2323 Grand Avenue · Des Moines · Iowa 50312-5307
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www.ialottery.com

Terry E. Branstad · Governor
Kim Reynolds · Lt. Governor

Terry Rich · Chief Executive Officer

AGENDA
IOWA LOTTERY BOARD
March 30, 2012
10:30 a.m.

I. Call to Order
   a. Approval of Minutes

II. Monthly Reports
   a. Financial
      i. Performance Audit
   b. Marketing
      i. VIP Club Update
   c. Sales
      i. State of the Industry results
   d. External Relations
      i. Legislative Update
         1. Internet Gaming
   e. Security
      i. L1 Background Checks

III. Dues
   a. WLA
   b. NASPL
   c. IA Grocers Association
   d. Petroleum Marketers

IV. MDI Extension

V. Retailer Compensation

VI. Clarification of Hearing Board Designees

VII. CEO Update
   a. Board Member Change and Recognition
   b. Industry Updates
   c. 2014 Budget Input

VIII. 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

December 20, 2011

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

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

Lottery staff present: Terry Rich, CEO; Kenneth Brickman, Executive Vice President/COO; Brenda Loy, CFO; Larry Loss, Vice President Sales; Mary Neubauer, Vice President External Relations; Molly Juffernbruch, Vice President Legal Counsel; Steve Bogle, Vice President Security; Dave Van Compernolle, Assistant Attorney General; Jack Schroeder, CIO.

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. Junge moved to conduct the meeting by electronic means. The motion was seconded by Burnight and carried unanimously.

Minutes

Richter moved to approve the minutes of the meeting held on September 29, 2011. The motion was seconded by Klappholz 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 presented the October performance measures, showing that as of October the lottery had $92 million in sales and $23 million in proceeds for fiscal calendar year adding that the lottery is well ahead of budget and last year. Loy noted that August, September and October financials are also included in the packet and that the lottery is 22% ahead of budget on proceeds and 15% ahead on last year's proceeds. Loy pointed out one presentation change to the financials which is shown on the last page of October's financials. The change is due to a new interpretation of a government accounting standard which requires the lottery to change the presentation from what was previously named "Transfers" to "Proceeds Deposited To" and are now grouped with Non-Operating Revenue and Expenses. This change is effective in the October report and will also be shown as such in the FY11 audit report.

Loy stated that each board member should receive the FY11 audit report no later than January. The audit was a clean one again.

Marketing

Terry Rich stated that Larry Loss would be presenting the marketing information in the absence of Teri Wood, Vice President of Marketing.

Loss stated that the marketing reports were included in the board packet but added that the VIP Club has over 38,000 members. A VIP Club promotion was run during November for the Vets Hot 50 ticket, which offered triple points for those tickets entered

into the VIP Club. In addition, the lottery also held promotions at participating HyVee's around the state, offering a chance to win 1 of 3 prizes, including Vets Hot 50 tickets.

The Great State Tailgate promotion was a great success. 94,507 entries were received. The drawing was conducted on December 8th and the winner was Jeff Weigel from New Hampton. Lottery staff delivered the tailgate to his place of business (a car dealership) the following day and the winner said although he doesn't usually play a lot of scratch games, this particular one caught his attention due to the prize and promotions.

10 holiday tickets are being offered this holiday season, which is the most the lottery has ever offered. These holiday tickets can be entered online into the VIP Club for a chance to win several prizes in the SuperTech promotion, including a SuperPrize package containing one of each Sony prize. This is the 3rd year the lottery has used Sony electronic prizes for the holiday promotion and it's been a success each year.

Loss then presented the 30 second SuperTech TV ad.

Loss pointed out that the first year there were a little over 400,000 online entries, last year 844,000 entries and this year, so far, there have been almost 1.4 million entries. Loss added that this breaks down to approximately 50 tickets per entrant for this current promotion. The lottery is averaging 14,670 entries per day and there are just over 16,000 entries for the SuperPrize. To help promote SuperTech the lottery has held 12 retailer promotions over the last 2 weeks with the chance to win a Sony Bloggie camera.

Loss commented on the following marketing initiatives:

- A new game is coming out on January 6th called Aces High, some POS materials were shown.
- The $2 Powerball change is coming in January and work is being done on some POS materials, including teaser ads that will run the week of January 4th.
- An electronic holiday greeting card was sent out by the lottery and stats show that 98.9% were received, 75% were opened and had a 52.8% click-through rate. All are tremendous numbers.
- The sign conversion in Cedar Rapids is now up and running and the content was developed in house. The lottery is currently working on a sign for Mason City.
- Two truck wraps for the beer and liquor distributors' trucks are being completed. Loss presented the wrap designs.
- There was a change to the LIMs with the size and placement of the jackpot amounts.
- Phase II of the annual attitudes and opinions survey was completed; 9 focus groups were held in 3 cities in Iowa over a 10-day period. The results were just delivered to the lottery and are still being reviewed but will be distributed to the board soon.

Rich stated that there are 2 things in the Iowa Code that are confidential; 1 – security personnel and 2 – market research and added that the market research will be sent out confidentially to the board.

Burnight inquired about who had done the focus groups and Rich responded that it was Trilix Marketing/Essman and Associates. Loss stated that this was the first round of research being done for the lottery and we are excited to see the results.

External Relations

Mary Neubauer started her report on to the legislative front, stating that there have been conversations at the federal level and in Iowa about internet gaming. Neubauer said it remains to be seen whether there will be federalization of gaming or left to the states. Richter then asked how this would impact the Iowa Lottery and Neubauer responded stating there needs to be strong regulation of the system and that federalization could actually end up forcing gaming upon states who don't support it, such as Hawaii. A secondary consideration is, of course, monetary, but the first consideration is local viewpoint of the citizenry.

Neubauer also noted that the Iowa Racing and Gaming Commission released a report two weeks ago about the possible financial impact of regulation of internet poker in Iowa. This report was conducted at the request of the past legislature. The results of the report show a much more conservative number than had originally been projected by casinos and that reactions to that report will be monitored.

Neubauer stated the Board Chairperson's four year term comes up for review this session and all other terms are good for at least another 2 years.

Neubauer noted that the Governor's office and the legislative office are heavy into the reporting period and that Rich, Neubauer, and Loy went before the Governor's office to discuss the lottery, its operations and anticipated revenues. Neubauer said the Governor was very excited to hear how well the lottery is doing in terms of state budgeting and said the Governor was very complimentary of the lottery but emphasized that integrity is the key to the entire lottery and needs to be paramount in any decision the lottery makes.

Neubauer, Juffernbruch, Loy and Loss will be going before the Legislative Fiscal Committee today, December 20. This committee hasn't met for about 5 years but asked the lottery to present what the lottery does and how the budget is determined. The board members were given a copy of the report to review and Rich added that it's a good recap of the budget and a sense of what's coming. Neubauer and Rich then went on to recap the report. Neubauer said they included some guiding principles that the lottery operates under; the first of which is that the lottery is a non-profit authority but is meant to be entrepreneurial and operates like a business, the second is operating with integrity and free from political influence.

Rich then added that on average the lottery has had 131 employees and today the lottery is authorized for 117 (5 of which are board members). He added that the guiding principle is long term proceeds vs sales. On average, in the past, the lottery has had proceeds in the $40-50 million range, going forward the lottery is committed to $60 million a year.

Neubauer then discussed "Authority Powers" stating that the lottery is self-funded and with some limited authority to buy real estate and borrow money. The lottery is still subject to competitive bidding, retailer licensing, prizes, law enforcement, open records, and advertising expenditures limits still apply. Schroeder will be joining the lottery personnel at the fiscal committee meeting, representing the board.

Rich covered the employee designation and audit reporting portion of the report, stating that our biggest audit is the customer audit. The final piece is a performance audit, which the board should see in January.

Rich then discussed the four current issues that can hurt the lottery: integrity, gas prices, federalization of internet gaming, and lack of creativity and business development. Rich added that the state of the post office today demonstrates the importance of staying on the cutting edge.

Rich moved on to discuss what's coming up in 2012 and 2013:

- 2012
  - Build on current success and continue to innovate
  - Electronic point of sale display
  - Players Club
  - $2 Powerball starts in January
  - Modernization and staff realignment
- 2013
  - Diversify retailer base (Walmart, Walgreens)
  - National lottery games
  - Vending machines
  - Looking for cooperative efforts with other state agencies

Rich discussed the final slide showing that over $1 billion has gone back to the state.

Neubauer commented that she will send the Legislative Oversight Report to the board by the end of the year.

Neubauer moved on to discuss the unclaimed Hot Lotto jackpot, noting the expiration date is 4pm on December 29, 2011. Neubauer stated that the lottery has received dozens of inquiries and most are funneled to the security department. Some claims had more specific information than others but, so far, no one has come to the lottery with the ticket, which is required in order to claim the prize. Neubauer will be doing an interview in a week out about the unclaimed jackpot and expects more media coverage. Iowa will get back $1.3 – $1.4 million if the jackpot remains unclaimed. Neubauer said the biggest unclaimed prizes were both in New York and between $50-60 million and that this Hot Lotto prize is currently the second highest unclaimed prize.

Security Report

Bogle stated that September and October reports were provided in packet and noted that December was a historic month in that 11 instant ticket games were printed in a short period of time. Bogle reported that the lottery was able to catch a few things before the tickets went to full production and that the ticket printing companies passed all inspections. Rich noted that Neubauer and Bogle prepared a document that went out to the retailers to remind retailers and their staff that thefts of lottery tickets are tracked and considered a felonies.

Burnight moved to approve the monthly reports, Richter seconded and the motion carried unanimously.

Contract Extensions

Loss stated that there were 3 ticket extensions of existing contracts provided in the packet; Pollard Banknote Instant Ticket Printing, Scientific Games Instant Ticket Printing and Pollard Banknote Pull-Tab Printing. Loss stated that the lottery has been pleased with the companies and have done business with them for a long time. Loss pointed out that a Failsafe® was

added to the contract, which is a new technology that gives the lottery a keyless way to validate tickets. The lottery has licensed the use of the Failsafe® product across all instant ticket vendors for the life the contract. Loss then asked for approval from the board. Junge inquired if the cost remains the same and Loss responded yes. Schroeder then recapped the discussion stating that they were given a hand out at the meeting, which was different than what was provided in the packet. Juffernbruch then clarified that the contract provided in the packet contained some repetitive information and Pollard asked that it be removed. Juffernbruch stated that the substance and meaning of the contracts are the same as what was provided in the packet. Schroeder then asked if there was a motion for approval of three extensions.

Richter moved to approve the contract extensions and Klappholz seconded. The motion carried unanimously.

RFP's

Loss continued with RFP's stating that RFPs are being created for ticket printing, advertising creative, and advertising purchasing. Loss noted that there are discussion about RFPs for vending machines and printing of bar codes on pull tab tickets, but there is no action today required for those items.

CEO Update

Succession Plan

Rich asked that, with the retirement of Ken Brickman, the Lottery Succession Plan provided in the packet be approved by the board.

Burnight moved to approve, Richter seconded and it carried unanimously.

Warehouse Lease

Rich asked for approval of the warehouse lease provided in the packet with the addition that DAS needs to be a signatory of that lease so the lottery will add a signatory line. Rich stated that this is where the lottery keeps the tickets in Ankeny and is an agreement with Alcohol and Beverage Department. The board's approval was requested.

Richter moved to approve the warehouse lease, Burnight seconded and it carried unanimously.

Lottery Industry Update

Rich stated that the big buzz is the internet and that most states are doing well in scratch tickets and that Iowa is the 4th best in growth of all lotteries. Rich stated that the lottery is keeping up to date on the internet gaming but are not proposing any movement at this time.

Brickman Recognition

Rich moved on to discuss the retirement of Ken Brickman and that today there would be a formal recognition. Rich congratulated Brickman and wanted to make sure Brickman received the recognition he deserves for his time served as the CEO and all his work at the lottery.

Brickman was presented with photos and a personal recognition certificate from the Governor as well as a personal video from Ed Stanek.

Rich read Brickman's impressive biography and officially offered his congratulations and thanks for his hard work.

Brickman thanked Rich and the board, noting that the people around the table have been very supportive.

Junge added that Brickman provided invaluable leadership over the years noting all the challenging things such as Touch Play that were going on and said no one could have handled it better.

Klappholz commented that he appreciates what Brickman has done for the lottery and that his loyalty and professionalism stand out above all.

Schroeder stated "The Chair is advised that the CEO has a matter to discuss with the board within the parameters of the Iowa Code chapter 21.5(1) (i) that pertains to a personnel issue. The employee involved has furnished a written request that any discussions take place within closed session as provided by law. The Chair noted 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 the provisions of Iowa Code chapter 21.5(1) (i) which provides for closed session: 'to evaluate the professional competency of an individual whose appointment, hiring, performance or discharge is being considered when necessary to prevent needless and irreparable injury to that individual's reputation and that individual requests a closed session.' Do I hear such a motion?"

Junge moved to go to into closed session. Burnight seconded.
Roll call vote was taken: Burnight "aye", Junge "aye", Klappholz "aye", Richter "aye", Schroeder "aye".

The motion carried and the board goes into closed session at 11:45 a.m.

Open session resumes at 11:56 a.m.

Schroeder stated that there was a recommendation made to hire Doug Orr into the position of Director of Retail Services effective December 23, 2011 at an annual rate of $79,500 – Pay Level 01 and asked for a motion.

Richter moved to offer the position of Director of Retail Services to Doug Orr effective December 23, 2011 at an annual salary of $79,500. Burnight seconded and it carried unanimously.

Klappholz moved to adjourn, Burnight seconded and it carries unanimously.

Meeting adjourned at 11:59 a.m.

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	25,093,494	26,243,111	25,715,692	30,212,168					
Prize Expense	Budget '12	12,323,936	13,704,786	12,662,243	12,742,227	13,035,280	13,591,070	14,122,729	13,504,755	59.80% 3)	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	12,390,886	14,042,187	13,741,084	14,281,690	63.21% 4)	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	13,955,317	16,548,952	15,632,293	17,991,110	59.55% 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	1,261,482	757,874	882,297	883,113					
Proceeds to General Fund	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	7,365,377	5,345,966	5,759,711	7,373,869					
Proceeds to Veterans Trust	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	128,253	155,046	321,611	406,376					
Total Proceeds	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	7,493,630	5,501,012	6,081,322	7,780,245		-	-	-	-
YEAR TO DATE														
Gross Sales	Budget '12	20,609,581	43,528,387	64,703,727	86,012,826	107,812,003	130,540,640	154,158,382	176,742,672	12.97% 1)	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	104,600,983	128,239,974	152,106,619	174,699,330	14.29% 2)	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	117,490,821	143,733,932	169,449,624	199,661,792					
Prize Expense	Budget '12	12,323,936	26,028,722	38,690,965	51,433,192	64,468,472	78,059,542	92,182,271	105,687,026	59.80% 3)	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	60,919,695	74,961,882	88,702,966	102,984,656	58.95% 4)	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	67,584,790	84,133,742	99,766,035	117,757,145	58.98% 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	4,383,385	5,141,259	6,023,556	6,906,669					
Proceeds to General Fund	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	29,978,574	35,324,540	41,084,251	48,458,120					
Proceeds to Veterans Trust	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	1,092,691	1,247,737	1,569,348	1,975,724					
Total Proceeds	Budget '12	4,818,688	10,049,761	14,723,872	19,318,836	23,570,132	28,611,748	33,749,247	38,743,511	30.17% 1)	44,668,341	49,900,820	54,537,705	58,563,273
	Actual '11	4,845,963	10,427,127	15,164,463	20,425,587	26,889,121	32,698,730	39,091,659	43,694,889	15.42% 2)	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	31,071,265	36,572,277	42,653,599	50,433,844					

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 FY12 Prize Payout

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Terry E. Branstad · Governor
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Terry Rich · Chief Executive Officer

DATE: December 14, 2011

TO: Board Members of the Iowa Lottery Authority

FROM: Brenda Loy, Chief Financial Officer

Attached are the financial statements for November 2011. During November, we had revenue of $25,118,043. This sales level resulted in $7,365,377 of proceeds payable to the State General Fund and $128,253 of proceeds payable to the Veterans Trust Fund.

Attachments

IOWA LOTTERY AUTHORITY

SCHEDULE OF ECONOMIC BENEFITS

November 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	16,794,337	
Payable	13,184,237	
		1,102,374,376
Proceeds to the Veterans Trust Fund:		
Prior to Fiscal Year 2012	$8,550,302	
Fiscal Year 2012		
Transferred	799,316	
Payable	293,375	
		9,642,993
Total		**$1,347,735,943**

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

	Month ended November 30, 2011	Month ended November 30, 2010	Year-to-date November 30, 2011	Year-to-date November 30, 2010
OPERATING REVENUES				
Instant-scratch ticket sales	$15,949,764	$14,400,357	$72,403,775	$63,095,385
Pick 3 sales	552,967	543,888	2,681,984	2,660,752
Powerball sales	4,571,125	3,535,763	22,388,996	18,706,965
Mega Millions sales	1,086,263	844,507	5,554,048	4,760,543
Hot Lotto sales	939,471	1,021,731	4,678,656	4,899,623
Pick 4 sales	232,750	229,485	1,138,227	1,110,523
$100,000 Cash Game sales	344,609	295,488	1,698,483	1,505,852
Pull-tab sales	1,416,545	1,542,930	6,946,652	7,861,338
Application fees	250	375	1,300	1,850
Other revenue	24,299	795	146,750	129,419
Total operating revenues	**25,118,043**	**22,415,319**	**117,638,871**	**104,732,250**
OPERATING EXPENSES				
Scratch ticket prize expense	9,032,088	8,120,798	43,357,539	39,315,003
Pick 3 prize expense	327,080	322,603	1,588,951	1,574,411
Powerball prize expense	2,235,750	1,721,449	10,915,450	8,831,824
Mega Millions prize expense	551,564	481,454	2,813,527	2,499,605
Hot Lotto prize expense	457,896	495,534	2,279,309	2,345,193
Pick 4 prize expense	137,720	136,256	663,271	653,804
$100,000 Cash Game prize expense	162,619	139,580	803,173	712,041
Pull-tab prize expense	886,156	968,295	4,349,111	4,919,749
VIP Club expense	160,714	0	766,071	0
Promotional prize expense	3,730	4,917	48,385	68,062
Advertising/publicity	518,631	605,738	2,680,998	2,518,221
Retailer compensation expense	1,590,219	1,440,227	7,464,137	6,659,418
Ticket expense	243,364	272,194	1,079,994	1,192,124
Vendor compensation expense	500,755	487,891	2,306,701	2,283,507
Salary and benefits	725,353	700,988	3,662,183	3,363,791
Travel	38,024	31,835	191,421	155,117
Supplies	12,642	5,889	75,363	44,552
Printing	1,749	412	5,322	2,312
Postage	305	293	2,392	1,780
Communications	10,499	49,355	54,458	216,664
Rentals	23,423	22,914	113,267	113,767
Utilities	12,829	10,249	42,911	37,085
Professional fees	33,269	3,048	46,236	18,492
Vending machine maintenance	44,847	44,907	224,238	211,995
Outside services and repairs	11,013	18,074	93,738	103,591
Data processing	4,206	3,582	19,955	20,060
Equipment	19,186	5,891	61,030	59,149
Reimbursement to other state agencies	71,320	74,831	186,909	187,677
Depreciation	11,781	8,949	56,666	56,459
Other	13,502	10,434	39,883	36,638
MUSL administrative expense	3,759	3,377	18,794	16,887
Total operating expenses	**17,845,993**	**16,191,964**	**86,011,383**	**78,218,978**
Operating income (loss)	**7,272,050**	**6,223,355**	**31,627,488**	**26,513,272**

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

	Month ended November 30, 2011	Month ended November 30, 2010	Year-to-date November 30, 2011	Year-to-date November 30, 2010
Non-operating revenues (expenses)				
Proceeds deposited to:				
State General Fund	(7,365,377)	(6,255,411)	(29,978,574)	(25,473,930)
Veterans Trust Fund	(128,253)	(208,123)	(1,092,691)	(1,415,193)
Interest Income	4,559	17,113	68,653	115,922
Interest expense	(3,284)	(3,558)	(16,420)	(17,788)
Net non-operating revenues (expenses)	**(7,492,355)**	**(6,449,979)**	**(31,019,032)**	**(26,790,989)**
Change in net assets	**(220,305)**	**(226,624)**	**608,456**	**(277,717)**
Net assets, beginning of period	5,013,500	4,150,846	4,184,739	4,201,939
Net assets, end of period	**$4,793,195**	**$3,924,222**	**$4,793,195**	**$3,924,222**

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Telephone: 515-725-7900 · Fax: 515-725-7882
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Terry E. Branstad · Governor
Kim Reynolds · Lt. Governor

Terry Rich · Chief Executive Officer

DATE: January 17, 2012

TO: Board Members of the Iowa Lottery Authority

FROM: Brenda Loy, Chief Financial Officer

Attached are the financial statements for December 2011. During December, we had revenue of $26,243,748. This sales level resulted in $5,345,966 of proceeds payable to the State General Fund and $155,046 of proceeds payable to the Veterans Trust Fund.

Attachments

IOWA LOTTERY AUTHORITY

SCHEDULE OF ECONOMIC BENEFITS

December 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	18,530,204	
		1,107,720,343
Proceeds to the Veterans Trust Fund:		
Prior to Fiscal Year 2012	$8,550,302	
Fiscal Year 2012		
Transferred	799,316	
Payable	448,421	
		9,798,039
Total		**$1,353,236,956**

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

	Month ended December 31, 2011	Month ended December 31, 2010	Year-to-date December 31, 2011	Year-to-date December 31, 2010
OPERATING REVENUES				
Instant-scratch ticket sales	$16,272,527	$14,245,790	$88,676,302	$77,341,175
Pick 3 sales	588,599	557,707	3,270,584	3,218,459
Powerball sales	4,218,807	3,453,193	26,607,803	22,160,158
Mega Millions sales	2,185,039	2,048,185	7,739,087	6,808,728
Hot Lotto sales	908,664	1,207,343	5,587,320	6,106,966
Pick 4 sales	236,823	231,027	1,375,051	1,341,550
$100,000 Cash Game sales	356,037	305,707	2,054,520	1,811,559
Pull-tab sales	1,476,615	1,590,039	8,423,266	9,451,377
Application fees	500	775	1,800	2,625
Other revenue	137	1,041	146,887	130,460
Total operating revenues	**26,243,748**	**23,640,807**	**143,882,620**	**128,373,057**
OPERATING EXPENSES				
Scratch ticket prize expense	11,183,473	9,104,817	54,541,012	48,419,820
Pick 3 prize expense	346,999	331,024	1,935,950	1,905,435
Powerball prize expense	2,063,737	1,664,040	12,979,188	10,495,863
Mega Millions prize expense	1,109,003	1,075,312	3,922,530	3,574,917
Hot Lotto prize expense	440,274	591,045	2,719,583	2,936,237
Pick 4 prize expense	141,819	136,496	805,090	790,300
$100,000 Cash Game prize expense	168,642	144,552	971,815	856,593
Pull-tab prize expense	921,282	993,358	5,270,393	5,913,107
VIP Club expense	166,071	0	932,143	0
Promotional prize expense	7,652	1,543	56,037	69,605
Advertising/publicity	521,805	615,757	3,202,803	3,133,979
Retailer compensation expense	1,703,359	1,502,239	9,167,497	8,161,656
Ticket expense	346,957	204,839	1,426,950	1,396,963
Vendor compensation expense	516,411	504,516	2,823,112	2,788,023
Salary and benefits	746,140	548,154	4,408,323	3,911,945
Travel	31,408	28,661	222,829	183,778
Supplies	6,734	6,515	82,097	51,066
Printing	5,145	2,042	10,467	4,354
Postage	383	(6)	2,774	1,774
Communications	10,011	50,031	64,468	266,695
Rentals	24,210	22,464	137,477	136,231
Utilities	5,747	11,235	48,659	48,320
Professional fees	8,372	8,589	54,608	27,081
Vending machine maintenance	44,848	44,907	269,085	256,902
Outside services and repairs	7,660	39,092	101,398	142,683
Data processing	3,813	3,574	23,768	23,633
Equipment	51,042	12,052	112,072	71,201
Reimbursement to other state agencies	18,690	27,547	205,599	215,225
Depreciation	11,781	8,949	68,447	65,409
Other	3,775	8,825	43,658	45,464
MUSL administrative expense	3,759	3,377	22,553	20,264
Total operating expenses	**20,621,002**	**17,695,546**	**106,632,385**	**95,914,523**
Operating income (loss)	**5,622,746**	**5,945,261**	**37,250,235**	**32,458,534**

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

	Month ended December 31, 2011	Month ended December 31, 2010	Year-to-date December 31, 2011	Year-to-date December 31, 2010
Non-operating revenues (expenses)				
Proceeds deposited to:				
State General Fund	(5,345,966)	(5,606,161)	(35,324,541)	(31,080,090)
Veterans Trust Fund	(155,046)	(203,448)	(1,247,737)	(1,618,642)
Interest Income	6,557	9,306	75,210	125,227
Interest expense	(3,284)	(3,558)	(19,704)	(21,346)
Net non-operating revenues (expenses)	**(5,497,739)**	**(5,803,861)**	**(36,516,772)**	**(32,594,851)**
Change in net assets	**125,007**	**141,400**	**733,463**	**(136,317)**
Net assets, beginning of period	4,793,195	3,924,222	4,184,739	4,201,939
Net assets, end of period	**$4,918,202**	**$4,065,622**	**$4,918,202**	**$4,065,622**

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Terry E. Branstad · Governor
Kim Reynolds · Lt. Governor

Terry Rich · Chief Executive Officer

DATE: February 20, 2012

TO: Board Members of the Iowa Lottery Authority

FROM: Brenda Loy, Chief Financial Officer

Attached are the financial statements for January 2012. During January, we had revenue of $25,737,965. This sales level resulted in $5,759,711 of proceeds payable to the State General Fund and $321,611 of proceeds payable to the Veterans Trust Fund.

Attachments

IOWA LOTTERY AUTHORITY

SCHEDULE OF ECONOMIC BENEFITS

January 31, 2012

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	35,324,541	
Payable	5,759,711	
		1,113,480,054
Proceeds to the Veterans Trust Fund:		
Prior to Fiscal Year 2012	$8,550,302	
Fiscal Year 2012		
Transferred	1,247,738	
Payable	321,611	
		10,119,651
Total		**$1,359,318,279**

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE MONTH AND YEAR ENDED JANUARY 31, 2012

	Month ended January 31, 2012	Month ended January 31, 2011	Year-to-date January 31, 2012	Year-to-date January 31, 2011
OPERATING REVENUES				
Instant-scratch ticket sales	$17,087,627	$14,713,778	$105,763,929	$92,054,953
Pick 3 sales	543,372	549,364	3,813,956	3,767,823
Powerball sales	4,153,374	3,795,502	30,761,177	25,955,660
Mega Millions sales	1,103,424	1,994,527	8,842,511	8,803,255
Hot Lotto sales	772,750	842,620	6,360,070	6,949,586
Pick 4 sales	225,400	221,729	1,600,450	1,563,279
$100,000 Cash Game sales	340,003	303,369	2,394,523	2,114,928
Pull-tab sales	1,489,742	1,445,756	9,913,008	10,897,133
Application fees	375	375	2,175	3,000
Other revenue	21,898	454	168,785	130,914
Total operating revenues	**25,737,965**	**23,867,474**	**169,620,584**	**152,240,531**
OPERATING EXPENSES				
Scratch ticket prize expense	10,963,584	8,928,101	65,504,595	57,347,921
Pick 3 prize expense	321,514	327,499	2,257,464	2,232,934
Powerball prize expense	2,025,628	1,847,228	15,004,815	12,343,091
Mega Millions prize expense	531,146	1,047,140	4,453,676	4,622,057
Hot Lotto prize expense	377,248	409,097	3,096,831	3,345,334
Pick 4 prize expense	132,930	129,007	938,020	919,307
$100,000 Cash Game prize expense	172,734	143,794	1,144,549	1,000,386
Pull-tab prize expense	934,950	905,082	6,205,344	6,818,188
V lub expense	166,071	0	1,098,214	0
Promotional prize expense	6,488	4,136	62,525	73,741
Advertising/publicity	553,657	531,964	3,756,460	3,665,943
Retailer compensation expense	1,677,823	1,516,152	10,845,319	9,677,808
Ticket expense	301,283	238,016	1,728,234	1,634,979
Vendor compensation expense	531,945	508,887	3,355,057	3,296,910
Salary and benefits	784,565	841,364	5,192,889	4,753,309
Travel	27,299	30,214	250,128	213,992
Supplies	8,356	8,631	90,453	59,697
Printing	1,360	1,139	11,827	5,494
Postage	2,449	1,633	5,223	3,408
Communications	9,497	34,378	73,966	301,073
Rentals	24,625	22,910	162,102	159,141
Utilities	12,734	14,579	61,392	62,899
Professional fees	29,598	5,446	84,206	32,527
Vending machine maintenance	44,818	44,907	313,903	301,809
Outside services and repairs	36,971	27,147	138,369	169,830
Data processing	4,218	3,222	27,986	26,855
Equipment	39,471	7,816	151,543	79,017
Reimbursement to other state agencies	43,646	43,545	249,245	258,770
Depreciation	13,508	8,405	81,954	73,814
Other	1,930	(6,250)	45,587	39,214
MUSL administrative expense	3,759	3,377	26,312	23,642
Total operating expenses	**19,785,805**	**17,628,566**	**126,418,188**	**113,543,090**
Operating income (loss)	**5,952,160**	**6,238,908**	**43,202,396**	**38,697,441**

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE MONTH AND YEAR ENDED JANUARY 31, 2012

	Month ended January 31, 2012	Month ended January 31, 2011	Year-to-date January 31, 2012	Year-to-date January 31, 2011
Non-operating revenues (expenses)				
Proceeds deposited to:				
State General Fund	(5,759,711)	(6,208,866)	(41,084,252)	(37,288,956)
Veterans Trust Fund	(321,611)	(184,063)	(1,569,349)	(1,802,705)
Interest Income	1,359	2,327	76,569	127,555
Interest expense	(3,284)	(3,558)	(22,988)	(24,904)
Net non-operating revenues (expenses)	**(6,083,247)**	**(6,394,160)**	**(42,600,020)**	**(38,989,010)**
Change in net assets	**(131,087)**	**(155,252)**	**602,376**	**(291,569)**
Net assets, beginning of period	4,918,202	4,065,622	4,184,739	4,201,939
Net assets, end of period	**$4,787,115**	**$3,910,370**	**$4,787,115**	**$3,910,370**

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Terry E. Branstad · Governor
Kim Reynolds · Lt. Governor

Terry Rich · Chief Executive Officer

DATE: March 16, 2012

TO: Board Members of the Iowa Lottery Authority

FROM: Brenda Loy, Chief Financial Officer

Attached are the financial statements for February 2012. During February, we had revenue of $30,213,297. This sales level resulted in $7,373,869 of proceeds payable to the State General Fund and $406,376 of proceeds payable to the Veterans Trust Fund.

Attachments

IOWA LOTTERY AUTHORITY

SCHEDULE OF ECONOMIC BENEFITS

February 29, 2012

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	35,324,541	
Payable	13,133,580	
		1,120,853,923
Proceeds to the Veterans Trust Fnnd:		
Prior to Fiscal Year 2012	$8,550,302	
Fiscal Year 2012		
Transferred	1,247,738	
Payable	727,987	
		10,526,027
Total		**$1,367,098,524**

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE MONTH AND YEAR ENDED FEBRUARY 29, 2012

	Month ended February 29, 2012	Month ended February 28, 2011	Year-to-date February 29, 2012	Year-to-date February 28, 2011
OPERATING REVENUES				
Instant-scratch ticket sales	$17,522,094	$14,053,666	$123,286,023	$106,108,619
Pick 3 sales	560,231	543,657	4,374,187	4,311,481
Powerball sales	7,942,466	4,241,909	38,703,643	30,197,568
Mega Millions sales	1,149,449	1,016,103	9,991,960	9,819,358
Hot Lotto sales	899,468	810,032	7,259,538	7,759,618
Pick 4 sales	236,911	216,418	1,837,361	1,779,697
$100,000 Cash Game sales	365,596	281,946	2,760,119	2,396,874
Pull-tab sales	1,535,953	1,428,980	11,448,961	12,326,113
Application fees	325	325	2,500	3,325
Other revenue	804	505	169,590	131,419
Total operating revenues	**30,213,297**	**22,593,541**	**199,833,882**	**174,834,072**
OPERATING EXPENSES				
Scratch ticket prize expense	11,268,124	9,830,035	76,772,719	67,177,955
Pick 3 prize expense	331,359	321,034	2,588,822	2,553,969
Powerball prize expense	3,911,471	2,052,114	18,916,286	14,395,205
Mega Millions prize expense	580,732	523,533	5,034,408	5,145,590
Hot Lotto prize expense	440,838	394,972	3,537,669	3,740,306
Pick 4 prize expense	134,211	128,886	1,072,231	1,048,193
$100,000 Cash Game prize expense	197,120	133,447	1,341,669	1,133,833
Pull-tab prize expense	959,454	892,893	7,164,798	7,711,082
VIP Club expense	155,357	0	1,253,571	0
[illegible]otional prize expense	12,444	4,776	74,969	78,516
Advertising/publicity	627,593	694,479	4,384,053	4,360,421
Retailer compensation expense	1,902,846	1,435,072	12,748,165	11,112,880
Ticket expense	367,845	271,336	2,096,078	1,906,315
Vendor compensation expense	617,811	486,447	3,972,869	3,783,357
Salary and benefits	729,147	676,152	5,922,036	5,429,461
Travel	38,956	34,521	289,085	248,513
Supplies	10,404	6,145	100,857	65,842
Printing	29	6,651	11,856	12,145
Postage	(342)	358	4,881	3,766
Communications	9,397	49,399	83,363	350,472
Rentals	24,705	22,464	186,807	181,605
Utilities	9,657	12,573	71,049	75,473
Professional fees	3,009	3,023	87,216	35,550
Vending machine maintenance	44,818	44,907	358,721	346,716
Outside services and repairs	21,670	19,592	160,040	189,423
Data processing	5,578	4,003	33,564	30,858
Equipment	11,557	33,923	163,100	112,941
Reimbursement to other state agencies	29,156	26,659	278,401	285,429
Depreciation	17,148	7,408	99,102	81,221
Other	16,707	1,681	62,295	40,895
MUSL administrative expense	3,759	3,377	30,070	27,019
Total operating expenses	**22,482,560**	**18,121,860**	**148,900,750**	**131,664,951**
[illegible]rating income (loss)	**7,730,737**	**4,471,681**	**50,933,132**	**43,169,121**

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE MONTH AND YEAR ENDED FEBRUARY 29, 2012

	Month ended February 29, 2012	Month ended February 28, 2011	Year-to-date February 29, 2012	Year-to-date February 28, 2011
Non-operating revenues (expenses)				
Proceeds deposited to:				
State General Fund	(7,373,869)	(4,335,482)	(48,458,121)	(41,624,438)
Veterans Trust Fund	(406,376)	(267,748)	(1,975,725)	(2,070,452)
Interest Income	5,138	3,041	81,708	130,595
Interest expense	(3,284)	(3,558)	(26,272)	(28,461)
Net non-operating revenues (expenses)	**(7,778,391)**	**(4,603,747)**	**(50,378,410)**	**(43,592,756)**
Change in net assets	**(47,654)**	**(132,066)**	**554,722**	**(423,635)**
Net assets, beginning of period	4,787,115	3,910,370	4,184,739	4,201,939
Net assets, end of period	**$4,739,461**	**$3,778,304**	**$4,739,461**	**$3,778,304**

IOWA LOTTERY AUTHORITY
FY 2012 - July 2011 thru February 2012
CONFERENCE/SEMINAR OUT OF STATE TRAVEL

DATES	NAME	DESTINATION	TOTAL EXPENSES
7/25/11 - 7/28/11	Teri Tebockhorst	New Orleans, LA	$1,196.42
7/25/11 - 7/28/11	Mary Neubauer	New Orleans, LA	$1,618.90
7/24/11 - 7/28/11	Jack Schroeder	New Orleans, LA	$1,708.88
7/25/11 - 7/28/11	Molly Juffernbruch	New Orleans, LA	$1,567.21
7/25/11 - 7/28/11	Brenda Loy	New Orleans, LA	$1,574.06
7/24/11 - 7/29/11	Steve Bogle	New Orleans, LA	$1,836.05
10/1/11 - 10/4/11	Tom Warner	Chicago, IL	$1,237.77
10/1/11 - 10/4/11	Chuck Ellis	Chicago, IL	$1,432.34
10/25/11 - 10/28/11	Ken Brickman	Indianapolis, IN	$979.04
10/24/11 - 10/28/11	Larry Loss	Indianapolis, IN	$2,482.30
10/24/11 - 10/26/11	Mary Neubauer	Indianapolis, IN	$1,600.16
2/6/12 - 2/10/12	Steve Bogle	Alpharetta, GA	$1,359.73
2/6/12 - 2/10/12	Martha Scanlan	Alpharetta, GA	$1,008.79
2/23/12 - 2/25/12	Chuck Ellis	Kansas City, MO	$279.93
2/23/12 - 2/25/12	Tom Warner	Kansas City, MO	$279.26
2/27/12 - 2/29/12	Deirdre Demmerly	Las Vegas, NV	$33.02
2/27/12 - 2/29/12	Larry Loss	Las Vegas, NV	$125.33
		TOTAL	$20,319.19

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Terry E. Branstad · Governor
Kim Reynolds · Lt. Governor

Terry Rich · Chief Executive Officer

3/16/12

To: Iowa Lottery Board
From: Steve Bogle
Re: L1 Background Checks

In accordance with Code of Iowa Chapter 99G.10(8), which states "The board shall identify those sensitive positions of the authority which require full background investigations, which positions shall include, at a minimum, any officer of the authority, and any employee with operational management responsibilities, security duties, or system maintenance or programming responsibilities related to the authority's data processing or network hardware, software, communication, or related systems", I, Steve Bogle, the Vice President of Security, recommend the Board designate the following positions as sensitive, which will require persons in these positions to submit to a full background investigation by the Iowa Division of Criminal Investigation if one has not already been completed on them:

Lottery Chief Executive Officer
Executive Vice President, Sales & Production Development
Vice President External Relations
Vice President Security
Vice President Operations & Systems
Vice President Finance
Vice President Marketing
Vice President Legal Counsel
Lottery Senior Project Director/Board Secretary
Director of Retail Sales
All Investigators_Information Technology Security Tech
All Information Technology Staff
Accounting Manager
Validations Manager

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Terry E. Branstad · Governor
Kim Reynolds · Lt. Governor

Terry Rich · Chief Executive Officer

Date: 3-30-2012

To: Iowa Lottery Board
From: Larry L. Loss
Re: 2012 Association Membership Dues

For many years, the Iowa Lottery has participated as a member of the Iowa Grocery Industry Association (IGIA), the Petroleum Marketers and Convenience Stores of Iowa (PMCI), the North American State and Provincial Lotteries (NASPL) and the World Lottery Association (WLA). As you are aware, the Board must approve memberships for the lottery. These billings come in annually at about the same time, so as with past practice, we have packaged them for Board approval.

Membership and active participation in IGIA events and activities has led to greater cooperation between the Iowa Lottery and our retailers. IGIA represents the interests of a majority of our retailer outlets. Membership enables us to keep up to date on convenience and grocery store industry trends and concerns.
ILA staff recommends approval of the $500 membership dues in IGIA.

Again this year, the Iowa Lottery is seeking approval to participate as a business associate member of the PMCI. Membership and active participation in retailer industry events has enabled us to keep our fingers on the pulse of the industry and has led to stronger bonds of cooperation between the ILA and our convenience store retailers. Convenience stores are the Lottery's largest retailer trade type.
ILA staff recommends approval of the $722 membership dues in PMCI.

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

Staff further supports approval of membership in WLA. Through our membership in WLA, the Iowa Lottery has access to educational information and training seminars, current trends and issues, security information and the opportunity to learn from and interact with lotteries across the world. As with other ventures, lottery industry problems and opportunities are not constrained or defined by international borders.
ILA staff recommends approval of the 5,600 Swiss Francs (approximately $6,093 at the monetary exchange rate current when this document was prepared on March 13, 2012) membership dues for WLA.

Iowa Grocery Industry Association
2540 106th St., Suite 102
Des Moines, IA 50322
(515) 270-2628

Invoice

18536
2/22/2012

Iowa Lottery
2323 Grand Ave
Des Moines, IA 50312

Qty	Item	Price	Extended
1	Membership Dues - Supplier 3/1/2012-2/28/2013 - Tom Warner Comment: Supplier Dues, 3/1/12 - 2/28/13	$500.00	$500.00
		Total:	$500.00

Contributions or gifts to the Iowa Grocery Industry Association are not tax deductible as a charitable contribution for income tax purposes. However, they may be tax deductible as ordinary and necessary business expenses subject to restrictions imposed as a result of association lobbying activities. The Iowa Grocery Industry Association estimates that the deductible portion of your 2011 Dues - the portion not allocable to Lobbying - is 50%. The non-deductible portion of your dues is 50%.

PMCI of Petroleum Marketers and Convenience Stores of Iowa
10430 New York Ave, Suite F
Urbandale, IA 50322

Membership Dues Invoice

Date	7/1/2012	Invoice #	51288
Due On Receipt			

Iowa Lottery
2323 Grand Ave
Des Moines, IA 50312

Item	Description	Amount
Associate Dues	Associate Membership Dues - 07/01/12-06/30/13	722.00
	PMCI Associate Membership has its rewards! • Business referrals and recommendations by PMCI Staff. • Voting representation on board of directors and committees. • Up to the minute industry information and insight through member communications. • Featured Oil Spout articles spotlighting associate members. • Company listing and link to your website on www.pmcoflowa.com. • Industry input, representation, expertise and access. • Educational conference and networking sponsorship opportunities. • Business services and forms, training opportunities, employee benefit packages, insurance, etc. • Upon request, up to four sets of membership labels per year.	
	Non-Deductible Statement: Dues payments to the Petroleum Marketers and Convenience Stores of Iowa may be deductible as an ordinary and necessary business expense, but are not deductible as charitable contributions for federal income tax purposes. The portion of your PMCI dues expended on lobbying (30%) is not deductible. Therefore, 70% of your PMCI dues are tax deductible.	

Please include the invoice number on your check. Thank You.

Total	$722.00
Payments/Credits	$0.00
Balance Due	$722.00

Phone #	Fax #	E-mail	Web Site
515-224-7545	515-224-0502	info@pmcoflowa.com	www.pmcoflowa.com

My Check Is Enclosed ____ Charge My Credit Card ____

Credit Card Number _____

Expiration Date _____

Signature _____

Date of Signature _____

Date
7/1/2012
Invoice #
51288

Iowa Lottery
2323 Grand Ave
Des Moines, IA 50312

NORTH AMERICAN ASSOCIATION
OF STATE & PROVINCIAL LOTTERIES
1 SOUTH BROADWAY
GENEVA, OH 44041

DATE	INVOICE #
3/6/2012	6427

BILL TO:

IOWA LOTTERY
TERRY RICH, PRESIDENT & CEO
2323 GRAND AVE.
DES MOINES, IOWA 50312

P.O. NUMBER	TERMS	PROJECT
	Net 30	

QUANTITY	DESCRIPTION	RATE	AMOUNT
1	NASPL DUES INVOICE, JULY 1, 2012 - JUNE 30, 2013	16,000.00	16,000.00

NASPL thanks you for your support - FEIN #58-1846580

TOTAL $16,000.00

RODUCT 13054 FOLD AT (>) TO FIT COMPANION 6309 DU-O-VUE ENVELOPE. PRINTED IN U.S.A. D

WORLD LOTTERY ASSOCIATION
WLA

HEADQUARTERS
World Lottery Association
Lange Gasse 20
P. O. Box
CH-4002 Basel
Switzerland

Telephone +41 61 284 1502
Fax +41 61 284 1350
info@world-lotteries.org
VAT No. 502 108

MONTREAL OFFICE
World Lottery Association
c/o Loto-Québec
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Bureau 2000
Montréal, Québec H3A 3G6
Canada

Telephone +1 514 282 0273
Fax +1 514 873 8999
lynne.roiter@loto-quebec.com

Iowa Lottery
Mr Terry Rich
2323 Grand Avenue
50312 Des Moines, IA
United States

Invoice - Membership fee 2012

Invoice-Nr	2012.R.136
Invoice-Date	February 23, 2012
Due Date	May 31, 2012
Concerning	Regular Membership fee 2012
Category	US$ 100 to 500 million (Gross sales)

Fee	VAT exempt 0%	**CHF**	**5600**

Please compare your annual sales for 2011 (calculated in US$) with the fee structure below. Should they place you in a different category than indicated above, please contact the WLA office immediately. Upon clarification you will be sent a revised invoice.

Fee Structure

Annual sales / Membership fee			
up to US$ 100 million	CHF 4,900	US$ 1 to 4 billion	CHF 14,000
US$ 100 to 500 million	CHF 5,600	over US$ 4 billion	CHF 21,000
US$ 500 million to 1 billion	CHF 8,400		

We kindly ask you to remit the fee in question by May 31, 2012.

Through settlement of this invoice, Iowa Lottery formally reconfirms its WLA membership.

Payment details

Bank details:

Company:	World Lottery Association, CH-4002 Basel, Switzerland
Account no.:	241502-81
Bank :	Crédit Suisse, 4051 Basel, Switzerland
Swift address:	CRES_CH_ZZ_40A
IBAN:	CH18 0483 5024 1502 8100 0
Invoice no.:	Please note your invoice number on the payment.
Bank Fees:	Please make sure that local bank fees are paid by sender.

Others:

Send your check to:

World Lottery Association
Lange Gasse 20
P.O. Box
4002 Basel
Switzerland

SCHEDULE B

MDI SERVICE LEVEL AGREEMENTS AND LIQUIDATED DAMAGES

1. Ancillary Subsystem Installation

Condition: The Contractor shall complete all installation preparations in accordance with the Lottery's written specifications received by Contractor, complete system testing in accordance with the agreed upon testing procedures to the Lottery's reasonable satisfaction, pass Lottery acceptance testing by meeting the agreed upon testing criteria, comply with all other contractual requirements in effect during the implementation period of any program, initiative or promotion, and achieve readiness for production operations.

Damages: The Lottery may impose liquidated damages for each calendar day of delay as follows:

1) Readiness for Start of Lottery Acceptance Testing. One thousand dollars ($1,000) per day, with the start date for each project determined by the agreed upon project plan.

2) Successful Completion of Lottery Acceptance Testing. Five hundred dollars ($500) per day beginning seven (7) days prior to the mutually-agreed production start-up date, when such delay is due to unresolved errors, problems and issues encountered in Lottery Acceptance testing.

3) Production Operations. Ten thousand dollars ($10,000) per day beginning with the Contract-agreed production start-up date.

4) Missing Project Deliverables/Milestones. Two hundred dollars ($200) per day for each and every failure to provide a deliverable, meet a requirement, or resolve an identified acceptance testing problem pursuant to the agreed-upon project schedule until such is provided or performed.

2. Host Systems Down.

Condition: The host systems shall be defined to be "down" if, except during scheduled down time that has been previously approved by the Lottery, players cannot enter tickets, or access the points for Prizes (PFP store) through the VIP Club website, or the following website features are inaccessible, including, but not limited to:

1. The ability to redeem points in the PFP Store,
2. The Store is inaccessible,
3. The drawing file cannot be produced, and / or the
4. VIP Club is inaccessible by players from all browsers.

Damages: In the event that the host systems have been down, the Lottery may impose liquidated damages in an amount of Five thousand dollars ($5,000) for each day, or fraction thereof.

3. Host Systems Degraded Performance.

Condition: The host systems ("the System") shall evidence "degraded performance" when any of the following aspects of the System is not fully functional, except for scheduled down time that has been preapproved by the Lottery, including but not limited to:

1. Specific valid tickets cannot be entered,
2. Available items cannot be added to the cart,
3. Surveys cannot be entered,

4. Promotions cannot be viewed,
5. Players cannot register, and/or
6. VIP Club is inaccessible by players from specific defined and accepted browsers.

Damages: In the event that the System has "degraded performance," the Lottery may impose liquidated damages in an amount of one thousand ($1,000) per day, or fraction thereof, as applicable. If there is a chronic problem with the system of two issues or more per week, the Lottery may assess an increased penalty of two thousand dollars ($2,000) per day.

4. Timely and Accurate Reports.

Condition: The Contractor shall produce and deliver timely, sufficient, and accurate management reports within the specified time frames, as categorized and approved in writing by the Lottery. Reports will be categorized into groups A and B by the Lottery according to time criticality and importance, and the liquidated damages will reflect that.

Damages: For each late, insufficient, or inaccurate report in Group A, the Lottery may impose liquidated damages of one thousand dollars ($1,000) for the first day or pro-rated fraction thereof and two thousand five hundred ($2,500) for each additional day or pro-rated fraction thereof, per report, until the report is provided, made sufficient or corrected.

For each late, insufficient, or inaccurate report in Group B, the Lottery may impose liquidated damages of two hundred fifty dollars ($250) per day, or pro-rated fraction thereof, per report, until the report is provided, made sufficient or corrected.

5. Timely and Accurate Files.

Condition: The Contractor shall produce and deliver timely, sufficient, and accurate files, within the specified time frames, as categorized and approved in writing by the Lottery. Files will be categorized into groups A and B by the Lottery according to time criticality and importance, and liquidated damages will reflect that.

Damages: For each late, insufficient, or inaccurate file in Group A, once the approved grace period has passed, the Lottery may impose liquidated damages of one thousand dollars ($1,000) for the first day or pro-rated fraction thereof and two thousand five hundred dollars ($2,500) for each additional day or pro-rated fraction thereof, per file, until the file is provided, made sufficient or corrected.

For each late, insufficient, or inaccurate file in Group B, the Lottery may impose liquidated damages of two hundred fifty dollars ($250) per day, or pro-rated fraction thereof, per report, until the file is provided, made sufficient or corrected.

6. Failure to Modify Existing Features or to Install Additional Features.

Condition: The Contractor shall modify existing features or install additional features or promotions and their supporting controls within sixty (60) days from delivery of the Lottery's written, unless an extension is authorized in writing by the Lottery, or a schedule is otherwise established following written request of the Lottery for enhancements. In addition, the Contractor's modification/installation must complete a Lottery acceptance test and receive the Lottery's written approval, within the time frame specified. The Service Level Agreement schedule is attached to this document as Attachment 1. These schedules shall be followed and upon failure to do so, the Lottery may assess liquidated damages.

Note: Emergency changes with Lottery approval shall be made on the same business day or by 10:00 a.m. CT the following day.

Damages: The Lottery may impose liquidated damages of ten thousand dollars ($10,000) per day that the modified or additional feature is not installed.

7. Failure to Produce an Administrative Software Change.

Condition: The Contractor shall modify, add and install software to produce reports, screen displays, inquiries, and other administrative applications within twenty-one (21) days from delivery of written approval by the Lottery of a set of change, unless an extension is authorized in writing by the Lottery, or a schedule is otherwise established following written request of the Lottery for changes. The Contractor's change must complete a Lottery acceptance test and receive the Lottery's written approval, within the time frame specified. The Lottery acceptance test process and procedures for the modification of existing or addition of software to produce reports, screen displays, inquiries, and other administrative applications will be identified in the change specification.

Damages: The Lottery may impose liquidated damages of five hundred dollars ($500) per day that the modified or additional software/report is not installed.

8. Failure to Support Instant Ticket, Pull-tab, and Online Game Promotions and Programs.

The Contractor must ensure that instant ticket and pull-tab, if applicable, games are supported, and if not, liquidated damages will result.

Condition: The System must handle instant and pull-tab, if applicable ticket, if applicable, related transactions for online promotions and if applicable, produce reports. The system must be able to accept entries. Drawings must start and end at the scheduled times and all tickets eligible must be allowed to be entered.

Damages: The Lottery may impose liquidated damages of five thousand dollars ($5,000) per day for any promotions or instant, online or pull-tab games for which the Contractor does not provide timely and/or correct instant or pull-tab ticket related transaction handling and reporting.

9. Unauthorized Software/Hardware Modifications.

Condition: The Contractor shall not modify any software or hardware that affects the Lottery's website, without the prior written or email consent of the Lottery.

Damages: If the Contractor modifies any software or hardware as defined above, without the prior written or email approval of the Lottery, the Lottery may issue a written order that the change or modification be removed and the System restored to its previous operating state at the Contractor's expense. "Modification" does not include replacement of a System component with an essentially similar working component in the event of necessary maintenance.

Further, the Lottery may impose liquidated damages of ten thousand dollars ($10,000) per violation in addition to any other damages that may occur as a result of such unauthorized modification.

10. Unauthorized Access or Compromise.

Condition: The Contractor shall preclude personnel not authorized by the Lottery from accessing, modifying, or otherwise interfering with the Lottery systems, facilities, and any system data or software. This includes unauthorized manipulation of the Lottery's data.

Damages: If the Contractor fails to preclude access, modification, or interference by unauthorized personnel, the Lottery may impose liquidated damages of ten thousand

dollars ($10,000) for each person, and for each incident. Each and every act that permits access, modification, or interference by an unauthorized person is an incident.

11. Failure to Report Incidents.

Condition: It will be the responsibility of the Contractor to immediately report all significant incidents related to the operation of the system. The reporting shall be delivered personally or by telephone to the VIP Club Project Manager or Designee immediately upon discovery of the incident, followed by a letter addressed to the VIP Club Project Manager within twenty-four (24) hours of the successful resolution of the incident. Written reports and notifications must be sent by email. At a minimum, each of the following types of events shall be considered "significant" and shall require a written report:

- System issues;
- Equipment or network failures;
- Significant operator errors;
- Emergency software or hardware changes;
- Security violations;
- Other conditions as defined by a memorandum of understanding signed by the Contractor and the Lottery; or
- Any situation, which may cause the general public to become concerned/alarmed and/or which, may damage the integrity or public image of the Lottery.

Damages: In the event that the Contractor fails to report incidents as required by this Agreement, the Lottery may impose liquidated damages of two thousand five hundred ($2,500) per incident per day, until the incident is correctly reported.

12. Failure to Comply.

Condition: The Contractor is required to comply with all commitments of the Addendum to the Online Services contract for a VIP Club effective February 1, 2011, and all clarifications and amendments to this document. If the Contractor should fail to provide products, services, data, or documents as obligated thereby, the Lottery may invoke liquidated damages where not otherwise specifically addressed by another liquidated damage provision.

Damages: In the event that the Contractor fails to provide an obligated product, service, data, document, or any other commitment, the Lottery may impose liquidated damages of five hundred dollars ($500) per day per incident (at the Lottery's discretion) until the condition is rectified.

13. Failure to Provide Software Testing.

Condition: If the Contractor fails to provide a report on the quality assurance test, or fails to provide quality assurance-tested software, there will be a liquidated damage assessment.

Damages: In the event that untested or poorly tested software (as defined by the Lottery's application is turned over for Lottery acceptance testing and production, the Contractor may be assessed liquidated damages, per release, of two thousand five hundred dollars ($2,500) for the first violation (return or retraction of the software) and five thousand dollars ($5,000) for each subsequent.

14. Insufficient Contractor Resources.

Condition: The Contractor and the Lottery will agree to a set of criteria for the staffing of hotline, operational, development, system, and support. The Lottery will notify the Contractor of its failure to meet the performance measures and. The Contractor will have

fourteen (14) calendar days from its receipt of written notice by the Lottery to remedy the failure.

Damages: In the event that the Contractor fails to maintain sufficient resources, the Contractor may be charged liquidated damages of two hundred fifty dollars ($250) per day, per position, for each day after fourteen (14) days from written notification until the condition is corrected.

15. Unavailability/Degradation of the Back Office System.

Condition: The Contractor must ensure that no System malfunction results in the Lottery's inability to perform Lottery back office functions.

Damages: In the event that the Lottery's back office system becomes unavailable or in a degraded state due to the Contractor's system, the Contractor may be charged liquidated damages according to Schedule A of the Online Contract.

16. Availability of Recorded Calls.

Condition: In the event that in the future the Contractor records Customer Service calls, the Contractor must make player help request information available to the Lottery within twenty-four (24) hours of written request.

Damages: In the event that the Contractor fails to provide player help request information within twenty-four (24) hours of written request, the Contractor may be charged liquidated damages of one hundred dollars ($100) per day for each day after the initial twenty-four (24) hours until the condition is corrected.

17. Failure to Provide Timely Customer Service.

Condition: Response to the player help request forms must be completed in a professional and timely manner. The Contractor must provide a response to ninety-eight percent (98%) of player calls within forty-eight (48) hours on a weekly basis, and failure to do so may result in liquidated damages. Contractor must ship ninety-eight percent (98%) of the prizes within six (6) to eight (8) weeks of the player's order. The Contractor shall notify a player of any shipping delay prior to the eight (8) week deadline. The Contractor must also replace defective merchandise in a timely manner if a player reports damage within ninety (90) days of receipt. This list of customer service requirements contains examples of customer service issues but is in no way meant to be exhaustive or limit the ability of the Lottery to assess damages for the other customer service issues.

Damages: In the event that help requests are not serviced in a timely manner and the above reference conditions are not met, the Contractor may be charged liquidated damages of two thousand five hundred dollars ($2,500) for any week during which the ninety percent (98%) minimum is unmet.

18. Failure to Timely and Accurately Conduct a Drawing.

Condition: The Contractor must provide a drawing officer, an independent auditor, and a technical staff person to conduct drawings at Lottery approved times and locations. The drawings shall follow rules and procedures previously approved by the Lottery. Failure to follow these rules and procedures may result in the Lottery assessing the Contractor liquidated damages.

Damages: In the event the Contractor does not conduct the drawing at the proper time and place or according to the approved drawing rules and procedures, the Lottery may assess the Contractor ten thousand dollars ($10,000) per day, until the issue is resolved.

EXTENSION #1 TO THE ADDENDUM TO THE AGREEMENT FOR AN ON-LINE GAMING SYSTEM AND RELATED PRODUCTS AND SERVICES (VIP Club Rewards Program)

THIS EXTENSION, is effective on July 1, 2012 and is made by and between the **IOWA LOTTERY AUTHORITY** (the "Lottery"), an instrumentality of the State of Iowa, and **SCIENTIFIC GAMES INTERNATIONAL, INC.** and its subsidiary **MDI ENTERTAINMENT, LLC** (collectively referred to herein as "SGI", or "Contractor").

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

SECTION 1. IDENTITY OF THE PARTIES.

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

1.2 Scientific Games International, Inc., along with MDI Entertainment, LLC, is a wholly owned subsidiary of Scientific Games Corporation. SGI is engaged in the business of among other things, on-line games; instant ticket validation capabilities; on-line, instant and pull-tab games management system; and the VIP Club a/k/a Properties Plus® program. The address for Contractor is 1500 Bluegrass Lakes Parkway, Alpharetta, GA 30004.

SECTION 2. EXTENSION OF TERM.

Effective July 1, 2012, the Lottery and the Contractor enter into a one-year Extension to the Addendum to the Agreement for an On-Line Gaming System and Related Products and Services. The term of the original Addendum to the Agreement was for a 17-month period with up to nine (9) one-year option periods, if exercised by the Lottery. Pursuant to Section A2 of the Addendum to the Agreement, the term of the Addendum is hereby extended for the first option period through June 30, 2013.

SECTION 3. AMENDMENTS.

3.1 Customer Relationship Management System. The Contractor shall provide a near real time Customer Relationship Management System (CRM) containing information including, but not limited to, the gender, age, location, play habits of players; game and support data. The information from the system will be the property of the Lottery. The Contractor will assist the Lottery in interpreting the data and working to better serve our players and optimize sales. This shall be provided by July 1, 2012.

3.2 Referral Program. The Contractor shall provide a referral system in which players receive points for referring new players when the new players join the VIP club. Details to be mutually agreed upon by the parties and delivered by August 1, 2012.

3.3 Backup Draw Manager for ILOT Account. The Contractor shall designate a backup draw manager for the Lottery account. In the event the primary draw manager is unable to conduct

the draw, the Contractor will have the backup draw manager conduct the draw so it can take place at the Lottery's preferred place and time, absent a situation involving force majeure as defined in the online contract with SGI dated October 28, 2010. For all drawings, the Lottery shall consult with SGI's Drawing Services group to establish draw dates and times. Designation of the backup draw manager should be done by July 1, 2012, if not done sooner.

3.4 MDI Service Level Agreements and Liquidated Damages. The liquidated damages described in Section A14 of the Addendum to the Agreement are supplanted by the attached liquidated damages and reports list (which will be updated periodically and it attached hereto as Schedule B and incorporated herein) and calculated pursuant to section 9 of the online contract with SGI dated October 28, 2010. The attached list of liquidated damages shall be the exclusive liquidated damages applicable to the Addendum to the Agreement (and any amendments thereto) and shall apply solely to the Addendum (and any amendments thereto) but shall not limit the Lottery from pursuing such other remedies as may be available to the Lottery. The Lottery shall be entitled to recover liquidated damages under each and every section applicable to any given breach, occurrence or incident.

SECTION 4. AGREEMENT OTHERWISE UNCHANGED. Except as specifically modified hereby, the terms of the Addendum to the Agreement and the Agreement shall remain in full force and effect.

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

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

5.2 It has taken all requisite action (corporate statutory or otherwise) to approve execution, delivery and performance of this Extension to the Addendum, and this Extension to the Addendum constitutes a legal, valid and binding obligation upon itself in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency and similar laws.

SECTION 6. EXECUTION.

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

IOWA LOTTERY AUTHORITY	**SCIENTIFIC GAMES INTERNATIONAL, INC.**
By:_____ Larry Loss Executive Vice-President	By:_____ Printed:_____
Date:_____	Date:_____

MDI ENTERTAINMENT, LLC

By:_____

Printed:_____

Date:_____

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

Date: 3-30-2012

To: Iowa Lottery Board
From: Larry L. Loss
Re: Retailer Compensation Program

The Iowa Lottery is asking for a modification of the Retailer Compensation Program to include a section titled: Other Incentives. This section would enable the Iowa Lottery to use incentives for special events or one-time events that are not covered by the other sections of the compensation program. Additionally, it will allow the Iowa Lottery to correctly classify incentive dollars, tickets or merchandise prizes that are used as retailer incentives throughout the year.

The Other Incentives section of the compensation program would be capped at an amount not to exceed $40,000 in any fiscal year. To give you an idea of how this affects total retailer compensation, if the Other Incentives provision was in effect for the current fiscal year, it would equate to approximately 0.2% of total retailer compensation.

The provisions of the Retailer Compensation Program that pertain to On-line Games, Pull-Tab Games and Instant/Scratch Games will remain unchanged.

Iowa Lottery staff recommends modifying the Retailer Compensation Program to include the Other Incentives provision.

IOWA LOTTERY

Retailer Compensation Program

March 30, 2012

ON-LINE GAMES

Retailers will receive a base commission rate of 5.5% on all on-line tickets sold.

Ticket Allowance:

Retailers will receive an additional 0.1% of the sales of all on-line games added to the base commission rate for tickets that are damaged or produced in error.

Sliding Scale Incentive:

In addition to the base commission, the Lottery will establish an on-line sales base* for each eligible retailer. Retailer sales will be monitored and retailers who increase their sales will be awarded bonuses as defined by the chart below:

Sliding Scale for sales increases:

10-19% increase	1% of increase Bonus
20-29% increase	2% of increase Bonus
30-39% increase	3% of increase Bonus
40%+ increase	4% of increase Bonus

* Mega Millions sales will be included in this incentive beginning July 1, 2011. Raffle game sales are not included in the sliding scale incentive bonus.

Additional Bonuses:

High Tier Prize Sales Bonus:

Powerball Jackpot winning ticket	$10,000
Mega Millions Jackpot winning ticket	$10,000
Hot Lotto Jackpot winning ticket	$ 5,000

All non-jackpot winning on-line game tickets of $100,000 or more will receive a bonus of 1/10 of 1 percent of the prize amount (e.g. $100,000 winning ticket earns a $100 bonus).

Peak Sales Bonuses on Powerball/Powerplay and Mega Millions/Megaplier:

Retailers will receive a 0.5% sales bonus on all sales when the Powerball or Mega Millions jackpot is equal to or exceeds $150 million. Sales will be tracked during the jackpot run and the bonuses will be awarded after the jackpot is won.

PULL-TAB GAMES

Retailers will receive a 5% commission on the sale of all pull-tab tickets sold.

INSTANT/SCRATCH GAMES

Retailers will receive 5.5% commission on the sale of all instant/scratch tickets sold.

Retailers can become GOLD STAR PROGRAM members and will receive a 7% commission on the sale price of instant/scratch tickets sold when they meet the following requirements:

1. **Comply with all advertising requirements:**

   A. Lottery Door Decal
   B. Game Brochures
   C. 19" Flat Panel Monitor

   The monitor must be located in the primary sales area adjacent to the Wave terminal.

2. **Sell twelve (12) or more different instant/scratch games from dispenser(s). Eight (8) of these games must be multi-dollar games. Tickets must be:**

   A. Displayed in the primary sales area in a highly visible Lottery approved location

   B. Displayed in plain view of the public, either in the counter or on the counter in a Lottery approved dispenser

   C. Maintain inventory levels necessary to keep the dispensers full at all times

3. **Upon the implementation of a courier delivery system, the retailer agrees to accept the delivery of, activate and place the tickets for sale.**

Gold Star retailers must be in compliance with the above requirements. If the retailer is not in compliance when the DSR makes the (scheduled) sales call, the DSR must change the retailer back to the 5.5 % commission rate. If the retailer meets the requirements, they will remain at the 7% Gold Star commission rate.

OTHER INCENTITVES

Through the course of a fiscal year, the Lottery may choose to offer special incentives for retailer related activities not covered by the categories detailed elsewhere in this document. The incentives would include, but are not limited to, incentive money, lottery tickets and merchandise prizes. The total value of the incentives for this section will not exceed $40,000 in any fiscal year.

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

Date: 3-30-2012

To: Iowa Lottery Board
From: Larry L. Loss
Re: Establishment of Hearing Board Designee

Listed below is language pertaining to hearings related to controversies concerning the issuance, suspension, or revocation of licenses.

> ***531—5.3***
> *(17A)*
> ***Hearing board.***
> *A three-member hearing board for the purpose of conducting hearings relating to controversies concerning the issuance, suspension, or revocation of licenses is created. One member shall be a designee of the lottery authority board, one member shall be the lottery's chief financial officer or the chief financial officer's designee, and one member shall be the lottery vice-president of external relations or the vice-president of external relations' designee.*

In previous board action, you chose the Executive Vice President (EVP) & Chief Operating Officer (COO) as your designee. With Ken Brickman's retirement and the Lottery's realignment of positions, Ken's old position no longer exists.

Today we are recommending that the Executive Vice President serve as your designee for this board. The Vice President, General Counsel would serve as the backup designee.