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

AGENDA
IOWA LOTTERY BOARD
September 23, 2014
10:00 a.m.

I. Call to Order
   a. Approval of Minutes

II. Quarterly Reports
   a. Financial
   b. Marketing
   c. Security
   d. Legislative

III. Building Updates
   a. 13001 University
   b. 2323 Grand

IV. Instant Ticket Contract Extension

V. Game Rules Discussion

VI. Retailer Compensation Program

VII. 2016-2017 Budget

VIII. CEO Report
   a. Industry Update

IX. 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 15, 2014

The Iowa Lottery Board convened at 10:30a.m., Board Chairperson Herman Richter presiding.

Board Members participating by teleconference: Herman Richter, Matt McDermott, Mike Klappholz, Deb Burnight, and Mike Fitzgerald, Hon.

Others present: Terry Rich, CEO; Larry Loss, EVP; Rob Porter, VP General Counsel; Jamie Shae, Sr Project Director/Board Secretary.

Chairperson Richter called the meeting to order and announced the meeting would be held via teleconference in accordance with Iowa Code section 21.8.

Burnight moved to conduct the meeting via teleconference. McDermott seconded. Motion carried unanimously.

Roll call showed that Burnight, Klappholz, McDermott, Richter, Fitzgerald, Porter, Rich, Loss, and Shae were present on the call.

APPROVAL OF MINUTES

Richter asked for a motion to approve the minutes. McDermott moved and Klappholz seconded. Motion carried unanimously.

Richter stated "The Chair is advised that the CEO has a matter to discuss with the Board within the parameters of Iowa Code section 21.5(1)(i) that pertained to a personnel issue. The employee involved has furnished a written request that any discussions take place in 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 a 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?"

Burnight moved to go into closed session. Klappholz seconded.

Roll call vote to go into closed session showed Burnight, Klappholz, McDermott and Richter all in favor.

Open Session suspended at 10:34am

Open Session resumed at 10:41am

Richter called the meeting back in session.

Rich stated that he recommends an offer of employment as the VP of Operations and Systems be made to Hale Strasser for an annual salary of $105,248.

Burnight moved to approve the recommendation and McDermott seconded.

Roll call vote showed all board members present in favor. Motion carried unanimously.

Rich stated the next board meeting is Tuesday, September 23 at 10am.

Richter asked for a motion to adjourn. McDermott moved and Burnight seconded. Motion carried unanimously.

Meeting adjourned at 10:43a.m.

IOWA LOTTERY
PERFORMANCE MEASURES
FY 2014

Month		JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	
Gross Sales	Budget '14	21,480,287	23,387,161	21,894,427	22,749,084	25,139,749	24,001,852	24,352,692	25,533,435	29,111,897	25,298,981	27,014,412	23,036,023	
	5-year av.	20,836,440	22,686,157	21,238,166	22,067,206	24,386,214	23,282,424	23,622,747	24,768,100	28,239,301	24,540,673	26,204,685	22,345,545	
	Actual '14	26,045,310	27,668,618	26,044,760	24,595,516	24,637,797	29,248,436	24,695,558	28,545,036	27,427,790	26,123,641	25,834,341	23,188,628	
Prize Expense	Budget '14	12,600,256	13,718,820	12,843,188	13,344,527	14,746,882	14,079,396	14,285,197	14,977,817	17,076,929	14,840,287	15,846,552	13,512,846	58.66% 1)
	5-year av.	12,342,598	12,972,723	12,388,357	12,786,810	13,663,667	14,175,858	14,229,622	15,011,692	16,099,572	14,422,795	15,136,777	12,986,412	58.12% 2)
	Actual '14	15,942,444	15,944,936	15,424,112	14,558,510	14,087,386	17,158,018	16,390,859	16,222,739	17,067,044	14,858,702	14,972,606	14,321,636	61.76% 3)
Operating Expenses	Budget '14	580,184	1,046,345	1,046,345	1,489,947	924,193	1,046,345	1,046,345	1,046,345	1,046,345	1,489,947	924,193	1,816,860	
	5-year av.	551,107	795,468	903,895	942,875	980,401	929,762	836,710	892,337	872,587	947,155	1,028,017	1,661,642	
	Actual '14	510,053	946,787	1,032,424	1,338,916	811,525	947,361	962,016	1,048,846	866,778	1,324,616	855,107	1,537,593	
Proceeds to General Fund	Budget '14	4,771,655	4,780,594	4,408,678	4,178,015	5,339,406	4,933,745	5,021,157	5,315,341	6,206,919	4,813,324	5,806,480	3,922,593	
	5-year av.	4,870,293	5,458,740	4,796,504	5,415,740	6,703,588	4,845,621	5,409,546	5,431,812	7,325,740	6,017,791	6,500,545	4,561,737	
	Actual '14	5,818,399	6,789,813	6,463,986	6,149,653	6,563,816	7,431,424	3,907,599	7,715,155	4,660,336	5,462,299	6,987,583	4,217,615	
Proceeds to Veterans Trust	Budget '14	133,453	482,971	301,434	166,950	140,083	142,482	227,620	354,551	368,677	206,227	154,877	120,675	
	5-year av.	127,700	462,152	288,440	159,754	134,044	136,340	217,808	339,267	352,785	197,338	148,201	115,474	
	Actual '14	163,182	422,439	83,623	47,564	61,355	70,877	227,566	435,807	83,663	86,008	65,459	56,890	
Total Proceeds	Budget '14	4,905,108	5,263,565	4,710,112	4,344,965	5,479,489	5,076,227	5,248,777	5,669,892	6,575,596	5,019,551	5,961,357	4,043,268	
	5-year av.	4,997,993	5,920,892	5,084,944	5,575,494	6,837,632	4,981,961	5,627,354	5,771,079	7,678,525	6,215,129	6,648,746	4,677,211	
	Actual '14	5,981,581	7,212,252	6,547,609	6,197,217	6,625,171	7,502,301	4,135,165	8,150,962	4,743,999	5,548,307	7,053,042	4,274,505	

YEAR TO DATE														
Gross Sales	Budget '14	21,480,287	44,867,448	66,761,875	89,510,959	114,650,708	138,652,560	163,005,252	188,538,687	217,650,584	242,949,565	269,963,977	293,000,000	
	5-year av.	20,836,440	43,522,597	64,760,763	86,827,969	111,214,183	134,496,607	158,119,354	182,887,454	211,126,755	235,667,428	261,872,113	284,217,658	10.50% 4)
	Actual '14	26,045,310	53,713,928	79,758,688	104,354,204	128,992,001	158,240,437	182,935,995	211,481,031	238,908,821	265,032,462	290,866,803	314,055,429	7.19% 5)
Prize Expense	Budget '14	12,600,256	26,319,076	39,162,264	52,506,791	67,253,673	81,333,069	95,618,266	110,596,083	127,673,012	142,513,299	158,359,851	171,872,697	58.66% 1)
	5-year av.	12,342,598	25,315,321	37,703,678	50,490,488	64,154,155	78,330,013	92,559,635	107,571,327	123,670,899	138,093,694	153,230,471	166,216,883	58.48% 2)
	Actual '14	15,942,444	31,887,380	47,311,492	61,870,002	75,957,388	93,115,406	109,506,265	125,729,004	142,796,048	157,654,750	172,627,356	186,948,985	59.53% 3)
Operating Expenses	Budget '14	580,184	1,626,529	2,672,874	4,162,821	5,087,014	6,133,359	7,179,704	8,226,049	9,272,394	10,762,341	11,686,534	13,503,394	
	5-year av.	551,107	1,346,575	2,250,470	3,193,345	4,173,746	5,103,508	5,940,218	6,832,555	7,705,142	8,652,297	9,680,314	11,238,670	
	Actual '14	510,053	1,456,840	2,489,264	3,828,180	4,639,705	5,587,066	6,549,082	7,597,928	8,464,706	9,789,322	10,644,429	12,182,023	
Proceeds to General Fund	Budget '14	4,771,655	9,552,249	13,960,927	18,138,942	23,478,348	28,412,093	33,433,250	38,748,591	44,955,510	49,768,834	55,575,314	59,497,907	
	5-year av.	4,870,293	10,329,033	15,125,537	20,541,277	27,244,865	32,090,486	37,500,032	42,931,844	50,257,584	56,275,375	62,775,920	67,352,481	
	Actual '14	5,818,399	12,608,212	19,072,198	25,221,851	31,785,667	39,217,091	43,124,690	50,839,845	55,500,181	60,962,480	67,950,065	72,167,680	
Proceeds to Veterans Trust	Budget '14	133,453	616,424	917,858	1,084,808	1,224,891	1,367,373	1,594,993	1,949,544	2,318,221	2,524,448	2,679,325	2,800,000	
	5-year av.	127,700	589,852	878,292	1,038,046	1,172,090	1,308,430	1,526,238	1,865,505	2,218,290	2,415,628	2,563,829	2,679,303	
	Actual '14	163,182	585,621	669,244	716,808	778,163	849,040	1,076,606	1,512,413	1,596,076	1,682,084	1,747,544	1,804,434	
Total Proceeds	Budget '14	4,905,108	10,168,673	14,878,785	19,223,750	24,703,239	29,779,466	35,028,243	40,698,135	47,273,731	52,293,282	58,254,639	62,297,907	
	5-year av.	4,997,993	10,918,885	16,003,829	21,579,323	28,416,955	33,398,916	39,026,270	44,797,349	52,475,874	58,691,003	65,339,749	70,031,784	5.63% 4)
	Actual '14	5,981,581	13,193,833	19,741,442	25,938,659	32,563,830	40,066,131	44,201,296	52,352,258	57,096,257	62,644,564	69,697,606	73,972,114	18.74% 5)

1) Budget FY14 Prize Payout
2) Actual 5-year average Prize Payout
3) Actual FY14 Prize Payout
4) Actual FY14 compared to Actual 5-year average
5) Actual FY14 compared to Budget FY14

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

DATE: September 10, 2014

TO: Board Members of the Iowa Lottery Authority

FROM: Brenda Nye, Chief Financial Officer BN

Attached are the final financial statements for June 2014. During June, we had revenue of $23,280,144. This sales level resulted in $4,217,615 of proceeds payable to the State General Fund and $56,890 of proceeds payable to the Veterans Trust Fund.

Attachments

IOWA LOTTERY AUTHORITY

SCHEDULE OF ECONOMIC BENEFITS

June 30, 2014
FINAL

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 2014	$1,231,172,262	
Fiscal Year 2014		
Transferred	55,500,183	
Payable	16,667,497	
		1,303,339,942
Proceeds to the Veterans Trust Fund:		
Prior to Fiscal Year 2014	$13,396,520	
Fiscal Year 2014		
Transferred	1,596,077	
Payable	208,357	
		15,200,954
Total		**$1,554,259,470**

IOWA LOTTERY AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2014
FINAL

ASSETS

Current assets:	
Cash	$20,731,888
Cash on hand	600
Restricted assets - cash	541,239
Interest receivable	10,743
Prepaid expense	118,244
Accounts receivable - net	3,640,790
Ticket inventories	2,125,437
Total current assets	27,168,941
Noncurrent assets:	
Investment in prize annuities	4,201,662
Reserve on deposit with MUSL	5,460,061
Capital assets - net	8,245,233
Total noncurrent assets	17,906,956
Total assets	$45,075,897

IOWA LOTTERY AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2014
FINAL

LIABILITIES	
Current liabilities:	
Online games prizes payable	2,551,955
Accounts payable	2,180,491
Current obligation for annuities	12,300
Administrative payroll payable	283,866
Due to:	
State General Fund	16,667,497
Veterans Trust Fund	208,357
Other state agencies	125,316
Short-term loan payable	1,238,176
Retailer deposits	17,500
Unearned revenue	335,175
Accrued compensated absences	2,072,642
State withholding payable	55,293
Federal withholding payable	151,750
Total current liabilities	25,900,318
Noncurrent liabilities:	
Annuities payable	4,201,662
Prize reserve fund	5,460,061
Total noncurrent liablities	9,661,723
Total liabilities	35,562,041
NET POSITION	
Net investment in capital assets	6,876,980
Unrestricted	2,636,876
Total net position	$9,513,856

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE MONTH AND YEAR ENDED JUNE 30, 2014
FINAL

	Month ended June 30, 2014	Month ended June 30, 2013	Year-to-date June 30, 2014	Year-to-date June 30, 2013
OPERATING REVENUES				
Instant-scratch ticket sales	$14,580,773	15,673,969	$188,754,111	$202,299,747
Pick 3 sales	540,911	552,890	6,948,165	6,804,870
Powerball sales	4,221,910	4,237,153	61,153,876	81,385,271
Mega Millions sales	885,946	876,984	21,835,102	13,317,888
Hot Lotto sales	954,103	1,323,979	10,434,227	11,664,946
Raffle sales	-	-	242,960	-
Pick 4 sales	251,357	255,630	3,224,892	3,085,784
All or Nothing sales	468,607	-	3,196,195	-
$100,000 Cash Game sales	-	364,120	2,530,984	4,483,605
Pull-tab sales	1,285,021	1,207,658	15,734,917	16,209,309
Application fees	650	225	4,375	5,125
Other revenue	90,866	557	99,932	11,706
Total operating revenues	**23,280,144**	**24,493,165**	**314,159,736**	**339,268,251**
OPERATING EXPENSES				
Scratch ticket prize expense	9,797,876	10,061,739	121,968,549	128,096,203
Pick 3 prize expense	318,827	328,094	4,101,291	4,009,581
Powerball prize expense	2,070,195	2,003,622	29,583,455	39,682,727
Mega Millions prize expense	435,188	435,669	10,946,296	6,538,181
Hot Lotto prize expense	458,373	651,601	5,042,963	5,652,815
Raffle prize expense	-	-	101,536	-
Pick 4 prize expense	149,564	146,918	1,905,110	1,812,515
All or Nothing prize expense	283,555	-	2,134,024	-
$100,000 Cash Game prize expense	-	203,733	610,955	2,740,099
Pull-tab prize expense	803,069	753,682	9,851,090	10,140,042
VIP Club prize expense	-	160,274	519,101	1,950,002
Promotional prize expense	4,989	43,292	184,615	179,603
Advertising/publicity	514,878	705,518	6,942,677	6,603,905
Retailer compensation expense	1,512,493	1,648,361	20,131,428	22,116,797
Ticket expense	340,888	351,554	3,447,828	3,945,970
Vendor compensation expense	471,816	471,035	6,378,256	6,885,203
Online game expense	-	65,575	-	295,663
Salary and benefits	837,671	891,206	9,419,070	9,375,334
Travel	39,186	38,259	419,444	425,300
Supplies	4,667	3,516	111,765	100,620
Printing	1,703	792	20,915	13,459
Postage	385	369	6,993	6,337
Communications	15,515	21,192	179,250	155,755
Rentals	24,911	24,873	307,062	304,452
Utilities	17,163	6,020	122,461	103,386
Professional fees	14,766	31,334	126,332	125,004
Vending machine maintenance	47,393	47,052	567,775	577,841
Outside services and repairs	93,560	56,834	605,983	326,659
Data processing	7,373	4,916	89,573	57,072
Equipment	101,773	93,111	306,901	380,142
Reimbursement to other state agencies	37,464	31,669	426,958	415,056
Depreciation	22,005	23,879	287,356	245,805
Other	7,418	(10,930)	81,906	67,345
MUSL administrative expense	8,827	3,087	75,173	37,050
Total operating expenses	**18,443,491**	**19,297,846**	**237,004,091**	**253,365,923**
Operating income	**4,836,653**	**5,195,319**	**77,155,645**	**85,902,328**

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE MONTH AND YEAR ENDED JUNE 30, 2014
FINAL

	Month ended June 30, 2014	Month ended June 30, 2013	Year-to-date June 30, 2014	Year-to-date June 30, 2013
Non-operating revenues (expenses)				
Proceeds deposited to:				
State General Fund	(4,217,615)	(4,358,219)	(72,167,680)	(82,764,005)
Veterans Trust Fund	(56,890)	(85,198)	(1,804,434)	(2,126,724)
Interest income	14,977	11,094	58,768	110,073
Interest expense	(12,622)	(362)	(12,622)	(33,453)
Net non-operating revenues (expenses	**(4,272,150)**	**(4,432,685)**	**(73,925,968)**	**(84,814,109)**
Change in net position	**564,503**	**762,634**	**3,229,677**	**1,088,219**
Net position, beginning of period	8,949,353	5,521,545	6,284,179	5,195,960
Net position, end of period	**$9,513,856**	**$6,284,179**	**$9,513,856**	**$6,284,179**

IOWA LOTTERY AUTHORITY
ANALYSIS OF NET POSITION
JUNE 30, 2014
FINAL

Cash restricted for vehicle purchases	$511,439
Ticket inventory	2,125,437
Net investment in capital assets	6,876,980
Net Position	$9,513,856

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR FISCAL YEARS 2010 THROUGH 2014

	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010
OPERATING REVENUES					
Instant-scratch ticket sales	188,754,111	202,299,747	188,814,325	165,329,031	143,759,258
Pick 3 sales	6,948,165	6,804,870	6,743,717	6,573,020	6,531,001
Powerball sales	61,153,876	81,385,271	57,934,104	47,124,656	59,190,012
Mega Millions sales	21,835,102	13,317,888	22,293,152	16,051,016	5,544,128
Hot Lotto sales	10,434,227	11,664,946	10,525,347	11,608,730	13,653,746
Raffle sales	242,960	-	-	-	789,200
Pick 4 sales	3,224,892	3,085,784	2,788,613	2,701,949	2,662,191
All or Nothing sales	3,196,195	-	-	-	-
$100,000 Cash Game sales	2,530,984	4,483,605	4,314,098	3,687,370	3,908,785
Pull-tab sales	15,734,917	16,209,309	17,438,369	18,315,275	20,217,316
Application fees	4,375	5,125	4,075	5,575	3,975
Other revenue	99,932	11,706	212,884	138,133	22,147
Total operating revenues	**314,159,736**	**339,268,251**	**311,068,684**	**271,534,755**	**256,281,759**
OPERATING EXPENSES					
Scratch ticket prize expense	121,968,549	128,096,203	116,954,213	103,652,725	91,479,848
Pick 3 prize expense	4,101,291	4,009,581	3,993,780	3,894,422	3,958,003
Powerball prize expense	29,583,455	39,682,727	28,287,777	22,553,385	28,558,287
Mega Millions prize expense	10,946,296	6,538,181	11,307,020	8,365,976	2,879,811
Hot Lotto prize expense	5,042,963	5,652,815	5,118,123	5,608,729	6,610,476
Raffle prize expense	101,536	-	-	-	392,876
Pick 4 prize expense	1,905,110	1,812,515	1,634,063	1,596,054	1,544,018
All or Nothing prize expense	2,134,024	-	-	-	-
$100,000 Cash Game prize expense	610,955	2,740,099	2,175,236	1,745,257	2,005,333
Pull-tab prize expense	9,851,090	10,140,042	10,912,790	11,458,672	12,702,718
VIP Club prize expense	519,101	1,950,002	1,907,142	-	-
Promotional prize expense	184,615	179,603	152,303	85,858	322,417
Advertising/Publicity	6,942,677	6,603,905	6,605,304	6,647,468	7,539,052
Retailer compensation expense	20,131,428	22,116,797	20,125,497	17,284,432	16,109,637
Ticket expense	3,447,828	3,945,970	3,115,487	2,784,308	2,683,364
Vendor compensation expense	6,378,256	6,885,203	6,204,116	5,848,081	8,168,273
Online game expense	-	295,663	-	-	-
Salary and benefits	9,419,070	9,375,334	9,120,063	8,650,620	9,819,749
Travel	419,444	425,300	451,040	415,007	369,153
Supplies	111,765	100,620	147,091	110,465	104,863
Printing	20,915	13,459	15,031	13,830	14,477
Postage	6,993	6,337	6,238	5,112	6,166
Communications	179,250	155,755	130,366	518,708	562,025
Rentals	307,062	304,452	290,595	277,163	285,660
Utilities	122,461	103,386	97,579	103,438	98,468
Professional fees	126,332	125,004	165,225	118,062	165,833
Vending machine maintenance	567,775	577,841	537,941	526,196	488,697
Outside services & repairs	605,983	326,659	460,445	306,730	403,083
Data processing	89,573	57,072	50,320	46,670	37,700
Equipment	306,901	380,142	719,188	387,674	152,832
Reimbursement to other state agencies	426,958	415,056	433,436	432,878	455,697
Depreciation	287,356	245,805	173,611	117,508	864,963
Other	81,906	67,345	56,009	58,006	104,355
MUSL administrative expense	75,173	37,050	45,106	40,528	17,818
Total operating expenses	**237,004,091**	**253,365,923**	**231,392,135**	**203,653,962**	**198,905,652**
Operating income (loss)	**77,155,645**	**85,902,328**	**79,676,549**	**67,880,793**	**57,376,107**

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR FISCAL YEARS 2010 THROUGH 2014

	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010
Non-operating revenues (expenses)					
State General Fund	(72,167,680)	(82,764,005)	(76,012,455)	(64,896,382)	(55,245,512)
Veterans Trust Fund	(1,804,434)	(2,126,724)	(2,719,494)	(3,105,371)	(2,661,554)
Interest income	58,768	110,073	105,755	146,178	364,957
Interest expense	(12,622)	(33,453)	(39,134)	(42,418)	(45,702)
Net non-operating revenues(expenses)	(73,925,968)	(84,814,109)	(78,665,328)	(67,897,993)	(57,587,811)
Change in net position	**3,229,677**	**1,088,219**	**1,011,221**	**(17,200)**	**(211,704)**
Net position, beginning of period	6,284,179	5,195,960	4,184,739	4,201,939	4,413,643
Net position, end of period	**9,513,856**	**6,284,179**	**5,195,960**	**4,184,739**	**4,201,939**

IOWA LOTTERY
PERFORMANCE MEASURES
FY 2015

Month		JUL		AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
Gross Sales	Budget '15	22,563,936		24,740,910	22,564,660	24,167,717	26,654,393	26,233,633	25,403,221	27,386,408	30,744,113	26,649,057	28,047,356	24,344,596
	5-year av.	22,329,041		24,483,352	22,329,757	23,036,491	25,497,280	25,080,900	24,259,133	26,221,675	29,544,425	25,492,000	26,875,742	23,211,529
	Actual '15	24,451,416		-	-	-	-	-	-	-	-	-	-	-
Prize Expense	Budget '15	13,220,985	58.59% 1)	14,496,549	13,221,409	14,160,695	15,617,724	15,371,186	14,884,619	16,046,637	18,014,031	15,614,597	16,433,909	14,264,334
	5-year av.	13,441,873	60.20% 2)	14,083,100	13,068,239	13,476,179	14,382,302	15,169,339	15,004,176	15,762,623	17,196,943	14,965,463	15,587,091	13,784,285
	Actual '15	14,654,310	59.93% 3)	-	-	-	-	-	-	-	-	-	-	-
Operating Expenses	Budget '15	529,360		1,043,576	1,492,457	919,971	1,043,576	1,043,576	1,043,576	1,043,576	1,492,457	1,043,576	919,971	1,862,686
	5-year av.	515,122		831,945	936,425	1,039,663	967,638	866,257	877,836	943,890	888,817	1,036,369	1,040,534	1,564,606
	Actual '15	507,364		-	-	-	-	-	-	-	-	-	-	-
Proceeds to General Fund	Budget '15	5,301,997		5,350,392	4,339,088	5,325,863	5,844,907	5,736,167	5,521,558	6,034,087	6,452,961	5,843,528	6,328,505	4,428,862
	5-year av.	5,148,789		5,940,071	5,238,419	5,649,789	7,017,504	5,589,852	5,164,542	5,961,690	7,243,875	6,015,535	6,781,189	4,460,700
	Actual '15	5,416,154		-	-	-	-	-	-	-	-	-	-	-
Proceeds to Veterans Trust	Budget '15	122,382		380,593	217,733	119,495	102,878	110,798	198,509	328,309	245,822	159,426	118,212	95,843
	5-year av.	138,154		429,641	245,792	134,894	116,136	125,077	224,091	370,618	277,501	179,971	133,446	108,194
	Actual '15	266,208		-	-	-	-	-	-	-	-	-	-	-
Total Proceeds	Budget '15	5,424,379		5,730,985	4,556,821	5,445,358	5,947,785	5,846,965	5,720,067	6,362,396	6,698,783	6,002,954	6,446,717	4,524,705
	5-year av.	5,286,943		6,369,712	5,484,211	5,784,683	7,133,640	5,714,929	5,388,633	6,332,308	7,521,376	6,195,506	6,914,635	4,568,894
	Actual '15	5,682,362		-	-	-	-	-	-	-	-	-	-	-

YEAR TO DATE														
Gross Sales	Budget '15	22,563,936		47,304,846	69,869,506	94,037,223	120,691,616	146,925,249	172,328,470	199,714,878	230,458,991	257,108,048	285,155,404	309,500,000
	5-year av.	22,329,041	9.50% 4)	46,812,393	69,142,150	92,178,641	117,675,921	142,756,821	167,015,954	193,237,629	222,782,054	248,274,054	275,149,796	298,361,325
	Actual '15	24,451,416	8.37% 5)											
Prize Expense	Budget '15	13,220,985	58.59% 1)	27,717,534	40,938,943	55,099,638	70,717,362	86,088,548	100,973,167	117,019,804	135,033,835	150,648,432	167,082,341	181,346,675
	5-year av.	13,441,873	60.20% 2)	27,524,973	40,593,212	54,069,391	68,451,693	83,621,032	98,625,208	114,387,831	131,584,774	146,550,237	162,137,328	175,921,613
	Actual '15	14,654,310	59.93% 3)											
Operating Expenses	Budget '15	529,360		1,572,936	3,065,393	3,985,364	5,028,940	6,072,516	7,116,092	8,159,668	9,652,125	10,695,701	11,615,672	13,478,358
	5-year av.	515,122		1,347,067	2,283,492	3,323,155	4,290,793	5,157,050	6,034,886	6,978,776	7,867,593	8,903,962	9,944,496	11,509,102
	Actual '15	507,364												
Proceeds to General Fund	Budget '15	5,301,997		10,652,389	14,991,477	20,317,340	26,162,247	31,898,414	37,419,972	43,454,059	49,907,020	55,750,548	62,079,053	66,507,915
	5-year av.	5,148,789		11,088,860	16,327,279	21,977,068	28,994,572	34,584,424	39,748,966	45,710,656	52,954,531	58,970,066	65,751,255	70,211,955
	Actual '15	5,416,154												
Proceeds to Veterans Trust	Budget '15	122,382		502,976	720,708	840,203	943,081	1,053,879	1,252,388	1,580,697	1,826,519	1,985,945	2,104,158	2,200,000
	5-year av.	138,154		567,795	813,587	948,481	1,064,617	1,189,694	1,413,785	1,784,403	2,061,904	2,241,875	2,375,321	2,483,515
	Actual '15	266,208												
Total Proceeds	Budget '15	5,424,379		11,155,365	15,712,185	21,157,543	27,105,328	32,952,293	38,672,360	45,034,756	51,733,539	57,736,493	64,183,211	68,707,915
	5-year av.	5,286,943	7.48% 4)	11,656,655	17,140,866	22,925,549	30,059,189	35,774,118	41,162,751	47,495,059	55,016,435	61,211,941	68,126,576	72,695,470
	Actual '15	5,682,362	4.76% 5)											

1) Budget FY15 Prize Payout
2) Actual 5-year average Prize Payout
3) Actual FY15 Prize Payout
4) Actual FY15 compared to Actual 5-year average
5) Actual FY15 compared to Budget FY15

IOWA LOTTERY AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
For the One Month Ending July 31, 2014

	Month ended 7/31/2014	Month ended 7/31/2013
Operating revenues:		
Instant-scratch ticket sales	$16,125,847.00	15,945,931.00
Pick 3 sales	561,636.00	544,468.50
Powerball sales	3,493,975.00	5,414,472.50
Mega Millions Sales	997,519.00	929,904.00
Hot Lotto sales	1,149,875.00	1,161,221.00
Pick 4 sales	262,133.50	247,828.50
All or Nothing sales	454,090.00	-
$100,000 Cash Game sales	-	375,678.00
Pull-tab sales	1,406,340.56	1,425,805.50
Application fees	275.00	450.00
Other	760.32	4,043.55
Total operating revenues	24,452,451.38	26,049,802.55
Operating expenses:		
Scratch ticket	10,224,190.05	10,627,124.00
Pick 3	329,031.60	317,931.10
Powerball	1,692,007.50	2,657,510.50
Mega Millions	490,586.50	459,444.59
Hot Lotto	560,480.50	555,821.50
Pick 4	158,287.60	141,012.10
All or Nothing	274,770.78	-
$100,000 Cash Game	-	201,115.93
Pull-tab	881,469.36	897,042.87
Promotional	7,146.34	85,440.10
VIP Club prize expense	36,339.93	-
Advertising/publicity	582,783.15	568,008.41
Retailer compensation expense	1,579,084.60	1,650,111.96
Ticket expense	240,993.64	308,776.04
Vendor compensation expense	498,156.73	534,461.06
Salary and benefits	844,023.40	853,398.33
Travel	28,963.95	34,743.20
Supplies	30,784.83	8,524.29
Printing	115.00	232.00
Postage	385.29	242.58
Communications	12,324.32	11,454.85
Rentals	26,352.16	26,047.16
Utilities	11,649.58	7,539.59
Professional fees	3,787.36	3,593.22
Vending machine maintenance	47,361.27	47,051.62
Outside services and repairs	71,377.12	37,642.46
Data processing	7,373.11	8,010.31
Equipment	26,668.94	10,510.57
Reimbursement to other state agencies	28,958.89	28,224.27
Depreciation	21,625.58	24,339.86
Other	4,499.36	3,052.26
Total operating expenses	18,721,578.44	20,108,406.73
Operating income	5,730,872.94	5,941,395.82
Non-operating revenue (expenses):		
Proceeds provided to State General Fund	(5,416,153.51)	(5,818,398.63)
Proceeds provided to Veteran's Trust Fund	(266,207.50)	(163,181.70)
Interest expense	(4,172.48)	-
Gain (Loss) on disposal of capital assets	(900.00)	-
Net non-operating revenues (expenses)	(5,687,433.49)	(5,981,580.33)
Change in net position	43,439.45	(40,184.51)
Net position beginning of year	9,513,855.79	6,284,179.40
Net position end of year	9,557,295.24	6,243,994.89

IOWA LOTTERY AUTHORITY
CONFERENCE AND TRAINING OUT-OF-STATE TRAVEL
FY 2014

EMPLOYEE	DATE	CONFERENCE/TRAINING EVENT	DESTINATION	COST
TeBockhorst, Teri	Jul - Aug 2013	NASPL Professional Development Seminar	San Diego, CA	$ 2,262.27
Neubauer, Mary	Jul - Aug 2013	NASPL Professional Development Seminar	San Diego, CA	$ 2,258.20
Nye, Brenda	Jul - Aug 2013	NASPL Professional Development Seminar	San Diego, CA	$ 2,051.80
Schroeder, Jack	Jul - Aug 2013	NASPL Professional Development Seminar	San Diego, CA	$ 2,262.34
Juffernbruch, Molly	Jul - Aug 2013	NASPL Professional Development Seminar	San Diego, CA	$ 2,334.63
Loss, Larry	Sept - Oct 2013	NASPL	Providence, RI	$ 1,659.04
Rich, Terry	Sept - Oct 2013	NASPL	Providence, RI	$ 458.08
Bogle, Steve	Sept - Oct 2013	NASPL	Providence, RI	$ 2,133.19
Loss, Larry	Nov 2013	PGRI Lottery Expo	Miami, FL	$ 1,266.73
Rich, Terry	Nov 2013	PGRI Lottery Expo	Miami, FL	$ 219.15
Demmerly, Deirdre	Feb - Mar 2014	Pollard - Global Exchange 2014	Las Vegas, NV	$ 205.97
Loss, Larry	Feb - Mar 2014	Pollard - Global Exchange 2014	Las Vegas, NV	$ 269.67
Loss, Larry	Mar - Apr 2014	Public Gaming Smart Tech Conference	New York, NY	$ 1,712.35
Rich, Terry	Mar - Apr 2014	Public Gaming Smart Tech Conference	New York, NY	$ 419.00
Weber, Cindy	April 2014	Lottery Leadership Institute	St. Louis, MO	$ 1,504.40
Shae, Jamie	April 2014	Lottery Leadership Institute	St. Louis, MO	$ 1,627.83
Glenn, Holly	Apr - May 2014	Pollard Security Evaluation & Instant Ticket Security Workshop	Winnipeg, Canada	$ 1,315.17
Conroy, Michael	Apr - May 2014	Pollard Security Evaluation & Instant Ticket Security Workshop	Winnipeg, Canada	$ 1,074.70

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

Terry Rich · Chief Executive Officer

SECURITY REPORT
JUNE 2014

INVESTIGATIONS
Cases: 6
Cases open: 5
Cases closed: 1

TYPES
Theft: 5
Burglary: 1
Arrest: 3

EVENTS
Supervise and monitor Powerball, Mega Millions and Hot Lotto, validate All or Nothing Game.

MISCELLANEOUS
Validations assist: 9
Law enforcement contacts: 5
ABD notifications: 2
ABD file only: 13
Records of contact: 29
Customer assists: 10
Compliance checks: 94
Quality check for games: 4
Ticket print: 2

SECURITY REPORT
JULY 2014

INVESTIGATIONS
Cases: 4
Cases open: 4
Cases closed: 0

TYPES
Employee Theft: 2
Burglary: 1
Other:1 (redeemed PT
previously paid by other
Arrest: 4

EVENTS
Supervise and monitor Powerball, Mega Millions and Hot Lotto, validate All or Nothing Game. Assisted with promotional draw for Mike's Picks.

MISCELLANEOUS
Validations assist: 9
Law enforcement contacts: 6
ABD notifications: 2
Records of contact: 36
Customer assists: 10
Retailer assists: 5
Compliance checks: 77
Quality check for games: 5

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Terry Rich · Chief Executive Officer

SECURITY REPORT
AUGUST 2014

INVESTIGATIONS
Cases: 4
Cases open: 3
Cases unfounded: 1

TYPES
Employee theft: 3
Possible theft: 1

EVENTS
Supervise and monitor Powerball, Mega Millions and Hot Lotto, validate All or Nothing Game. Presentation for Quarterly Marketing meeting.

MISCELLANEOUS
Validations assist: 15
Law enforcement contacts: 6
Records of contact: 26
Customer assists: 9
Retailer assists: 5
Compliance checks: 54
Quality checks for instant games: 6 (8 games)

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

Terry Rich · Chief Executive Officer

Date: September 23, 2014

To: Iowa Lottery Board Members
From: Larry L. Loss
Re: Instant Ticket Printing Contract Extensions

The Iowa Lottery has contracts for Instant Ticket Printing and Related Services with:

- Scientific Games International, Inc., Alpharetta, Georgia, USA
- Pollard Banknote Limited, Winnipeg, Manitoba, Canada
- GTECH Corporation, Providence, Rhode Island, USA

The original term of the three contracts referenced above is January 1, 2013 through December 31, 2014.

Today, we are asking for your approval to exercise the first extension that is available under the current contracts. The Iowa Lottery is satisfied with the performance of all three companies and feels that it is in the best interest of the Lottery to exercise these extensions.

With your approval, the contracts for Instant Ticket Printing and Related Services with:

- Scientific Games International, Inc., Alpharetta, Georgia, USA
- Pollard Banknote Limited, Winnipeg, Manitoba, Canada
- GTECH Corporation, Providence, Rhode Island, USA

would be extended through December 31, 2015.

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

This Extension 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 **GTECH Corporation** (GTECH or 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 GTECH is a corporation, incorporated under the laws of Delaware, and engaged in the business of printing lottery scratch tickets and other services. The address for Contractor is 10 Memorial Boulevard, Providence, RI 02903.

SECTION 2. EXTENSION OF TERM.

On or about March 27, 2013, 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 beginning January 1, 2013 through December 31, 2014, plus up to four (4) additional one-year option periods exercisable at the option of the Lottery. Pursuant to Section 5 of the Agreement, the first option period is hereby exercised by the Lottery extending the term of the Agreement through December 31, 2015.

SECTION 3. AMENDMENTS.

Schedule B - Pricing – According to Sections 3.1.2 and 3.2.1 of Schedule A to the Agreement, the Lottery may request tickets in other ticket sizes or packaging quantities at prices mutually agreeable to both parties. The Agreement is hereby amended to include revised Schedule B – Pricing (effective as of January 1, 2015) which provides pricing for Crossword 4" x 8" (30/pack) and Bingo 4" x 8" (150/pack).

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: Larry Loss
Title: Executive Vice President

GTECH Corporation

By: _____ Date: _____

Robin Drummond
Regional Vice President – GTECH Americas

SCHEDULE B

PRICE PROPOSAL

Part 1 - GTECH Printing Corp
Amended 1/1/2015

Price-Per-Thousand Pricing. The prices requested in the following table are for tickets produced under a contract which requires all of the items specified in Sections 3 of this RFP except for cost variations applicable to optional features. All prices quoted in this section are prices per thousand (1,000) tickets.

Ticket Quantity*	Bingo ** 4" x 6"	Crossword** 4" x 8"	Crossword** 4" x 6"	Crossword ** 4" x 8"	Crossword** 4" x 8"	2.4" x 4"	4" x 4"	4" x 6"	4" x 6"	4" x 6"	4" x 6"	4" x 8"	4" x 8"	4" x 8"	4" x 8"	4" x 8"	4" x 10"	4" x 10"	4" x 10"	4" x 10"
	150/pack	150/pack	100/pack	60/pack	30/pack	300/pack	150/pack	60/pack	75/pack	100/pack	150/pack	12/pack	15/pack	30/pack	60/pack	100/pack	10/pack	12/pack	15/pack	30/pack
400,000	$105.78	$113.36	$106.55	$116.75	$122.35	$83.99	$90.80	$103.58	$102.80	$101.33	$100.57	$146.99	$135.59	$117.13	$111.57	$109.80	$160.61	$151.45	$141.88	$123.54
600,000	$80.39	$88.52	$81.26	$91.43	$97.44	$59.28	$66.03	$77.64	$76.99	$76.04	$75.17	$117.77	$107.75	$92.22	$85.90	$84.42	$131.28	$122.78	$114.01	$97.10
800,000	$67.70	$76.02	$68.62	$78.68	$82.80	$46.93	$53.64	$64.67	$64.09	$63.41	$62.48	$103.16	$93.83	$77.58	$73.07	$71.72	$116.61	$108.45	$100.07	$83.88
1,000,000	$60.07	$68.56	$61.04	$71.07	$74.89	$39.52	$46.20	$56.87	$56.33	$55.83	$54.86	$94.39	$85.48	$69.67	$65.38	$64.12	$114.83	$105.54	$96.26	$78.20
1,200,000	$55.01	$60.86	$55.99	$62.67	$71.52	$34.58	$41.25	$51.68	$51.17	$50.77	$50.19	$94.01	$84.16	$66.30	$57.59	$55.71	$107.26	$98.29	$89.35	$71.90
1,400,000	$51.36	$56.26	$52.38	$58.52	$67.06	$31.04	$37.71	$47.99	$47.49	$47.16	$46.14	$88.68	$79.19	$61.84	$53.36	$51.57	$101.86	$67.04	$84.42	$67.39
1,600,000	$47.33	$50.89	$47.62	$55.42	$63.70	$28.41	$35.06	$45.87	$44.12	$42.41	$42.12	$84.70	$75.46	$58.48	$50.19	$48.46	$97.80	$89.25	$80.71	$64.01
1,800,000	$44.86	$48.53	$45.19	$53.01	$61.09	$26.35	$32.99	$43.30	$41.58	$39.97	$39.64	$81.58	$72.58	$55.87	$47.71	$46.06	$94.64	$86.23	$77.84	$61.39
2,000,000	$42.87	$45.20	$43.25	$46.72	$59.00	$24.70	$31.33	$41.26	$39.57	$38.03	$37.65	$79.10	$70.26	$53.78	$45.74	$44.12	$92.12	$83.81	$75.54	$59.29
2,500,000	$39.30	$42.63	$39.75	$47.61	$55.25	$21.72	$27.19	$37.57	$35.93	$34.54	$34.09	$74.62	$66.09	$50.03	$42.19	$40.65	$89.32	$81.22	$73.13	$57.25
3,000,000	$36.91	$41.22	$37.42	$45.29	$52.74	$19.75	$24.90	$34.83	$33.51	$32.20	$31.70	$71.64	$63.30	$47.52	$39.81	$38.33	$86.00	$78.03	$70.07	$54.43
4,000,000	$33.94	$38.99	$34.51	$43.48	$50.71	$16.54	$22.03	$32.03	$30.48	$29.29	$28.72	$68.99	$60.91	$45.49	$37.93	$36.52	$81.86	$74.04	$66.26	$50.93
5,000,000	$33.03	$37.20	$33.62	$41.52	$48.61	$14.83	$20.30	$31.04	$29.54	$28.41	$27.81	$66.54	$58.61	$43.39	$35.94	$34.57	$80.23	$72.54	$64.84	$49.70
6,000,000	$31.70	$36.80	$32.32	$41.23	$48.22	$13.70	$19.16	$29.67	$28.17	$27.10	$26.48	$65.91	$58.09	$43.00	$35.62	$34.28	$79.70	$72.06	$64.43	$49.41
7,000,000	$30.74	$36.28	$31.38	$40.77	$47.70	$12.87	$18.96	$28.68	$27.20	$26.16	$25.52	$65.22	$57.46	$42.48	$35.14	$33.81	$78.23	$70.64	$63.06	$48.12
8,000,000	$30.03	$35.46	$31.33	$39.93	$46.77	$12.26	$18.28	$27.94	$26.48	$26.12	$24.81	$64.14	$56.45	$41.55	$34.25	$32.97	$77.67	$70.12	$62.57	$47.70
9,000,000	$29.96	$34.81	$31.29	$39.20	$46.05	$11.80	$17.72	$27.86	$26.39	$26.07	$24.74	$63.32	$55.67	$40.83	$33.55	$32.25	$76.75	$69.22	$61.71	$46.88
10,000,000	$29.86	$34.72	$30.74	$39.09	$45.90	$11.41	$17.30	$27.74	$26.54	$25.52	$24.64	$63.10	$55.48	$40.68	$33.42	$32.13	$76.45	$68.94	$61.45	$46.67

* Prices for actual quantities ordered will be pro-rated from the matrix prices.

** This pricing shall apply to games using this type of marking system. The pricing must include all costs associated with production of these games.

SCHEDULE C
LICENSED PROPERTIES

PROPERTIES	License Fee as a Percentage of Sales	Merchandise Fee as a Percentage of the Prize Fund
World Series of Poker	2.00%	10.00%
Caesars Palace	2.00%	10.00%
Harrah's	2.00%	10.00%
The Three Stooges	2.00%	10.00%
Bejeweled	2.00%	10.00%
Plants vs. Zombies	2.00%	10.00%
Zuma	2.00%	10.00%
Mystery P.I.	2.00%	10.00%

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

This Extension 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** (Pollard or 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 Pollard is a Canadian public corporation, incorporated under the federal laws of Canada, and engaged in the business of printing lottery scratch tickets and other services. The address for Pollard is 1499 Buffalo Place, Winnipeg, Manitoba, Canada R3T 1L7.

SECTION 2. EXTENSION OF TERM.

On or about December 28, 2012, 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 beginning 1/1/2013 through 12/31/2014, plus up to four (4) additional one-year option periods exercisable at the option of the Lottery. Pursuant to Section 5 of the Agreement, the first option period is hereby exercised extending the term through December 31, 2015.

SECTION 3. AMENDMENTS.

Schedule B - Pricing – According to Sections 3.1.2 and 3.2.1 of Schedule A to the Agreement, the Lottery may request tickets in other sizes or packaging at prices mutually agreeable to both parties. The Agreement is hereby amended to include revised Schedule B – Pricing (amended 1/1/2015) which provides pricing for Crossword 4" x 8" (30/pack) and Bingo 4" x 8" (150/pack).

Point of Purchase Poster - According to Section 3.5.10 of Schedule A to the Agreement, the Contractor is to provide 850 posters per pulse, with each ticket order. This requirement is hereby waived for all orders placed after the effective date of this extension/amendment. The exception will be for each PLAYBOOK™ order in which 2,750 custom posters of 4.5" x 7.5" will be provided. The posters will be 4 color printing on one side with the back side of the poster blank; no holes drilled in the poster; posters will be shrink wrapped in units of twenty-five (25) and boxed in quantities specified for each regional office.

ITVM Display Cards – Section 3.5.11 of Schedule A to the Agreement is amended to increase the quantity of ITVM display cards provided by the Contractor. The Contractor must provide five thousand five hundred (5,500) 4" x 4" ITVM display cards per pulse, with each ticket order placed after the effective date of this extension/amendment at no additional cost. PLAYBOOK™ ITVM display cards will not contain a barcode.

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: Larry Loss
Title: Executive Vice President

Pollard Banknote Limited

By: _____ Date: _____

Douglas E. Pollard
Co. Chief Executive Officer

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

This Extension 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.** (SGI or 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, incorporated under the laws of Delaware, and engaged in the business of printing lottery scratch tickets and other services. The address for Contractor is 1500 Bluegrass Lakes Parkway, Alpharetta, Georgia 30004.

SECTION 2. EXTENSION OF TERM.

On or about December 28, 2012, 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 beginning 1/1/2013 through 12/31/2014, plus up to four (4) additional one-year option periods exercisable at the option of the Lottery. Pursuant to Section 5 of the Agreement, the first option period is hereby exercised extending the term through December 31, 2015.

SECTION 3. AMENDMENTS.

Schedule B - Pricing – According to Sections 3.1.2 and 3.2.1 of the Agreement, the Lottery may request tickets in other sizes or packaging at prices mutually agreeable to both parties. The Agreement is hereby amended to include revised Schedule B – Pricing (amended 1/1/2015) which provides pricing for Crossword 4" x 8" (30/pack) and Bingo 4" x 8" (150/pack).

Schedule B – Optional Pricing – Schedule B Optional Pricing is revised to include pricing for Integrated Holographic, Linked Play including Integrated Holographic and LuxColor® Ink.

Schedule C – Licensed Properties - Schedule C Licensed Properties has been revised to include all current licensed properties available from MDI.

Point of Purchase - According to Section 3.5.10 of the Agreement, the Contractor is to provide 850 posters per pulse, with each ticket order. This requirement is hereby waived for all orders placed after the effective date of this extension/amendment.

ITVM Display Cards - Section 3.5.11 of the Agreement is amended to increase the quantity of ITVM Display Cards provided by the Contractor. The Contractor must provide four thousand six hundred twenty-five (4,625) 4" x 4" ITVM display cards per pulse, with each ticket order placed after the effective date of this extension/amendment at no additional cost.

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: Larry Loss
Title: Executive Vice President

Scientific Games International, Inc.

By: _____ Date: _____

Name: _____

Title: _____

AMENDED 1/1/15
SCHEDULE B
PRICE PROPOSAL
PART 1

Price Per Thousand Pricing. The prices requested in the following table are for tickets produced under a contract which requires all of the items specified in Sections 3 of this RFP except for cost variations applicable to optional features. All prices quoted in this section are prices per thousand (1,000) tickets.

Ticket Quantity *	Bingo ** 4" x 6"	Bingo ** 4" x 8"	Crossword ** 4" x 6"	Crossword ** 4" x 8"	Crossword ** 4" x 8"	2.4" x 4"	4" x 4"	4" x 6"	4" x 6"	4" x 6"	4" x 6"	4" x 8"	4" x 8"	4" x 8"	4" x 8"	4" x 8"	4" x 10"	4" x 10"
	150 / pack	150 / pack	100 / pack	60 / pack	30 / pack	300 / pack	150 / pack	60 / pack	75 / pack	100 / pack	150 / pack	12 / pack	15 / pack	30 / pack	60 / pack	100 / pack	10 / pack	12 / pack
400,000	$58.35	$63.97	$58.81	$64.37	$65.13	$48.04	$51.55	$57.47	$57.07	$56.81	$56.50	$76.03	$74.16	$67.47	$66.71	$66.00	$89.28	$87.06
600,000	$44.89	$50.37	$45.36	$50.77	$51.52	$34.63	$38.38	$44.11	$43.71	$43.45	$43.14	$62.48	$60.61	$53.90	$53.14	$52.43	$73.49	$71.27
800,000	$38.42	$43.87	$38.88	$44.27	$45.03	$28.04	$31.92	$37.63	$37.23	$36.97	$36.66	$55.97	$54.10	$47.42	$46.66	$45.95	$66.89	$64.66
1,000,000	$34.49	$39.92	$34.95	$40.32	$41.07	$24.06	$28.04	$33.73	$33.33	$33.05	$32.73	$52.03	$50.16	$43.48	$42.72	$42.01	$61.29	$59.06
1,200,000	$31.83	$37.24	$32.31	$37.64	$38.39	$21.40	$25.43	$31.08	$30.68	$30.41	$30.10	$49.37	$47.50	$40.79	$40.03	$39.32	$58.64	$56.41
1,400,000	$29.96	$35.37	$30.44	$35.77	$36.53	$19.50	$23.59	$29.23	$28.83	$28.56	$28.25	$47.49	$45.62	$38.92	$38.16	$37.45	$57.00	$54.77
1,600,000	$28.54	$33.94	$29.01	$34.34	$35.09	$18.07	$22.18	$27.79	$27.39	$27.14	$26.82	$46.05	$44.18	$37.48	$36.72	$36.01	$55.72	$53.49
1,800,000	$27.43	$32.81	$27.89	$33.21	$33.97	$16.95	$21.08	$26.71	$26.31	$26.02	$25.71	$44.94	$43.07	$36.37	$35.62	$34.91	$54.76	$52.54
2,000,000	$26.51	$31.90	$26.99	$32.30	$33.05	$16.06	$20.19	$25.79	$25.39	$25.13	$24.82	$44.01	$42.14	$35.44	$34.68	$33.97	$54.01	$51.79
2,500,000	$24.89	$30.22	$25.35	$30.62	$31.38	$14.44	$18.60	$24.17	$23.77	$23.50	$23.18	$42.36	$40.50	$33.79	$33.04	$32.32	$52.61	$50.39
3,000,000	$23.75	$29.07	$24.23	$29.47	$30.22	$13.34	$17.52	$23.07	$22.67	$22.38	$22.07	$41.22	$39.36	$32.65	$31.90	$31.19	$51.61	$49.39
4,000,000	$22.31	$27.16	$22.78	$27.56	$28.32	$11.65	$16.28	$22.16	$21.76	$21.49	$21.18	$40.56	$38.69	$32.00	$31.24	$30.53	$50.41	$48.19
5,000,000	$21.16	$26.38	$21.64	$26.78	$27.54	$10.41	$15.17	$21.02	$20.62	$20.35	$20.03	$39.66	$37.79	$31.09	$30.33	$29.62	$49.62	$47.39
6,000,000	$20.47	$25.86	$20.94	$26.26	$27.01	$9.63	$14.34	$20.35	$19.94	$19.68	$19.37	$38.66	$36.79	$30.08	$29.33	$28.61	$49.03	$46.80
7,000,000	$19.74	$25.46	$20.20	$25.86	$26.62	$9.05	$13.71	$19.63	$19.23	$18.95	$18.64	$37.88	$36.01	$29.31	$28.55	$27.84	$48.55	$46.33
8,000,000	$19.53	$25.19	$19.99	$25.59	$26.33	$8.95	$13.57	$19.42	$19.03	$18.74	$18.44	$37.47	$35.62	$28.99	$28.25	$27.54	$48.15	$45.92
9,000,000	$19.44	$25.07	$19.90	$25.47	$26.22	$8.91	$13.51	$19.34	$18.94	$18.66	$18.35	$37.30	$35.46	$28.86	$28.12	$27.42	$47.98	$45.76
10,000,000	$19.37	$24.98	$19.82	$25.38	$26.12	$8.88	$13.46	$19.27	$18.87	$18.59	$18.29	$37.17	$35.33	$28.76	$28.02	$27.32	$47.85	$45.62
		added 6/19/2014			added 6/19/2014													

* Prices for actual quantities ordered will be pro-rated from the matrix prices.

** This pricing shall apply to games using this type of marking system. The pricing must include all costs associated with production of these games.

AMENDED 1/1/15
SCHEDULE B
PRICE PROPOSAL
PART 2

PRINTING OPTIONS PRICING				
TICKET OPTION	UNIT OF MEASURE	FIRM, FIXED UNIT PRICE	DESCRIPTION	POTENTIAL ADDITIONAL FLAT FEES
Additional card stock - Section 3.1:	Per 1,000			
8pt.C-1-S stock instead of 10pt.C-1-S	Per 1,000	Deduct - $.005 per sq.in.of total ticket area per 1,000 tickets		
12pt.C-1-S stock instead of 10pt.C-1-S	Per 1,000	Add $.12 per sq.in.of total ticket area per 1,000 tickets		
10pt. Foil stock instead of 10pt.C-1-S	Per 1,000	Add $.60 per sq.in.of total ticket area per 1,000 tickets		
10pt. Holographic Foil stock instead of 10pt.C-1-S	Per 1,000	Add $2.40 per sq.in.of total ticket area per 1,000 tickets		
Symbols in dual color imaging - Section 3.3	Per 1,000	Add $3.60 per 1,000 tickets		Plus $5,000.00 set-up charge per game
Savings for NOT using full varnish or UV coating - Section 3.16	Minus Per 1,000	Deduct - $.01 per sq.in.of total ticket area per 1,000 tickets		
Additional display colors on back of ticket (above 1), per color - Section 3.17	Per 1,000	Add $.06 per sq.in.of total ticket area per 1,000 tickets		
Additional display colors on front of ticket (above 5), per color - Section 3.17	Per 1,000	Add $.06 per sq.in.of total ticket area per 1,000 tickets		
Savings for using less than 5 colors in overprint - Section 3.17	Minus Per 1,000	Deduct - $.05 per 1,000 tickets for each color less than 5		
Savings for not using security tint - Section 3.18	Minus Per 1,000	Deduct - $.03 per 1,000 tickets		
Stub game with perforations, with covering - Section 3.20	Per 1,000	Add $.16 per sq.in.of total ticket area per 1,000 tickets		
Stub game with perforations, without covering - Section 3.20	Per 1,000	Add $.08 per sq.in.of total ticket area per 1,000 tickets		
Multiple or continuous scenes - Section 3.21	Per 1,000	No per 1,000 ticket charge, flat charge only		
Potential per scene additional costs not included in a per scene flat rate - Section 3.21				Add $1,000 per each additional scene
Color pulse (per pulse) - Section 3.22	Per pulse	No per 1,000 ticket charge, flat charge only		
Color pulse (per 1,000) for each additional color pulse- Section 3.22	Per 1,000			Add $3,000 per each ink color pulse
Potential per pulse additional costs not included in a per pulse flat rate - Section 3.22				
Accelerated schedule - Section 3.36.2	Per day	Add $2,000 per day		
Delayed delivery / storage of games - Section 3.36.2	Per day	Add $100 per skid per month	Note: First 30 days at no additional charge	
Savings for NOT conducting a game audit for each game Section 3.38.13		No savings for not conducting game audit		
Printing of sample game if requested by Lottery - Section 3.38.16		Add $9,000 per each sample game		
Non-traditional games or features - Section 3.24	Per 1,000	SGI Scratch My Back, add $1.70 per square inch of total ticket area per 1,000 tickets		
Licensed Properties - Section 3.25		Please refer to attached schedule		

AMENDED 1/1/15
SCHEDULE B
PRICE PROPOSAL
PART 2

PRINTING OPTIONS PRICING				
TICKET OPTION	UNIT OF MEASURE	FIRM, FIXED UNIT PRICE	DESCRIPTION	POTENTIAL ADDITIONAL FLAT FEES
LIST ALL ADDITIONAL OPTIONS AVAILABLE FROM VENDOR:				
Additional void tickets	Per 1,000	Additional at the same price as the ticket quantity ordered		
Producing and inserting additional ITVM display cards into packs of tickets	Per 1,000	Add $600.00 per 1,000 additional cards plus $.30 per pack		
Producing additional ITVM display cards	Per 1,000	Add $600.00 per 1,000 additional cards		
Fluorescent ink, per color	Per 1,000	Add $.12 per sq.in.of total ticket area per 1,000 tickets		
Metallic ink, per color	Per 1,000	Add $.14 per sq.in.of total ticket area per 1,000 tickets		
Fluorescent / Neon ink, per color	Per 1,000	Add $.12 per sq.in.of total ticket area per 1,000 tickets		
Dual color ink, ticket back	Per 1,000	Add $.06 per sq.in.of total ticket area per 1,000 tickets		
Multiple color ink imaging - 3 color	Per 1,000	Add $6.00 per 1,000 tickets		Plus $5,500.00 set-up charge per game
Multiple color ink imaging - 4 color	Per 1,000	Add $8.00 per 1,000 tickets		Plus $6,000.00 set-up charge per game
Aromatic Tickets	Per 1,000	Add $.30 per sq.in.of total ticket area per 1,000 tickets		Plus $2,000.00 set-up charge per game
Die-cuts, simple	Per 1,000	Add $.30 per sq.in.of total ticket area per 1,000 tickets		Plus $4,500.00 set-up charge per game
Die-cuts, medium	Per 1,000	Add $.36 per sq.in.of total ticket area per 1,000 tickets		Plus $5,000.00 set-up charge per game
Die-cuts, complicated	Per 1,000	Add $.40 per sq.in.of total ticket area per 1,000 tickets		Plus $6,000.00 set-up charge per game
Pouch Tickets (any change to specifications requires re-quote)				
Circle Metallized Pouch	Per 1,000	2 million pouches add $1,140.00 per 1,000 pouches		
•Ticket Specifications:				
•Size: 2.75" x 24" (open) and folded to 2.75" x 8"				
•Substrate: Printed on 10 pt. board CIS				
•Printing: Flexo printing: four colors on front/one color on back (Megacolor)				
•Overprint: 4CP (Megacolor)				
•Security: Clear construction				
•Six games on the ticket, please see attached sample as reference				
•Pouch Specifications				
•Material: (Front) Metallized polyester laminated to clear polyethylene 1.5mm, printed 4CP + 2 PMS flexo				
(Back) Clear Polyester 48 gauge laminated to clear polyethylene 1.5mm				
•Final Pouch Size: (Approx) 3.75" x 8"				

AMENDED 1/1/15
SCHEDULE B
PRICE PROPOSAL
PART 2

PRINTING OPTIONS PRICING				
TICKET OPTION	UNIT OF MEASURE	FIRM, FIXED UNIT PRICE	DESCRIPTION	POTENTIAL ADDITIONAL FLAT FEES
•Finishing				
•25 pouches per book				
•Strapped together with a paper band				
•Shrink-wrapped by 25 pouches				
•Cartons of 1,000 pouches				
•One POS card per pouch				

AMENDED 1/1/15
SCHEDULE B
PRICE PROPOSAL
PART 2

ADDITIONAL OPTIONS AVAILABLE FROM SCIENTIFIC GAMES

PRINTING OPTIONS PRICING				
TICKET OPTION	UNIT OF MEASURE	FIRM, FIXED UNIT PRICE	DESCRIPTION	POTENTIAL ADDITIONAL FLAT FEES
The base ticket price includes 5 overprint colors. Additional charge, per color, for additional overprint colors	Per 1,000	Add $.06 per sq.in.of total ticket area per 1,000 tickets		
Synchronized scene games	Per 1,000	Add $ 2.00 per 1,000 tickets		
Press stop, as required by actual production of Graphic Pulse games	Flat Charge	Add $2,500 per each press stop		
Plate change, as required by actual production of Graphic Pulse games	Flat Charge	Add $1,500 per each plate changed		
Spot Matte UV coating	Per 1,000	Add $.08 per sq.in.of total ticket area per 1,000 tickets		
Spot Gloss UV coating	Per 1,000	Add $.08 per sq.in.of total ticket area per 1,000 tickets		
SGI Graphic ClearMark marking system (for extended play games other than "Bingo" and "Crossword")	Per 1,000	Add $.24 per sq.in.of total ticket area per 1,000 tickets		
SGI SureMark marking system (for extended play games other than "Bingo" and "Crossword")	Per 1,000	Add $.20 per sq.in.of total ticket area per 1,000 tickets		
SGI ClearMark marking system (for extended play games other than "Bingo" and "Crossword")	Per 1,000	Add $.14 per sq.in.of total ticket area per 1,000 tickets		
SGI ColorMark marking system (for extended play games other than "Bingo" and "Crossword")	Per 1,000	Add $.06 per sq.in.of total ticket area per 1,000 tickets		
KDSII	Per 1,000	No additional charge to base ticket price		
Megacolor 4-color process display with integrated 4-color process overprint	Per 1,000	Add $ 1.85 per 1,000 tickets		
4-color process printing on ticket back	Per 1,000	Add $.36 per sq.in.of total ticket area per 1,000 tickets		
Understand dual language feature	Per 1,000	Add $.50 per 1,000 tickets		
1-color imaging, color other than black	Per 1,000 plus set-up	Add $.90 per 1,000 tickets plus $2,000 set-up		
Special perforation or scoring of tickets	Per 1,000	Add $.30 per sq.in.of total ticket area per 1,000 tickets		
Omit free ticket production	Per 1,000 plus set-up	Add $4.95 per 1,000 tickets plus $9,000 set-up		
The base ticket price includes 850, 4.5" x 9" point of purchase posters per pulse. Posters are being exchanged for an additional 1,625 ITVM Cards. The total ITVM cards now total 4,625.				
Proprietary Play Action Games: Multi-line games, Big Bingo, Go To, Linked Play, Match & Win, Lucky Dice/Lucky Card Cash/Golden Spin	% of sales	Add .25% of game retail ticket value		
Bottleneckers	Per 1,000	Add $.30 per sq.in.of total ticket area per 1,000 tickets for die-cutting, other options, as required, at additional charge		
Gift Card Holders	Per 1,000	Add $.30 per sq.in.of total ticket area per 1,000 tickets for die-cutting, other options, as required, at additional charge die-cutting, other options, as required, at additional charge		
Premium metallic ink, per color	Per 1,000	Add $.18 per sq.in.of total ticket area per 1,000 tickets		
Multiple Games across the web, limit one	Flat Credit	Subtract $1,000		
Simulated foil	Per 1,000	Add $.30 per sq.in.of total ticket area per 1,000 tickets		

PRINTING OPTIONS PRICING				
TICKET OPTION	UNIT OF MEASURE	FIRM, FIXED UNIT PRICE	DESCRIPTION	POTENTIAL ADDITIONAL FLAT FEES
Pearlescent Coating	Per 1,000	Add $.10 per sq.in.of total ticket area per 1,000 tickets		
Color Shift Ink	Per 1,000	Add $.80 per sq.in.of total ticket area per 1,000 tickets		
LuxColor® Ink	Per 1,000	Add $.80 per sq.in.of total ticket area per 1,000 tickets		
Integrated Holographic	Per 1,000 plus set-up	Add $2.40 per sq.in.of total ticket area per 1,000 tickets plus $3,500 set up		
Linked Play including Integrated Holographic	Per 1,000 plus set-up	Add $2.40 per sq.in.of total ticket area per 1,000 tickets plus $4,500 set up		
Glow in the Dark Ink	Per 1,000 plus set-up	Add $.65 per sq.in.of total ticket area per 1,000 tickets plus $2,000 set-up		
Micromotion specialty coatings on foil substrate (price includes foil substrate)	Per 1,000	Add $1.50 per sq.in.of total ticket area per 1,000 tickets		
Graphic Benday	Per 1,000	Add $.16 per sq.in.of total ticket area per 1,000 tickets		
Patterned Ultra Shine	Per 1,000	Add $.14 per sq.in.of total ticket area per 1,000 tickets		
SofTouch Coating	Per 1,000	Add $.09 per sq.in.of total ticket area per 1,000 tickets		
Gigantix, 720,000 order quantity, 10 x 8, 15 per pack, all other base ticket specifications remain the same	Per 1,000	$115.00 per 1,000 tickets		
Additional or unusual programming, per hour	Flat Charge	Add $200.00 per hour required		
Spotlight Games	Per 1,000	Please refer to base ticket price matrix. Options, as required, at additional charge.		
Secure ticket destruction in SGI's Alpharetta manufacturing facility	Flat Charge	Add $ 100.00 per skid, freight to Alpharetta at additional charge		
Game re-orders with no changes	Flat Credit	Deduct $ 2,000.00 per re-order		
Variable messaging on ticket back - Up to ten messages of no more than 75 characters to be printed one per ticket and randomly distributed throughout the game. Messages will be printed in an area large enough to encompass the largest message and the background of that area will have one fluorescent color.	Per 1,000	Add $.18 per sq.in.of total ticket area per 1,000 tickets		
Agency Services is a Scientific Games exclusive program that assists the Lottery in defining shaping and executing strategic and operational methodologies focused on delivering the maximum return to the state. Components of the Agency Services Program involve state-of-the-art tools and strategies in product marketing, distribution, retail services, promotions and web services. The Iowa Lottery would receive a discount of at least 5% on your total instant game costs in exchange for allocating a minimum of 85% of your total annual game sales volume (in standard units) to Scientific Games. Scientific Games would share in the increased instant ticket sales generated by the implementation of the Agency Services Program based on a 2% supplemental fee on the total incremental instant sales.	% of sales	2% of incremental sales		
Business Continuity Provision - Offer to continue the existing contract beyond original contract terms upon written agreement by both parties.	Per thousand and flat charges			

PRINTING OPTIONS PRICING				
TICKET OPTION	UNIT OF MEASURE	FIRM, FIXED UNIT PRICE	DESCRIPTION	POTENTIAL ADDITIONAL FLAT FEES
SCIPLAY OFFERING				
Sciplay License:				
The creation of an Iowa Lottery intrastate iGaming network. Sciplay will deliver: 1. Real money casino, poker and/or bingo games and gaming platform 2. Implementation and setup of the project 3. Network maintenance and support 4. Network management 5. Project management 6. Training & support	% of sales	15% of gross gaming revenues.		
Network Management:				
Services Include: 1. 7/24/365 support to The Lottery 2. Anti-collusion and money laundering monitoring 3. Establishment and monitoring of all cash tables 4. Establishment and monitoring of all network wide tournaments (poker) 5. Establishment and monitoring of all individual poker room tournaments 6. Establishment and monitoring of all network wide progressives (casino and/or bingo) 7. Chat moderators (bingo)	Monthly fee	$10,000/month per game vertical.		
Turnkey Network Infrastructure & Hosting Services:				
Hosting and administration including: • Capacity management including upgrading the site as required. • Technical support on a 24X7X365 • Hosting: power, rack space, internet connectivity • Administration of the network's infrastructure (installation, monitoring, optimization, upgrades and patches) • CDN: Content Distribution Network • Geolocation Services	% of Gaming Revenue Monthly fee Monthly fee	The fee for Turnkey Network Infrastructure Services: 1. 5% of gross gaming revenues with a minimum of $10,000/month. The fee for CDN is: $1,300/month for the first 2,000GB and $0.50 for each additional 1GB. The fee for geolocation services is: $1,000/month for up to 1 million queries.		

PRINTING OPTIONS PRICING				
TICKET OPTION	UNIT OF MEASURE	FIRM, FIXED UNIT PRICE	DESCRIPTION	POTENTIAL ADDITIONAL FLAT FEES
Player Support Service:				
The primary objective of the customer support team is to keep players happy and to provide a (future) high conversion rate. Support is be provided by a highly trained team offering help on Poker, Bingo and our other products on a 7x24x365 basis via live chat, telephone and/or email. In addition to English, many other customer service languages can be offered upon request. In addition, service includes full fraud and finance support. Sciplay fraud analysts carefully analyze new players, deposits, withdrawals and automated alerts using precise methods to identify suspicious behavior. When suspected fraudulent behavior is discovered, prevention steps, like halting and applying sanctions to the relevant accounts can be implemented. We will provide (as part of our expertise team extensive financial advisory and training services including the necessary know how on reviewing and monitoring) the following: • Dispute withdrawal requests • Wagering calculations • Procedure submittal • Document review • Player payout approval/decline	% of Gaming Revenue	5% of the gross gaming revenues with minimum of $10,000/month		
Payment Processing Advisory Services:				
Business Development Services • Constantly seeking the newest and most attractive payment solutions • Advising the Lottery on available deposit and withdrawal options in various jurisdictions	Monthly fee/% of deposits	1.5% of deposits		
Consulting & Support • Advising the Lottery about changes in payment processor product offerings and commercial terms • Compliance-assistance with the process of opening accounts with payment processors • BI tools • CC engine				
Legal & Commercial • Negotiating commercial terms with payment solution providers on behalf of the Lottery				
Integration • Managing and supporting the technical integration of new payment methods with the Playtech cashier system				

TICKET OPTION	PRINTING OPTIONS PRICING UNIT OF MEASURE	FIRM, FIXED UNIT PRICE	DESCRIPTION	POTENTIAL ADDITIONAL FLAT FEES
Matching & Reconciliation • The matching team monitors the Lottery's accounts to ensure sufficient funds are available, matches and reconciles data to ensure mismatches are identified and rectified and verifies that all payment solutions charges are accurate and in line with agreements. • Our team generates monthly activity reports to clients, detailing net revenue and third party charges costs to be borne by the Lottery directly.				
Internal Marketing:				
Most expert team in the online industry, speaking more than 15 languages, working 24x7x365 with the aim of ensuring customer's satisfaction, minimize attrition rates and increasing player loyalty and value. Outbound online sales team proactively approaches customers via chat. Taking the players in their first journey to first deposit, runs online promotions and create gaming environment in the gaming client. Call Centre specialists trained to manage different phone campaigns for different segments such as Reactivation, Late conversion and more. Customer Relations Management team Analyzing players' behavior according to multi categories such as: games played, number and amounts of bets placed, place of origin, personal data, source of traffic, payments methods used. Loyalty program management and VIP scheme tailored at key players AND treated by dedicated representatives who know the players personally. Flexible Bonus System – Custom bonuses by traffic source, specific games played, "no lose" bets, and cutting edge promotions	Monthly fee/% of gross gaming revenues	5% of the gross gaming revenues		
External Marketing:				
Premium Marketing Services via our team of professional marketers specializing in acquisition & retention for the social platforms.	% of monthly budget commitment	15% of marketing budget commitment.		

SCHEDULE C

MDI LICENSED PROPERTIES LIST AND PRICING

PROPERTY	OPTION 1 Merchandise Fee as a Percentage of the Prize Fund	OPTION 2 License Fee as a Percentage of Net Sales (no merchandise)
$100,000 Pyramid™ ***(US & Canada)***	n/a	2.00%
America's Got Talent® ***(US & Canada)***	8.00%	2.00%
American Idol™ ***(US & Canada)***	8.00%	2.00%
American Outdoorsman® ***(Worldwide)***	8.00%	2.00%
American Pickers® – HistoryChannel ***(US Only)***	8.00%	2.00%
Asteroids® – ATARI ***(Worldwide)***	n/a	2.00%
BATTLESHIP™ – Hasbro ***(Worldwide)***	n/a	2.00%
Barrel of Monkeys™ – Hasbro ***(Worldwide)***	n/a	2.00%
Beetle Bailey® ***(US & Canada)***	8.00%	2.00%
Betty Boop™ ***(US & Canada)***	8.00%	2.00%
Black Widow Billiards ***(Worldwide)***	n/a	2.00%
Boggle™ – Hasbro ***(Worldwide)***	n/a	2.00%
Breakout® – ATARI ***(Worldwide)***	n/a	2.00%
Card Sharks™ ***(US Only)***	8.00%	2.00%
Carousel™ – Rodgers & Hammerstein ***(US & Canada)***	n/a	2.00%
Carroll Ford Shelby® – Ford Shelby GT500™, GT350™, Super Snake® ***(US only)***	8.0% + Vehicles	2.0% + Vehicles
Cathy Rigby is Peter Pan™ ***(Worldwide)***	n/a	2.00%
Centipede® – ATARI ***(Worldwide)***	n/a	2.00%
Chevrolet® Camaro®, Cruze™, Sonic™, Spark™, Volt™ ***(Worldwide)***	8.0% + Vehicles	2.0% + Vehicles
Christian Reese Lassen (Artist Series) ***(US Only)***	n/a	$2,500 per scene

PROPERTY	OPTION 1 Merchandise Fee as a Percentage of the Prize Fund	OPTION 2 License Fee as a Percentage of Net Sales (no merchandise)
CityVille™ – Zynga ***(Worldwide)***	1% of sales + 5% of *prize fund (*combo of virtual & physical merchandise)	2% of sales + 2.5% of *prize fund (*combo of virtual & physical merchandise)
	Properties Plus 5% of *prize fund (*combo of virtual & physical merchandise)	Properties Plus 1% of sales + 2.5% of *prize fund (*combo of virtual & physical merchandise)
Clue™ – Hasbro ***(Worldwide)***	n/a	2.00%
CONNECT FOUR™ – Hasbro ***(Worldwide)***	n/a	2.00%
Cranium™ – Hasbro ***(Worldwide)***	n/a	2.00%
Crossword Cash™ ***(Worldwide)***	n/a	2.00%
Dodge-Ram Trucks, Challenger, Charger, Durango & Journey ***(US & Canada)***	8.0% + Vehicles	2.0% + Vehicles
Draw Something™ – Zynga ***(Worldwide)***	1% of sales + 5% of *prize fund (*combo of virtual & physical merchandise)	2% of sales + 2.5% of *prize fund (*combo of virtual & physical merchandise)
	Properties Plus 5% of *prize fund (*combo of virtual & physical merchandise)	Properties Plus 1% of sales + 2.5% of *prize fund (*combo of virtual & physical merchandise)
Duck Dynasty® – A&E ***(US & Canada)***	8.00%	2.00%
El Chapulin – Univision® ***(US & Canada)***	n/a	2.0%

PROPERTY	OPTION 1 Merchandise Fee as a Percentage of the Prize Fund	OPTION 2 License Fee as a Percentage of Net Sales (no merchandise)
Elvis®/Elvis Presley™ ***(Worldwide)***	8.0%	2.00%
Family Feud® ***(US & Canada)***	n/a	2.00%
Family Guy™ ***(US & NZL Only)***	n/a	2.00%
FarmVille™ – Zynga ***(Worldwide)***	1% of sales + 5% of *prize fund (combo of virtual & physical merchandise)	2% of sales + 2.5% of *prize fund (combo of virtual & physical merchandise)
	Properties Plus 5% of *prize fund (*combo of virtual & physical merchandise)	Properties Plus 1% of sales + 2.5% of *prize fund (*combo of virtual & physical merchandise)
Ford F-150 Trucks ***(North America, Australia, New Zealand & Europe – Denmark, France, Germany, Hungary, Ireland, Norway, Poland, Portugal, Slovakia, Spain & UK)***	10.0% + Vehicles	2.0% + Vehicles
Ford Motor Company – Mustang, Mustang GT, Edge, Escape/SUV Hybrid, Expedition, Explorer, Fiesta, Flex, Focus, Fusion/Fusion Hybrid, Taurus, Lincoln MKS/MKT/MKX/MKZ & Lincoln Navigator ***(North America, Australia, New Zealand & Europe – Denmark, France, Germany, Hungary, Ireland, Norway, Poland, Portugal, Slovakia, Spain & UK)***	8.0% + Vehicles	2.0% + Vehicles
Fortune Cookie®/Lucky Fortune ***(Worldwide)***	n/a	2.00%
Ghostbusters™ ***(US & Canada)***	8.0% + Vehicles	2.00%
Go To SGI playstyle	n/a	2.00%

PROPERTY	OPTION 1 Merchandise Fee as a Percentage of the Prize Fund	OPTION 2 License Fee as a Percentage of Net Sales (no merchandise)
Harley-Davidson® ***(North America, Mexico, Australia, New Zealand & Europe: Austria, Belgium, France, Greece, Germany, Ireland, Italy & UK)***	8.0% + Motorcycles	2.0% + Vehicles
Hold 'Em Poker®	10.00%	2.00%
Impact Wrestling™ ***(Worldwide)***	8.00%	2.00%
Let's Make a Deal™ ***(US & Canada)***	n/a	2.00%
Live Nation® ***(US & Canada)***	6.00% merchandise fee + 2% of sales	
Loteria™ ***(US & Canada)***	8.00%	2.00%
Lucky Dice™/® ***(MDI Proprietry)***	n/a	2.00%
Magic 8 Ball™ ***(US Only)***	n/a	2.0%
Major League Baseball® /MLB™ ***(US & Canada)***	10.00%	4.50%
Mardi Gras World™ (Mardi Gras World, LLC – ***US Only AL, AR, FL, GA, LA, MS, TX***)	8.0% + Certain Grand Prizes	2.00%
Mardi Gras World™ (Blaine Kern's Mardi Gras World, LLC & Blaine Kern Artists, Inc. –***US Excluding States above & Canada***)	8.0% + Certain Grand Prizes	2.00%
Margaritaville® ***(Worldwide)***	8.00%	2.00%
Match Game™ ***(US Only)***	n/a	2.00%
MGM Resorts – Excalibur® & Luxor® Casino Resort ***(Worldwide)***	n/a	2.00%
Mira Quien Baila – Univision® ***(US, Canada & Mexico)***	n/a	2.0%
Missile Command® – ATARI ***(Worldwide)***	n/a	2.00%
MONOPOLY™ – Hasbro ***(Worldwide)***	n/a	2.00%
Moon Pie® ***(North America)***	n/a	2.00%
Mouse Trap™ – Hasbro ***(Worldwide)***	n/a	2.00%

PROPERTY	OPTION 1 Merchandise Fee as a Percentage of the Prize Fund	OPTION 2 License Fee as a Percentage of Net Sales (no merchandise)
National Basketball Association – NBA® ***(North America, Mexico, Argentina, Brazil, Australia, New Zealand, China, Taiwan, Japan, South Korea, India, South Africa, Turkey, France, Germany, Italy, Russia, & UK)***	10.00%	3.50%
National Hockey League® – NHL® ***(US, Czech Republic & Slovakia)***	10.00%	3.50%
National Hockey League Players Association® – NHLPA® ***(Worldwide)***	n/a	2.00%
Norman Rockwell ***(US Only)***	n/a	2.00%
Nuestra Belleza Latina – Univision® ***(US, Canada & Mexico)***	n/a	2.0%
Oklahoma™ – Rodgers & Hammerstein ***(US & Canada)***	n/a	2.00%
OPERATION™ – Hasbro ***(Worldwide)***	n/a	2.00%
PAC-MAN™ ***(Australia & NZL)***	8.00%	2.00%
Palms™ Casino Resort ***(Worldwide)***	n/a	n/a
Paycheck® ***(Worldwide)***	n/a	2.00%
Pictionary™ ***(US, Canada, Australia & NZL)***	n/a	2.00%
Pink Panther™ ***(Worldwide)***	8.00%	2.00%
Popeye® ***(US & Canada)***	n/a	2.00%
Press Your Luck® ***(US & Canada)***	n/a	2.00%
Republica Deportiva – Univision® ***(US, Canada & Mexico)***	n/a	2.0%
RISK™ – Hasbro ***(Worldwide)***	n/a	2.00%
Rock Paper Scissors®/© ***(MDI Proprietry)***	n/a	2.00%
Rubik's Cube® ***(Hungary Only)***	n/a	2.00%
Scrabble™ – Hasbro ***(US & Canada)***	n/a	2.00%
Scrabble™ – Mattel ***(Australia, NZL & Europe)***	n/a	2.00%

PROPERTY	OPTION 1 Merchandise Fee as a Percentage of the Prize Fund	OPTION 2 License Fee as a Percentage of Net Sales (no merchandise)
SLINGO® ***(US, Canada, & Mexico)***	n/a	2.00%
South Pacific™ – Rodgers & Hammerstein ***(US & Canada)***	n/a	2.00%
Space Invaders™ ***(Australia & NZL)***	n/a	2.00%
State Fair™ – Rodgers & Hammerstein ***(US & Canada)***	n/a	2.00%
Storage Wars® – A&E ***(US & Canada)***	8.00%	2.00%
Swamp People® – HistoryChannel ***(US & Canada)***	8.00%	2.00%
Tarzan™ ***(US & Canada)***	n/a	2.00%
Texas Hold 'Em® Poker™	n/a	2.00%
The Game of Life™ – Hasbro ***(Worldwide)***	n/a	2.00%
The King and I™ – Rodgers & Hammerstein ***(US & Canada)***	n/a	2/0%
The Lottery Bank Cash Card™ ***(Worldwide)***	n/a	2.00%
The Phantom of the Opera™ ***(North America)***	n/a	2.00%
The Price Is Right® ***(US & Canada)***	8.00%	2.00%
The Sound of Music™ – Rodgers & Hammerstein ***(US & Canada)***	n/a	2.00%
The Walking Dead™ – AMC® ***(US & Canada)***	8.00%	2.00%
The Wizard of Oz™ ***(US Only)***	n/a	2.00%
Trivial Pursuit™ – Hasbro ***(Worldwide)***	n/a	2.00%
Twister™ – Hasbro ***(Worldwide)***	n/a	2.00%
Ultimate Fighting Championship™ (UFC & Pride) ***(Worldwide)***	8.00%	2.00%
UNO™ ***(US, Canada & Mexico)***	n/a	2.0%
Wheel of Fortune® ***(US & Canada)***	8.00%	2.00%
Will Bullas (Artist Series) ***(Worldwide)***	n/a	$2,500 per scene

PROPERTY	OPTION 1 Merchandise Fee as a Percentage of the Prize Fund	OPTION 2 License Fee as a Percentage of Net Sales (no merchandise)
WMS Slot Games – includes Filthy Rich, Goldfish, Hot Hot Penny, Hot Hot Super Jackpot, Hot Hot Super Respin, Jackpot Party, Leprechaun's Gold, Life of Luxury, Lucky Lemmings, Money To Burn, Reel 'em In, and Zeus ***(Worldwide)***	n/a	2.00%
Words With Friends™ – Zynga ***(Worldwide)***	n/a	2.50%
World Poker Tour®/ WPT® ***(US, Canada & Europe)***	10.00%	2.00%
Yahtzee™ – Hasbro ***(Worldwide)***	n/a	2.00%
ZORRO® ***(US & Canada)***	n/a	2.00%
Zynga Bingo™ – Zynga ***(Worldwide)***	1% of sales + 5% of *prize fund (combo of virtual & physical merchandise)	2% of sales + 2.5% of *prize fund (combo of virtual & physical merchandise)
	Properties Plus 5% of *prize fund (*combo of virtual & physical merchandise)	Properties Plus 1% of sales + 2.5% of *prize fund (*combo of virtual & physical merchandise)
Zynga Poker™ – Zynga ***(Worldwide)***	1% of sales + 5% of *prize fund (combo of virtual & physical merchandise)	2% of sales + 2.5% of *prize fund (combo of virtual & physical merchandise)

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

Terry Rich · Chief Executive Officer

Date: September 23, 2014

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

With the addition of Monopoly Millionaires' Club to the Lottery's portfolio of games, we are requesting your approval to modify the Retailer Compensation Program. The modifications are as follows:

1. Allow Monopoly Millionaire's Club sales to be eligible for the Sliding Scale incentive effective July 1, 2016.
2. Add a sales bonus of $5,000 for any retailer who sells a Monopoly Millionaires' Club Top Prize.
3. Allow any non-top prize Monopoly Millionaires' Club winning ticket of $100,000 or more to receive a bonus of 1/10 of 1 percent of the prize amount (e.g. $100,000 winning ticket earns a $100 bonus).

The modifications, with your approval, will become effective on October 19, 2014 to coincide with the start of the Monopoly Millionaires' Club game.

IOWA LOTTERY

Retailer Compensation Program

October 19, 2014

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

* Monopoly Millionaires' Club sales will be included in this incentive beginning July 1, 2016. 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
Monopoly Millionaires' Club Top Prize	$ 5,000

All non-jackpot winning on-line game tickets or non-top prize Monopoly Millionaires' Club winning ticket 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 GAMES

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

Retailers can become GOLD STAR PROGRAM members and will receive a 7% commission on the sale price of 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 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.

Budget for Lottery Fund

	FY 2014 ACTUAL	FY 2015 BOARD APPROVED FINAL BUDGET	FY 2016 PROPOSED BUDGET	FY 2017 PROPOSED BUDGET
Resources				
Lottery sales	314,055,429	309,500,000	312,700,000	312,700,000
Interest income	51,716	500,000	500,000	500,000
Application fees	4,375	5,000	5,000	5,000
Other	99,932	5,000	5,000	5,000
Total Resources	**314,211,452**	**310,010,000**	**313,210,000**	**313,210,000**
Expenses and Change in Net Assets				
Prizes	186,948,985	181,346,675	184,122,172	184,122,172
Retailer compensation	20,131,428	20,037,982	20,044,543	20,044,543
Advertising production and media purchases	6,933,352	12,380,000	12,508,000	12,508,000
Retailer Lottery system/Terminal Communications	6,453,429	7,248,100	7,388,828	7,311,608
Instant/Pull-tab ticket expense & machine maintenance	4,077,813	4,295,000	4,328,000	3,728,000
Vending machines/Ticket dispensers	81,787	250,000	1,723,333	2,018,000
Courier delivery of instant tickets	322,729	610,000	660,000	660,000
Interest expense (ITVM/PTVM/Building)	12,622	-	3,220	-
Lottery operating expense	12,073,776	13,478,358	13,264,328	13,264,328
Building (purchase and sale)	3,432,016	1,964,000	-	-
Increase (decrease) in net assets	(202,339)	(308,030)	25,400	(185,000)
Total Expenses and Change in Net Assets	**240,265,598**	**241,302,085**	**244,067,824**	**243,471,651**
Proceeds				
Proceeds Transfer to General Fund	72,141,420	66,507,915	66,942,176	67,538,349
Proceeds Transfer to Veterans Trust Fund	1,804,434	2,200,000	2,200,000	2,200,000
Total Proceeds Transfers	**73,945,854**	**68,707,915**	**69,142,176**	**69,738,349**
Total Expenses and Proceeds	**314,211,452**	**310,010,000**	**313,210,000**	**313,210,000**

Lottery Operations - Budget Detail

	FY 2014 ACTUAL	FY 2015 BOARD APPROVED FINAL BUDGET	FY 2016 PROPOSED BUDGET	FY 2017 PROPOSED BUDGET
Administrative payroll*	9,461,004	10,145,328	10,145,328	10,145,328
Travel	400,279	495,000	495,000	495,000
Supplies	88,328	125,000	125,000	125,000
Printing	20,435	16,000	20,000	20,000
Postage	6,993	6,500	7,000	7,000
Communications	178,880	160,000	180,000	180,000
Rentals	307,286	310,000	310,000	310,000
Utilities	120,101	128,000	84,000	84,000
Professional fees	123,287	260,000	260,000	260,000
Outside services and repair	256,838	449,500	246,000	246,000
Data processing	89,573	60,000	90,000	90,000
Equipment	220,684	300,000	320,000	320,000
Reimbursement to state agencies	424,834	495,000	495,000	495,000
Depreciation	287,356	423,030	400,000	400,000
Other expenses	87,898	105,000	87,000	87,000
Total operating expenses	**$ 12,073,776**	**$ 13,478,358**	**$ 13,264,328**	**$ 13,264,328**

* 2016 and 2017 Proposed Budget for "Administrative Payroll" does not include salary and benefit cost increase projections by DOM