Mega Millions sales	1,312,480	729,971	3,557,527	2,736,323
Hot Lotto sales	865,149	1,013,950	2,688,383	2,809,607
Pick 4 sales	220,458	215,079	662,357	651,194
\$100,000 Cash Game sales	330,331	305,050	1,018,173	911,578
Pull-tab sales	1,298,893	1,548,753	4,080,154	4,841,181
Application fees	300	225	875	975
Other revenue	932	3,267	1,990	127,820
Total operating revenues	21,822,969	20,272,228	67,964,328	61,607,873
OPERATING EXPENSES				
Scratch ticket prize expense	8,300,146	7,469,337	25,212,703	23,332,425
Pick 3 prize expense	308,278	301,779	936,092	938,016
Powerball prize expense	1,579,158	1,857,737	6,040,916	5,314,512
Mega Millions prize expense	668,586	399,901	1,805,347	1,418,815
Hot Lotto prize expense	420,551	491,297	1,308,891	1,331,765
Pick 4 prize expense	130,685	127,772	387,459	380,391
\$100,000 Cash Game prize expense	156,087	144,257	481,714	431,240
Pull-tab prize expense	811,200	968,419	2,554,513	3,026,790
VIP Club expense	167,031	0	444,643	0
Promotional prize expense	2,151	2,947	38,862	61,257
Advertising/publicity	545,341	475,234	1,549,476	1,457,975
Retailer compensation expense	1,399,506	1,268,495	4,314,224	3,922,398
Ticket expense	169,763	200,915	535,943	687,180
Vendor compensation expense	438,389	435,310	1,339,767	1,349,488
Salary and benefits	758,045	708,013	2,209,167	1,979,573
Travel	39,358	29,231	118,608	89,103
Supplies	12,689	3,735	44,564	28,462
Printing	323	1,132	3,513	1,836
Postage	1,207	326	1,798	1,085
Communications	12,512	48,993	36,317	131,959
Rentals	22,693	23,168	67,208	67,633
Utilities	6,215	7,212	20,660	22,538
Professional fees	5,054	3,482	9,564	8,781
Vending machine maintenance	44,848	40,727	134,543	122,181
Outside services and repairs	21,938	18,691	50,546	63,875
Data processing	3,961	3,618	11,834	11,256
Equipment	15,734	7,953	32,900	29,754
Reimbursement to other state agencies	31,267	25,528	87,984	84,711
Depreciation	11,206	12,358	33,541	37,559
Other	9,445	3,383	20,757	17,132
MUSL administrative expense	3,759	10,132	11,276	10,132
Total operating expenses	16,097,126	15,091,082	49,845,330	46,359,822
Operating income (loss)	5,725,843	5,181,146	18,118,998	15,248,051

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE MONTH AND YEAR ENDED SEPTEMBER 30, 2011

	<u>Month ended</u> <u>September 30, 2011</u>	<u>Month ended</u> <u>September 30, 2010</u>	<u>Year-to-date</u> <u>September 30, 2011</u>	<u>Year-to-date</u> <u>September 30, 2010</u>
Interest Income	15,664	86,740	60,770	86,740
Interest expense	<u>(3,284)</u>	<u>(3,558)</u>	<u>(9,852)</u>	<u>(10,673)</u>
Income before transfers	5,738,223	5,264,328	18,169,916	15,324,118
Transfer to:				
Veterans Trust Fund	(391,066)	(441,669)	(799,316)	(955,954)
State General Fund	<u>(5,029,059)</u>	<u>(4,295,667)</u>	<u>(16,794,337)</u>	<u>(14,208,510)</u>
	<u>(5,420,125)</u>	<u>(4,737,336)</u>	<u>(17,593,653)</u>	<u>(15,164,464)</u>
Change in net assets	318,098	526,992	576,263	159,654
Net assets, beginning of period	<u>4,442,904</u>	<u>3,834,601</u>	<u>4,184,739</u>	<u>4,201,939</u>
Net assets, end of period	<u>\$4,761,002</u>	<u>\$4,361,593</u>	<u>\$4,761,002</u>	<u>\$4,361,593</u>



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Terry E. Branstad · Governor
Kim Reynolds · Lt. Governor
Terry Rich · Chief Executive Officer

DATE: November 16, 2011
TO: Board Members of the Iowa Lottery Authority
FROM: Brenda Loy, Chief Financial Officer

Attached are the financial statements for October 2011. During October, we had revenue of \$24,556,501. This sales level resulted in \$5,818,860 of proceeds payable to the State General Fund and \$165,122 of proceeds payable to the Veterans Trust Fund.

Attachments

IOWA LOTTERY AUTHORITY
SCHEDULE OF ECONOMIC BENEFITS

October 31, 2011

Proceeds to Iowa Plan		\$170,318,439
Proceeds to CLEAN fund		\$35,894,355
Proceeds to Special Appropriations		\$13,773,572
Proceeds to Gambler's Treatment Program		15,732,208
Proceeds to the State General Fund:		
Prior to Fiscal Year 2012	\$1,072,395,802	
Fiscal Year 2012		
Transferred	16,794,337	
Payable	<u>5,818,860</u>	
		1,095,008,999
Proceeds to the Veterans Trust Fund:		
Prior to Fiscal Year 2012	\$8,550,302	
Fiscal Year 2012		
Transferred	799,316	
Payable	<u>165,122</u>	
		<u>9,514,740</u>
Total		<u><u>\$1,340,242,313</u></u>

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE MONTH AND YEAR ENDED OCTOBER 31, 2011

	Month ended October 31, 2011	Month ended October 31, 2010	Year-to-date October 31, 2011	Year-to-date October 31, 2010
OPERATING REVENUES				
Instant-scratch ticket sales	\$14,517,400	\$12,125,569	\$56,454,011	\$48,695,028
Pick 3 sales	545,214	530,971	2,129,017	2,116,865
Powerball sales	5,383,417	3,797,359	17,817,872	15,171,202
Mega Millions sales	910,258	1,179,713	4,467,785	3,916,036
Hot Lotto sales	1,050,802	1,068,285	3,739,185	3,877,892
Pick 4 sales	243,121	229,845	905,478	881,039
\$100,000 Cash Game sales	335,701	298,786	1,353,874	1,210,364
Pull-tab sales	1,449,952	1,477,227	5,530,107	6,318,408
Application fees	175	500	1,050	1,475
Other revenue	120,461	803	122,451	128,623
Total operating revenues	24,556,501	20,709,058	92,520,830	82,316,932
OPERATING EXPENSES				
Scratch ticket prize expense	9,112,748	7,861,780	34,325,451	31,194,205
Pick 3 prize expense	325,778	313,793	1,261,870	1,251,809
Powerball prize expense	2,638,784	1,795,863	8,679,700	7,110,375
Mega Millions prize expense	456,616	599,335	2,261,963	2,018,151
Hot Lotto prize expense	512,523	517,895	1,821,414	1,849,659
Pick 4 prize expense	138,092	137,157	525,552	517,548
\$100,000 Cash Game prize expense	158,839	141,221	640,554	572,462
Pull-tab prize expense	908,443	924,664	3,462,955	3,951,454
VIP Club expense	160,714	0	605,357	0
Promotional prize expense	5,793	1,888	44,656	63,146
Advertising/publicity	612,891	454,509	2,162,367	1,912,484
Retailer compensation expense	1,559,695	1,296,792	5,873,918	5,219,190
Ticket expense	300,687	232,749	836,630	919,929
Vendor compensation expense	466,180	446,128	1,805,946	1,795,617
Salary and benefits	727,663	683,230	2,936,830	2,662,803
Travel	34,789	34,180	153,396	123,283
Supplies	18,157	10,200	62,721	38,662
Printing	60	65	3,573	1,901
Postage	288	402	2,087	1,487
Communications	7,642	35,351	43,959	167,309
Rentals	22,636	23,220	89,844	90,853
Utilities	9,422	4,297	30,082	26,835
Professional fees	3,403	6,663	12,967	15,444
Vending machine maintenance	44,847	44,907	179,390	167,088
Outside services and repairs	32,180	21,641	82,726	85,516
Data processing	3,914	5,222	15,749	16,478
Equipment	8,944	23,503	41,844	53,257
Reimbursement to other state agencies	27,606	28,135	115,590	112,846
Depreciation	11,344	9,952	44,885	47,510
Other	5,624	9,072	26,381	26,204
MUSL administrative expense	3,759	3,377	15,035	13,509
Total operating expenses	18,320,061	15,667,191	68,165,392	62,027,014
Operating income (loss)	6,236,440	5,041,867	24,355,438	20,289,918

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE MONTH AND YEAR ENDED OCTOBER 31, 2011

	<u>Month ended October 31, 2011</u>	<u>Month ended October 31, 2010</u>	<u>Year-to-date October 31, 2011</u>	<u>Year-to-date October 31, 2010</u>
Operating income (loss)	6,236,440	5,041,867	24,355,438	20,289,918
Non-operating revenues (expenses)				
Proceeds deposited to:				
State General Fund	(5,818,860)	(5,010,008)	(22,613,197)	(19,218,518)
Veterans Trust Fund	(165,122)	(251,116)	(964,438)	(1,207,070)
Interest Income	3,324	12,068	64,094	98,808
Interest expense	(3,284)	(3,558)	(13,136)	(14,231)
Net non-operating revenues (expenses)	(5,983,942)	(5,252,614)	(23,526,677)	(20,341,011)
Change in net assets	252,498	(210,747)	828,761	(51,093)
Net assets, beginning of period	4,761,002	4,361,593	4,184,739	4,201,939
Net assets, end of period	\$5,013,500	\$4,150,846	\$5,013,500	\$4,150,846



Marketing/Sales Board Report, August 2011

Game	Details	Aug. Sales	Aug. Weekly Per Capita*	Fiscal YTD Sales		
				FY2011	FY2012	Change
	There was one winner of \$100,000 in August: Thomas Chia from Des Moines (8.10.11). \$100,000 Cash Game sales for August averaged \$79,420 per week. ⁺	\$351,717	\$0.03	\$606,528	\$687,842	13.41%
	The jackpot reached its peak for August at \$228.9 million on Aug. 10 and ended the month at \$76.5 million on Aug. 31.	\$5,043,711	\$0.37	\$7,370,738	\$9,132,151	23.90%
	The jackpot reached its peak for August and ended the month at \$3.6 million on Aug. 31.	\$954,019	\$0.07	\$1,795,657	\$1,823,234	1.54%
	The jackpot reached its peak for August at \$99 million on Aug. 5 and ended the month at \$21 million on Aug. 30.	\$1,069,603	\$0.08	\$2,006,352	\$2,245,047	11.90%
	Pick 4 sales for August averaged \$50,329 per week. ⁺	\$222,886	\$0.02	\$436,116	\$441,899	1.33%
	Pick 3 sales for August averaged \$119,505 per week. ⁺	\$529,235	\$0.04	\$1,071,546	\$1,062,423	-0.85%

Game	Details	Aug. Sales	Aug. Weekly Per Capita*	Fiscal YTD Sales		
				FY2011	FY2012	Change
	Instant sales for August averaged \$3,298,813 per week. ⁺ Four new scratch games were introduced in August: “Sunny Money” (\$1) and “Triple Cherry Twist” (\$2) were introduced on Aug. 8 and “Twisted” (\$3) and “Great State Tailgate” (\$2) were introduced on Aug. 29.	\$14,609,029	\$1.08	\$24,630,979	\$27,965,868	13.54%
	Pull-tab sales for August averaged \$335,469 per week. ⁺ Two new pull-tab games were introduced in August: “Sour Grapes” (\$0.25) and “The Pickle” (\$0.50) were introduced on Aug. 15.	\$1,485,648	\$0.11	\$3,292,427	\$2,781,262	-15.53%
Totals		\$24,265,848	\$1.80	\$41,210,343	\$46,139,726	11.96%

*Based on the Iowa state population of 3,046,355 people (2010 Census).

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

PROMOTION(S) RUNNING DURING AUGUST 2011

The “Great Iowa Getaway” promotion runs from noon, July 18, 2011 through noon, Sept. 6, 2011.

The “Great State Tailgate” promotion runs from noon, Aug. 29, 2011, through noon, Dec. 6, 2011.



Marketing/Sales Board Report, September 2011

Game	Details	Sept. Sales	Sept. Weekly Per Capita*	Fiscal YTD Sales		
				FY2011	FY2012	Change
	There was one winner of \$100,000 in September: Janis Renner from Mason City (9.06.11). \$100,000 Cash Game sales for September averaged \$77,077 per week. †	\$330,331	\$0.03	\$911,578	\$1,018,173	11.69%
	The jackpot reached its peak for September at \$108.8 million on Sept. 7 and ended the month at \$37.1 million on Sept. 28.	\$3,302,304	\$0.25	\$11,373,843	\$12,434,455	9.33%
	The jackpot reached its peak for September and ended the month at \$5.1 million on Sept. 28.	\$865,149	\$0.07	\$2,809,607	\$2,688,383	-4.31%
	The jackpot reached its peak for September and ended the month at \$113 million on Sept. 30.	\$1,312,480	\$0.10	\$2,736,323	\$3,557,527	30.01%
	Pick 4 sales for September averaged \$51,440 per week. †	\$220,458	\$0.02	\$651,194	\$662,357	1.71%
	Pick 3 sales for September averaged \$121,655 per week. †	\$521,379	\$0.04	\$1,585,893	\$1,583,803	-0.13%

Game	Details	Sept. Sales	Sept. Weekly Per Capita*	Fiscal YTD Sales		
				FY2011	FY2012	Change
	Instant sales for September averaged \$3,259,840 per week. ⁺ Six new scratch games were introduced in September: “Loose Change®” (\$1) and “Spooky Loot” (\$2) were introduced on Sept. 19 and “Lucky Elves Bingo” (\$2), “Merry Crossword” (\$3), “Holiday Bonus Crossword” (\$5) and “Holiday Countdown” (\$10) were introduced on Sept. 26.	\$13,970,743	\$1.07	\$36,569,459	\$41,936,611	14.68%
	Pull-tab sales for September averaged \$303,075 per week. ⁺ One new pull-tab game was introduced in September: “Fiery Gemstones” (\$2) was introduced on Sept. 19.	\$1,298,893	\$0.10	\$4,841,181	\$4,080,154	-15.72%
Totals		\$21,821,737	\$1.67	\$61,479,078	\$67,961,463	10.54%

*Based on the Iowa state population of 3,046,355 people (2010 Census).

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

PROMOTION(S) RUNNING DURING SEPTEMBER 2011

The “Great Iowa Getaway” promotion runs from noon, July 18, 2011, through noon, Sept. 6, 2011.

The “Great State Tailgate” promotion runs from noon, Aug. 29, 2011, through noon, Dec. 6, 2011.

The “Super Tech” promotion runs from noon, Sept. 26, 2011, through noon, Jan. 23, 2012.



Marketing/Sales Board Report, October 2011

Game	Details	Oct. Sales	Oct. Weekly Per Capita*	Fiscal YTD Sales		
				FY2011	FY2012	Change
	\$100,000 Cash Game sales for October averaged \$75,803 per week. *	\$335,701	\$0.02	\$1,210,364	\$1,353,874	11.86%
	The jackpot reached its peak for October and ended the month at \$209.2 million on Oct. 29.	\$5,383,417	\$0.40	\$15,171,202	\$17,817,872	17.45%
	The jackpot reached its peak for October and ended the month at \$7.28 million on Oct. 29.	\$1,050,802	\$0.08	\$3,877,892	\$3,739,185	-3.58%
	The jackpot reached its peak for October and ended the month at \$67 million on Oct. 28.	\$910,258	\$0.07	\$3,916,036	\$4,467,785	14.09%
	Pick 4 sales for October averaged \$54,898 per week. *	\$243,121	\$0.02	\$881,039	\$905,478	2.77%
	Pick 3 sales for October averaged \$123,113 per week. *	\$545,214	\$0.04	\$2,116,865	\$2,129,017	0.57%

Game	Details	Oct. Sales	Oct. Weekly Per Capita*	Fiscal YTD Sales		
				FY2011	FY2012	Change
	Instant sales for October averaged \$3,278,123 per week. [†] Four new scratch games were introduced in October: “Snow Bank” (\$1), “Betty Boop™” (\$2), “Sparkling Winnings” (\$3) and “Holiday Wishes” (\$5) were introduced on Oct. 3.	\$14,517,400	\$1.08	\$48,695,028	\$56,454,011	15.93%
	Pull-tab sales for October averaged \$327,408 per week. [†] One new pull-tab game was introduced in October: “Berries & Bars” (\$1) was introduced on Oct. 24.	\$1,449,952	\$0.11	\$6,318,408	\$5,530,107	-12.48%
Totals		\$24,435,865	\$1.81	\$82,186,834	\$92,397,329	12.42%

**Based on the Iowa state population of 3,046,355 people (2010 Census).*

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

PROMOTION(S) RUNNING DURING OCTOBER 2011

The “Great State Tailgate” promotion runs from noon, Aug. 29, 2011, through noon, Dec. 6, 2011.

The “Super Tech” promotion runs from noon, Sept. 26, 2011, through noon, Jan. 23, 2012.

Security Report
September 2011

INVESTIGATIONS

Cases opened: 4

Cases closed: 0

TYPES

Theft: 1

Burglary: 2

Misc.: 1 (Fire)

EVENTS

Provide security for the \$100,000 Cash Game, and all second chance and promotional drawings, 26 drawings, 2 tailgate promotions, 1 Twitter, 1 MDI drawing, Ticket printing, MGIR conference.

WAREHOUSING

See attached

MISCELLANEOUS

Assist Validations Department: 25

Law Enforcement contacts: 20

ABD reports: 18

Records of Contact: 16

Juvenile: 0

Security Report
October 2011

INVESTIGATIONS

Cases opened: 7
Cases closed: 2
Arrest: 1

TYPES

Theft: 3
Burglary: 1
Employee theft: 1
Customer ticket concern: 2

EVENTS

Provide security for the \$100,000 Cash Game and all second chance and promotional drawings, 26 drawings, 1 Twitter contest, 1 ticket print, 1 mock lockdown.

WAREHOUSING

See attached

MISCELLANEOUS

Assist Validations Department: 17
Law Enforcement contacts: 22
ABD Reports: 22
Records of contact: 7
Juvenile: 0

**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 third and final option period is hereby exercised extending the term through December 31, 2012.

SECTION 3. AMENDMENTS.

The Agreement was amended September 28, 2010 to include the use of the FailSafe® instant ticket bar code on all instant scratch tickets produced for the Lottery, at no additional cost, during the term of the Agreement. The Agreement shall be further amended as follows:

FailSafe®

The Contractor agrees to include the PDF 417 FailSafe® bar code on each ticket printed for the Lottery.

Hash Files

The Lottery agrees to pay Contractor a fee of \$1,000 per game to create and transfer hash files to Scientific Games International for each instant scratch game printed for the Lottery. The hash file fee shall be noted in the Working Papers for each game to be printed.

Travel Credit

As stated in Section 7.6 of the Agreement dated January 11, 2008, the cost of printing inspections are to include travel expenses for a lottery staff person to be on-site when all Iowa lottery tickets are being printed. The Lottery may choose to waive the on-site visit for ticket printing. The parties agree that Contractor shall provide a \$1,400 travel credit for each instant ticket game printed by Contractor with no on-site Lottery visit. Should the Lottery waive an on-site ticket inspection, the Lottery shall inform the Contractor. Contractor agrees to reimburse the Lottery for up to three (3) additional visits per calendar year. All terms of Section 7.6 of the Agreement regarding travel shall apply for any on-site Contractor visits.

Prior to the beginning of the extension period, Contractor shall provide a copy of the current Travel Credit report to Cindy Weber at CWeber@ialottery.com and Deirdre Demmerly at DDemmerly@ialottery.com. Contractor shall provide updated Travel Credit reports to these individuals each time an adjustment is made to this Travel Credit account during the extension period.

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: _____

Date: _____

Name: Kenneth A. Brickman

Title: Executive Vice President

Pollard Banknote Limited Partnership

By: _____

Date: _____

Name: Douglas E. Pollard

Title: President

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

This Second 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, 2012.

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:
Title:

Date: _____

Scientific Games International, Inc

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.

Iowa Lottery Authority

By: _____

Date: _____

Name:

Title:

Scientific Games International, Inc

**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 34th Avenue, Council Bluffs, IA 51501.

SECTION 2. EXTENSION OF TERM.

On or about January 1, 2009, 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 second option period is hereby exercised extending the term through December 31, 2012.

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: _____ Date: _____

Name: Kenneth A. Brickman

Title: Executive Vice President

Pollard Games, Inc dba American Games, Inc.

By: _____ Date: _____

Name: Douglas E. Pollard

Title: President

By: _____

Date: _____

Name:

Title:



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

Terry E. Branstad · Governor
Kim Reynolds · Lt. Governor
Terry Rich · Chief Executive Officer

To: Iowa Lottery Authority Board

From: Terry Rich

Re: ILA Management Line of Succession

Dear Board:

Due to personnel changes during the past year, we need to update the ILA management line of succession. Management proposes approval of the following line of succession:

- CEO— (Statutory)
- Executive VP / Sales and Product Development—Larry Loss (Statutory)
- VP Finance/CFO—Brenda Loy
- VP External Relations—Mary Neubauer
- VP Marketing—Teri Wood
- VP Security—Steve Bogle
- VP Operations & Systems—Jack Schroeder
- VP General Counsel—Molly Juffernbruch

THIS LEASE AGREEMENT, is effective on July 1, 2012 and is made by and between THE ALCOHOLIC BEVERAGES DIVISION (Division), and THE IOWA LOTTERY AUTHORITY, an instrumentality of the State of Iowa (Lottery).

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

SECTION 1. IDENTITY OF THE PARTIES.

1.1 The **Alcoholic Beverages Division** is a division of the Iowa Department of Commerce and is charged with the responsibility of among other things leasing excess warehouse capacity to other state agencies. The Division's address for the purpose of this Lease Agreement is 1918 S.E. Hulsizer, Ankeny, Iowa 50021.

1.2 The **Iowa Lottery Authority** is an instrumentality of the state of Iowa created pursuant to Iowa Code chapter 99G. The Lottery 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.

SECTION 2. LEASED PREMISES: The Division hereby leases to the Lottery, for the period and upon the terms hereinafter stated, 12,300 square feet in the southwest corner of the Division's warehouse located at 1918 S.E. Hulsizer, Ankeny, Iowa 50021 (Leased Premises).

SECTION 3. TERM: This Lease Agreement shall be for a period of five years, commencing on the 1st day of July, 2012, and ending on the 30th day of June, 2017, inclusive.

SECTION 4. RENTAL RATE: The annual rental rate shall be \$6.50 per square foot or Seventy-nine Thousand Nine-Hundred Fifty and no/100 Dollars (\$79,950) payable in installments of Nineteen Thousand Nine-Hundred Eighty-Seven Dollars and Fifty cents (\$19,987.50) per quarter, payable in arrears on October 1, January 1, April 1, and July 1. Any renegotiation of this rate needs to occur no later than sixty (60) days prior to the beginning of each lease year (60 days prior to July 1).

SECTION 5. RENEWAL OPTION CLAUSE: At the expiration of the lease, the Division and the Lottery may, upon mutual agreement, renew this lease with terms to be determined.

SECTION 6. NONSCHEDULED CLOSING: No rent shall accrue, beginning with the sixth working day, in the event that the Leased Premises are closed due to nonscheduled maintenance, repair or restoration for which the Division is responsible.

SECTION 7. TERMINATION BY THE DIVISION OR THE LOTTERY:

7.1 If the conduct of the Division's or Lottery's business at the Leased Premises should be terminated by law, the Division or Lottery may terminate the Lease upon ninety days' notice in writing.

7.2 The Lottery may cancel this Lease Agreement without further obligation to the Division if funds sufficient to fulfill the Lottery's obligations under this lease are de-appropriated, not appropriated or allocated, or are insufficient for any other reason, as determined by the lottery in the Lottery's sole discretion, or if the Lottery's authority to operate a state lottery expires, is withdrawn or is substantially modified.

7.3 The parties may terminate this Lease Agreement for convenience upon ninety days' written notice.

SECTION 8. UTILITIES: The Division shall pay for heating, electricity and water during the term of this Lease Agreement.

SECTION 9. MAINTENANCE OF LEASED PREMISES:

9.1 Fencing: The Lottery shall provide and install all fencing necessary to secure the Lottery's property.

9.2 Security System: The Lottery shall provide all systems required to secure the Lottery's property.

9.3 Other Supplies, Equipment, Service: All supplies, equipment and services furnished by the Division to the Lottery will be charged to the Lottery at cost.

9.4 Maintenance of Property by the Lottery: The space occupied by the Lottery shall be maintained by the Lottery in good repair and shall be kept free of excess debris.

9.5 Alteration of Property: There shall be no alteration or repairs made to the Division's property by the Lottery, including painting, electrical, plumbing or fastening of equipment to walls, floor or ceiling without the express written approval of the Division. Such consent shall not be unreasonably withheld by Division.

9.6 Disposition of Property Upon Termination: Upon termination of this lease, all equipment and furnishings owned by the Iowa Lottery shall remain the property of the Lottery. The Lottery shall pay the Division all reasonable costs to restore the Leased Premises to its' original condition upon removal of the Lottery's property with normal wear and tear excepted.

SECTION 10. EXTRAORDINARY EXPENSE: In the event that the Lottery's operation on the leased premises requires the services of Division employees on a regular or overtime basis, such services will be charged to the Lottery at actual cost including overhead.

SECTION 11. HOURS OF OPERATION: The Lottery will regulate its hours of operation to coincide with the Division's hours of operation.

SECTION 12. EMPLOYEE FACILITIES: The Lottery's employees may use the Division's warehouse restroom and lunchroom facilities. The Lottery's employees shall observe all rules while using Division's facilities.

SECTION 13. FUEL PURCHASE: The Lottery agrees to purchase fuel, on an as needed basis for the Lottery warehouse truck, from the Division fuel island at the ABD laid-in rate. The Division shall bill the Lottery monthly for all fuel purchased.

SECTION 14. DAMAGE TO PREMISES:

14.1 If damage to the warehouse, the grounds, driveways, parking facilities or fuel storage tank systems is caused by the negligence of the Lottery, the Division shall cause necessary repairs to be made, and shall charge the Lottery for the cost of such repairs.

14.2 If damage to the Lottery's property is caused by the negligence of the Division, the Lottery shall cause necessary repairs or replacements to be made and shall charge the Division for the cost of such repairs or replacements.

14.3 In the event the parties to this Lease Agreement cannot resolve a dispute arising under this section, then the parties shall enter into binding arbitration in accordance with Iowa Code Section 679A.19. Notwithstanding any provision in this Lease Agreement, the Parties acknowledge that under chapter 99G, the Iowa Lottery Authority is not a state agency.

SECTION 15. DEFAULT:

15.1 For Cause by the Division. The occurrence of any one or more of the following events shall constitute cause for the Division to declare the Lottery in default of its obligations under this Lease Agreement.

15.1.1 Failure to observe and perform any covenant, condition or obligation created by the Lease Agreement; or

15.1.2 Failure to make the quarterly rental payments provided for in this Lease Agreement.

15.2 Notice of Default. If there is a default event, the Division shall provide written notice to the Lottery, requesting that the breach or noncompliance be immediately remedied. In the event that the breach or noncompliance continues to be evidenced fifteen (15) days beyond the date of the written notice, the Division may either:

15.2.1 Immediately terminate the Lease Agreement without additional written notice; or,

15.2.2 Enforce the terms and conditions of the Lease Agreement and seek any legal or equitable remedies pursuant to Iowa Code Section 679A.19.

In either event, the Division may seek damages and payment of reasonable attorney fees and costs associated with an arbitration action pursuant to Iowa Code Section 679A.19 as a result of the breach or failure to comply with the terms of the Lease Agreement.

15.3 For Cause by the Lottery. The occurrence of the following event shall constitute cause for the Lottery to declare the Division in default of its obligations under this Lease Agreement:

15.3.1 Failure to observe and perform any covenant, condition or obligation created by the Lease Agreement.

15.4 Notice of Default. If there is a default event, the Lottery shall provide written notice to Division requesting that the breach or noncompliance be immediately remedied. In the event that the breach or noncompliance continues to be evidenced fifteen (15) days beyond the date of the written notice, the Lottery may either:

15.4.1 Immediately terminate the Lease Agreement without additional written notice; or,

15.4.2 Enforce the terms and conditions of the Lease Agreement and seek any legal or equitable remedies pursuant to Iowa Code Section 679A.19.

In either event, the Lottery may seek damages and payment of reasonable attorney fees and costs associated with an arbitration action pursuant to Iowa Code Section 679A.19 as a result of the breach or failure to comply with the terms of the Lease Agreement.

SECTION 16. LEASE ADMINISTRATION:

16.1 Amendments. This Lease Agreement may be amended in writing from time to time by mutual consent of the parties. All amendments to this Lease Agreement must be fully executed by both parties.

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

16.3 Choice of Law and Forum. The terms and provisions of this Lease Agreement shall be construed in accordance with the laws of the State of Iowa.

16.4 Assignment and Delegation. This Lease Agreement may not be assigned, transferred or conveyed in whole or in part without the prior written consent of the other party.

16.5 Integration. This Lease Agreement represents the entire Lease Agreement between the parties and neither party is relying on any representation which may have been made which is not included in this Lease Agreement.

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

16.7 Not a Joint Venture. Nothing in this Lease Agreement shall be construed as creating or constituting the relationship of a partnership, joint venture, an Iowa Code Chapter 28E agreement, (or other association of any kind or agent/principal relationship) between the parties hereto. Each party shall be deemed to be an independent contractor contracting for services and acting toward the mutual benefits expected to be derived herefrom. No party, unless otherwise specifically provided for herein, has the authority to enter into any contract or create an obligation or liability on behalf of, in the name of, or binding upon another party to this Lease Agreement.

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

16.9 Supersedes Former Lease Agreements. This Lease Agreement supersedes all prior agreements between the Division and the Lottery for the rental of warehouse space.

16.10 Waiver. Except as specifically provided for in a waiver signed by duly authorized representatives of Division and the Lottery, failure by either party at any time to require performance by the other party or to claim a breach of any provision of the Lease 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.

16.11 Notices. Notices under this Lease Agreement shall be in writing and delivered to the representative of the party to receive notice (identified below) at the address of the party to receive notice as it appears below or as otherwise provided for by proper notice hereunder. The effective date for any notice under this Lease Agreement shall be the date of delivery of such notice (not the date of mailing) which may be effected by certified U.S. Mail return receipt requested with postage prepaid thereon or by recognized overnight delivery service, such as Federal Express or UPS.

If to the Division: Alcoholic Beverages Division
Attn: Rick Swizdor
1918 S.E. Hulsizer Ave.
Ankeny, IA 50021

If to the Lottery: Iowa Lottery
Attn: Larry Loss
2323 Grand Ave.
Des Moines, IA 50312

Any notice or communication sent by U.S. Mail under this Lease Agreement shall be deemed given upon receipt as evidenced by the U.S. Postal Service return receipt card, or if sent by overnight delivery service, upon receipt as evidenced by the signature attained by the carrier.

16.12 Cumulative Rights. The various rights, powers, options, elections and remedies of either party, provided in this Lease Agreement, shall be construed as cumulative and no one of them is exclusive of the others or exclusive or any rights, remedies or priorities allowed either party by law, and shall in no way affect or impair the right of either party to pursue any other equitable or legal remedy to which either party may be entitled as long as any default remains in any way unremedied, unsatisfied, or undischarged.

16.13 Severability. If any provision of this Lease Agreement is determined by a court of competent jurisdiction or arbitrators pursuant to Iowa Code Section 679A.19 to be invalid or unenforceable, such determination shall not affect the validity or enforceability of any other part or provision of this Lease Agreement.

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

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

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

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

16.16 Counterparts. The parties agree that this Lease 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.

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

16.18 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 Lease Agreement.

16.19 Unavailability of State Funds. Pursuant to Iowa Code Section 99G.38, the funds of the State of Iowa, as opposed to the funds of the Iowa Lottery, are not available to meet the obligations of the Lottery which may arise from this Lease Agreement.

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 Lease Agreement and have caused their duly authorized representatives to execute this Lease Agreement.

IOWA ALCOHOLIC BEVERAGES DIVISION

By: _____
Rick Swizdor
Administrator

Date: _____

IOWA LOTTERY AUTHORITY

By: _____
Kenneth A. Brickman
Executive Vice President

Date: _____