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

AGENDA
IOWA LOTTERY BOARD
June 18, 2015
10:00 a.m.

- I. Call to Order
 - a. Approval of Minutes
- II. Quarterly Reports
 - a. Financial
 - b. Marketing
 - c. Security
 - d. Legislative
- III. Contracts:
 - a. Vending Machine Maintenance Extension
 - b. OrderPad Agreements Extension
- IV. FY 2016 Budget
- V. FY 2016 Key Employee Pay Plan/Compensation
- VI. Succession Plan
- VII. CEO Report
 - a. Industry Update
 - b. FY 2016 Lottery Mission/Vision Statement
- VIII. Election of Officers
- 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
March 16, 2015**

The Iowa Lottery Board convened at 10:00 a.m., Board Chairperson Herman Richter presiding.

Board members participating: Herman Richter, Ying Sa, Deb Burnight, and Mike Klappholz (via teleconference).

Lottery staff present: Terry Rich, CEO; Larry Loss, EVP; Brenda Nye, CFO; Mary Neubauer, VP External Relations; Teri Wood TeBockhorst, VP Marketing; Rob Porter, VP General Counsel; Hale Strasser, VP Operations and Systems; Jamie Shae, Sr Project Director/Board Secretary; Brad Wells, Security Investigator.

Others present: Dave Berger, Scientific Games

Chairperson Richter called the meeting to order. Roll call showed that Burnight, Sa, Klappholz and Richter were present. Richter announced the meeting would be held via teleconference in accordance with Iowa Code section 21.8.

Burnight moved to conduct the meeting by teleconference and Sa seconded. Motion carried unanimously.

APPROVAL OF MINUTES

Sa moved to approve the December board meeting minutes. Burnight seconded. Motion carried unanimously.

Quarterly Reports

Financial

Nye reported that the performance measures through January and the November, December and January financial reports were in the board packets. Nye stated that through January, sales are ahead of budget by over 6% and ahead of the five-year average by nearly 10% primarily due to strong instant-scratch sales. Proceeds are ahead of budget by nearly 6% and in line with the five-year average. Nye stated that February will show strong Powerball sales, with the jackpot climbing to \$564.1 million before it was won in the drawing on Feb. 11.

Nye added that the fiscal year 2014 financial audit report was issued on January 8, 2015, and said each board member should have received a copy directly from the State Auditor's office. The report gave a "clean" opinion with no instances of non-compliance.

Marketing

Wood reported that the lottery's 2015 holiday promotion, 12 Weeks of Winnertime, was designed to increase scratch-ticket sales while providing added winning opportunities for VIP Club members. There were 12 weekly drawings; the first week there was 1 drawing for a prize of \$1,000, the second week there were 2 drawings for \$1,000, increasing each week ending with 12 drawings for \$1,000. VIP Club members could win every week. Wood stated that over the 12 weeks, there were over 809,000 entries and over 9,500 new VIP Club members. The average age of the entrant was 52 and 61.6% of entrants were men. Wood then stated that the lottery recently launched its first-ever "socially engaged" promotion called Win With Friends. VIP Club members can enter nonwinning tickets from the "Did I Win?" family of games during the 7-week promotion for a chance to win \$2,500. When VIP Club members enter they will also enter five friends and if they win, their friends will win \$500 each. Wood pointed out that the lottery is a permissions-based marketer and does not sell, rent

or share information contained within the database. Wood stated that the promotion had 38,680 entries and over 1,600 new VIP Club members to-date. This promotion will conclude March 30. Wood went on to say that the Iowa Lottery is turning 30 this year and with that a 30th-anniversary celebration is being planned. A new \$5 "Eco-Scratch" ticket, made from 60% recycled fibers, will be used for a ticket called "30 Somethings". The game will offer 9 top prizes of \$30,000 plus an instant-win opportunity. Wood stated that in addition to the extended-play tickets, the 30 Somethings game will be tied to a VIP Club 'Play It Again' promotion. In this promotion there will be three 30-day promotions featuring an assortment of cash and prizes in each 30-day period that will culminate in a grand-prize drawing of \$30,000. Media promotions are being planned as well for TV and radio stations where viewers and listeners can win \$30 in 30 Somethings tickets.

Wood also stated that the Iowa Lottery ran a full multi-media campaign for National Problem Gambling Awareness Month in March. This is the 12th year for this initiative and the Iowa lottery, in cooperation with the Iowa Department of Public Health, strives to educate the general public and health care professionals about the warning signs of problem gambling. This is a state-wide campaign due to in-kind support from TV stations, cable systems, radio stations and digital billboard companies across the state, with a value-added contribution exceeding \$150,000 for the week-long campaign.

Sa asked how a promotion is considered successful and Wood explained that success is measured in many ways such as ticket index and comparison to other promotions. Rich added that the bottom line is the financial success but our promotions build our loyalty club.

Security

Wells stated that the December, January and February Security reports are included in the packet. Sa asked if there were any issues with security at the new building and Wells reported that the facility is secure with cameras and monitors and the alarm system will be updated soon. Rich added the level of technology is much higher at this building.

Rich asked Rob Porter to give an update on the Hot Lotto case. Porter stated that Eddie Tipton of Norwalk was charged with two felony counts of fraud and a pre-trial is scheduled for this week. Porter stated the trial should begin April 13 and is expected to last one week. The Iowa Lottery continues to work closely with prosecutor.

Legislative

Neubauer stated that Senate File 323, the lottery-sponsored bill to provide \$2.5 million in proceeds annually to the Iowa Veterans Trust Fund, received approval in the Iowa Senate on March 9 and in the Iowa House on March 10 and is awaiting the Governor's consideration. Neubauer explained that the Iowa Lottery has provided more than \$16.7 million to the Veteran's Trust Fund since it began raising money for that cause in 2008, however, proceeds have declined in the past few years due to an overall decline in pull-tab sales. Pull-tabs make up 50 percent of the games dedicated to the Trust Fund. Neubauer stated that a continued decline in sales of that product will negatively impact the lottery's ability to support the IVTF. Under SF 323, the lottery proposed elimination of reference to a certain number of lottery games per year dedicated to the Trust Fund and instead to allocate \$2.5 million in lottery proceeds annually to the Veteran's Trust Fund. That amount is the midway point of the lottery's publicly stated goal for this ongoing initiative and also is the yearly average of the total raised to date.

Neubauer stated under SF 323, a portion of the proceeds from the sale of all lottery games would be dedicated to the Veterans Trust Fund. The set of games introduced in January that include the logo for the Veterans Trust Fund and provide 100 percent of their proceeds to the Veterans Trust Fund would be the last of that type released.

The lottery plans to continue to spread the word about the Veterans Trust Fund and the help it can offer to Iowa veterans and their families by including that information in the proceeds advertising it conducts each year and through public events highlighting the total amount raised. The lottery also plans to occasionally offer patriotic-themed games.

2015 Nominees to Lottery Board

Neubauer moved on to say that on March 2, Governor Branstad announced appointments of two Lottery Board nominees: Connor Flynn, Jr., of Des Moines and Mary Rathje of Marion.

Flynn would fulfill the marketing role requirement on the Board while Rathje would serve in the Board's general membership position. Flynn is chairman of the Lessing-Flynn advertising agency in Des Moines and describes himself as a staple at the agency since 1968 with strengths in copywriting, strategic planning, client relations and marketing. Lessing-Flynn has been in business in Des Moines for more than 100 years since its founding in 1907.

Rathje is the office manager and controller at Rathje Construction Co., her family's construction business that has been in operation for more than 50 years in Marion. She is active in the community, serving on several boards, including the Marion Economic Development Co., Master Builders of Iowa, and the Iowa Consumer Advisory Panel.

Federal Internet Gaming Focus

Neubauer stated that she and Terry Rich will travel to Washington D.C. later this month to join state lawmakers in stressing states' rights regarding the regulation of Internet gaming. The two Iowa Lottery officials will be part of Congressional visits March 24-25 on behalf of the North American Association of State and Provincial Lotteries (NASPL). Rich is the current president of NASPL, the industry group representing lotteries in the United States, Canada and Mexico.

Neubauer stated that federal legislation has been introduced this Congressional session that would make decisions at the federal level regarding gaming regulation. H.R. 707, known as the Restoration of America's Wire Act, was introduced February 4 by U.S. Representative Jason Chaffetz, R-Utah. While the proposal describes restoring the Wire Act to the meaning given prior to 2011, the lottery believes the bill would actually broaden the Wire Act, negatively impacting nearly all existing forms of gaming. NASPL respectfully urges opposition to any legislation that would pre-empt or encroach on states' sovereignty regarding gaming matters. Multi-state lottery games such as Powerball® and Mega Millions® already are conducted across multiple jurisdictions, as is pari-mutuel wagering. The states have a long and successful history of joining together to provide gaming options that appeal to their citizens while complying with both state and federal law.

Ying asked what effect this bill would have on the lottery. Neubauer explained that Sheldon Adelson of Las Vegas wants to ban internet gaming and the bill introduced by Chaffetz would achieve that. Neubauer stated that the bill is a financial concern for states but also a philosophical concern as state lawmakers feel they should have the right to make that decision for their respective states. Rich stated that the Iowa Lottery has the authority to do internet gaming but has not pursued it to date. Rich stated that the other philosophical concern is the amount of illegal offshore gaming which is unregulated and generates billions of dollars. Neubauer stated that some interpretations of the proposed law may call into question loyalty programs, such as the lottery's VIP Club. Porter added that due to some of the lottery's vendors being out of state, there's also concern that the proposed legislation could interfere with the security measures necessary for lotteries. Rich stated there are unintended consequences with the enactment of this bill.

Ying asked when there will be a decision on the proposed bill and Neubauer stated that the process can move much faster at the federal level but so far there has been no movement. Ying asked if any

states support Sheldon Adelson or the bill being proposed and both Neubauer and Porter stated they are not aware of any individual states that support it.

Klappholz expressed his gratitude for the lottery staff's work, specifically Mary Neubauer, on the Veteran's Trust Fund change.

Klappholz moved to approve the quarterly reports. Burnight seconded. Motion carried unanimously.

Lucky For Life

Loss reported that initial information about the Lucky For Life game was presented to the board at the last board meeting and the board decided to table the discussion at that time. Since then the game has been successfully launched by several lotteries across the country and the Iowa Lottery is planning to work with the Lucky For Life group to potentially begin offering the game in Iowa in the fall. Loss stated that he would provide more detailed information, including rules and agreements, at the next board meeting and seek approval from the board at that time.

Building Update

Rich stated that the staff is officially moved in at the lottery's new headquarters location in Clive and things are going well. Rich asked Mary to provide an update on the public art project for artwork that will be installed at the property. Neubauer stated that this is an informational presentation only but lottery staff welcome the board's feedback. The purchase and renovation of the lottery's Clive property falls under the requirements of the state's Art in State Buildings Program, enacted back in 1979 to ensure fine arts would be part of state building projects. Most of the fine arts installed as part of the program is found on the campuses of state universities. Neubauer said that the art project team (Wood, Shae and Neubauer) reviewed the roster of eligible Iowa-based artists from the Iowa Arts Council. When the recommendation was drafted the lottery wanted to maximize public access to the art so preferred to have the art ultimately be on the exterior of the property. The vestibule and lobby were also possible locations for the proposed art, again to maximize public access to it. Last year the Arts Council released information about the project with the specified budget at \$31,487, which is one half of one percent of the purchase and renovation price of the building. An additional allowance from the lottery of \$10,000 is also being provided for installation and preparation of the site. Neubauer stated that this budget is relatively small in terms of the arts world but the interest from artists was very high most likely because the artists knew that the lottery building gets a lot of visibility from media and state lawmakers.

Neubauer said Clive has a program called "Art Along The Trail" where art is installed along the Greenbelt bike trail from May through October and the lottery hopes that its arts installation can complement that program. Neubauer stated that the lottery project team met with four artists/teams in-person at the building. The team then selected two artists to present concepts: David Dahlquist of Des Moines and the Des Moines team of Dennis Reynolds and TJ Moberg, all of whom are very well known Iowa artists. Dahlquist's concept was "dream vessels," which he described as vessels that would contain dreams with words engraved on the outside to represent the lottery and a cornucopia on top to illustrate bounty or abundance. Moberg & Reynolds presented several concepts, one of which is a cluster of four-leaf clovers. Other ideas were a lucky strike, pop-art lotto balls, a horseshoe and rainbow piece and a large pencil on a small sheet of paper. Neubauer stated the team chose the four-leaf clovers concept, which represents luck and would be large enough and colorful enough to be seen from University Avenue. Neubauer said the lottery team will meet with the artists and discuss specifics and a timeline for installation, which is anticipated to be sometime in the fall.

Burnight said she appreciated the clover art and feels it complements the aesthetics of the building and noted that art is in the eye of the beholder but she is pleased the team chose that concept. Richter said he has a lot of experience with the trails and appreciates the work of Neubauer, Wood and Shae.

Klappholz commented that this is a subjective process but that objective standards were used in the selection process by the lottery and the state. Neubauer commented that the evaluation process is different than a typical scoring process because it's difficult to compare ideas when it comes to art, so the evaluation process is subjective, although all are gauged according to the same criteria.

Rich stated that the building budget, including art, totaled \$6.8 million, which is \$200,000 under budget. He said he believes the project was completed on time and under budget, in part, because the lottery is an authority. Rich said the lottery sold the property at 2323 Grand Ave. in Des Moines for \$1.4 million and this amount was not included in the overall budget. With that, Rich stated, the project was under budget by over a million dollars. Rich acknowledged staff and DAS on all efforts.

Richter asked if there were any move stories to share and Rich stated that the only hiccup was with IT but with the backups in place the public didn't experience any issues. Loss stated that the cold winter weather made things interesting but said overall he was pleased with everyone's efforts, including Dave Berger from Scientific Games.

Administrative Rule Change

Porter stated that the board approved a rule change during its December meeting and noted that there have been no changes to the substance of the proposal. Since then, the rules were published in the Administrative Rules Bulletin and the public had an opportunity to comment. That opportunity closed the third week in February, with no public comments, and the Iowa Administrative Rules Review Committee had the opportunity to review the proposal as well, but declined to do so. Porter stated that the change now needs to be formally adopted by the board. If moved and approved the rule will be published in the Administrative Rules Bulletin as adopted and filed then go into full effect by May 20, 2015. Porter asked the board to adopt the administrative rules change.

Burnight moved to approve. Sa seconded. Motion carried unanimously.

Memberships

Loss stated that there are four associations that the Iowa Lottery has been a member of for quite some time. Two are retailer associations based in Iowa; Iowa Grocery Industry Association and the Petroleum Marketers and Convenience Stores of Iowa. Two are lottery associations; North American Association of State and Provincial Lotteries and the World Lottery Association. Loss stated it's important to be involved in the retail associations to support and interact with retailers throughout the year. He also emphasized that the memberships with NASPL and WLA provide insight into the lottery industry and opportunities to interact with lotteries from across the world. Loss stated that the membership dues for all of the associations are the same as the previous year with the exception of the WLA dues, which require payment in Swiss francs and therefore vary along with the conversion rate. Loss then asked the board to approve continued memberships in these associations.

Sa stated she appreciates being informed of the changes in cost from the previous year then asked how many states have memberships in the WLA. Rich stated about half. Sa asked if there were other associations like WLA and Loss stated that WLA is the only international lottery association. Sa asked if all the states are members of NASPL and Rich responded that all states with lotteries are members.

Richter asked for a motion to approve memberships. Sa moved to approve, Burnight seconded. Motion carried unanimously.

Contract Extensions

Loss stated that the lottery has a printing contract with American Games based in Council Bluffs, Iowa, and has printed pull-tabs with that company since 1990. Loss stated that the current contract's

expiration date is approaching and since the lottery is happy with the services provided by American Games the lottery would like to extend the contract through March 31, 2016.

Burnight stated that the lottery has said it is evaluating pull-tab sales and Rich confirmed that is the case, so the lottery therefore is seeking a one-year contract extension.

Nye stated that the Lottery contracts with McGladrey & Pullen, LLP, for game auditing services related to promotional drawings. The current contract with that firm expires on April 30, 2015. Nye said that there are two one-year extensions available and the lottery would like to exercise one of those extensions. The contract allows for a Consumer Price Index (CPI) increase of 1.7%. With this extension the hourly rate will go from \$104.69 to \$106.47.

Wood stated that there are two other contract extensions that the lottery is seeking to extend. One is for the Advertising Services Contract. She said that the Iowa Lottery is seeking permission to exercise the option to extend this contract with the second of four one-year options with only a CPI adjustment allowance. Wood said that the second contract involved is for Media Advertising Services. She said that the Iowa Lottery also is seeking permission to exercise the option to extend this contract with the second of four one-year options with only a CPI adjustment allowance.

Burnight stated she would abstain from the motion due to a family relationship with Strategic America.

Richter asked for a motion to approve all contract extensions. Sa moved to approve and Klappholz seconded. Motion carried unanimously.

CEO Update

Rich stated that fiscal year 2013 produced big sales in Powerball but the last twelve months had seen lower jackpots and therefore, lower sales. He said that the lottery industry is looking for ways to refresh lotto games and was considering a change to Powerball but no change is anticipated at this time. Rich stated that the industry is also looking to offer more price points in lotto games, similar to the various price points with instant tickets. Rich stated that the lottery has done well financially for the last six years as has the state of Iowa in general. He said that as products mature, the lottery must continue to innovate and adapt in order to meet or exceed the budget. Rich added that his role as NASPL president will conclude in November of 2015.

In the area of employee recognition, Rich stated that Donna Burt, who has been employed in state government for 40 years and has been with the Iowa Lottery since its start in 1985, is retiring next week. Burnight asked if there are other employees who have been with the lottery that long and Loss stated that there are seven, including himself.

Sa asked if there are any legislative pressures to create a benchmark for other states. Rich responded that by becoming an authority the Iowa Lottery's bottom line increased 20% but every state is managed differently. Rich added that the Legislature seems to approve of how the Iowa Lottery balances social responsibility and the promotion of ticket sales.

Klappholz stated that the success of the lottery and balancing social responsibility has worked well and added that the results of the lottery are proof of the success of the authority model. Rich concurred, stating that the purchase of the Clive building is a good example of that.

Klappholz stated that the move seemed seamless to the state and to the board although he knows it probably wasn't that easy. Rich again concurred, stating there were some long days and nights but that everyone did a great job.

Board Recognition

Rich stated that both Deb Burnight's and Herman Richter's terms are complete at the end of April. He stated that the lottery appreciates their hard work, dedication and encouragement and presented Burnight and Richter each with a ceremonial check and gift of appreciation.

Burnight stated that her husband was excited to play the lottery after May 1st and said it was a gift to work with the staff and learn about the inner workings of the lottery. Burnight stated she's impressed with the level of professionalism and drive and what she appreciated most was that there seems to be a lot of fun in the work done at the lottery. She said that when employees are excited to go to work in the morning it makes all the difference, and she thanked everyone.

Richter stated that he's served on a lot of boards but has never served on a board where the staff and leadership are so incredible. Richter said for his first board meeting he arrived two hours early because he was so excited. Richter said he enjoyed the employee lunch he was able to attend and could see the positive attitude from the lunchroom to the boardroom.

Adjournment

Richter asked for a motion to adjourn. Burnight moved to adjourn, Sa seconded. Motion carried unanimously.

Meeting adjourned at 11:29 a.m.

IOWA LOTTERY
PERFORMANCE MEASURES
FY 2015

	MONTH											
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Gross Sales	22,563,936	24,740,910	22,554,660	24,167,717	26,654,393	26,233,633	25,403,221	27,386,408	30,744,113	26,649,057	28,047,356	24,344,696
5-year av.	22,529,041	24,469,362	22,229,757	23,036,491	25,497,280	25,090,900	24,259,133	26,221,675	29,544,425	25,492,000	26,875,742	23,211,529
Actual '15	24,451,416	24,918,146	24,528,311	26,637,717	25,534,403	26,833,854	30,716,797	33,827,212	27,950,197	26,870,846	-	-
Prize Expense	13,220,985	14,436,549	13,221,409	14,160,695	15,617,724	16,371,186	14,884,619	16,046,637	18,014,031	15,614,397	16,433,909	14,264,334
5-year av.	13,441,873	14,083,100	13,068,239	13,476,179	14,332,302	15,169,339	15,004,176	15,762,623	17,196,943	14,965,943	16,587,091	13,784,285
Actual '15	14,654,310	15,464,731	14,661,732	15,968,727	15,369,268	17,369,557	18,232,444	19,782,948	17,214,906	15,639,424	-	-
Operating Expenses	529,368	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	1,662,686
5-year av.	515,122	831,945	1,039,663	1,039,663	967,638	866,257	877,836	943,880	888,817	1,036,369	1,040,534	1,564,606
Actual '15	507,364	863,294	1,470,640	813,553	992,429	1,025,747	982,298	1,047,567	1,423,074	1,027,872	-	-
Proceeds to General Fund	5,301,997	5,330,392	4,339,088	5,335,863	5,844,907	5,736,167	5,521,558	6,034,087	6,452,961	5,843,528	6,328,505	4,426,862
5-year av.	5,148,789	5,940,071	5,238,417	5,649,769	7,017,504	5,589,362	5,164,542	5,961,680	7,243,875	6,015,535	6,781,189	4,460,700
Actual '15	5,416,154	3,446,294	7,068,157	6,293,178	5,490,766	4,426,372	7,277,557	8,536,868	6,356,959	6,863,600	-	-
Proceeds to Veterans Trust	122,382	369,593	217,733	119,495	162,878	110,798	198,509	328,369	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	521,190	299,202	70,185	160,296	39,268	248,779	362,550	121,877	86,613	-	-
Total Proceeds	5,424,379	5,730,985	4,556,821	5,445,358	5,947,785	5,846,965	5,720,067	6,362,296	6,698,783	6,002,954	6,446,777	4,524,705
5-year av.	5,286,943	6,369,712	5,484,211	5,784,653	7,133,640	6,232,308	7,521,376	6,195,506	7,521,376	6,195,506	6,914,665	4,568,894
Actual '15	5,682,362	3,967,424	7,327,359	6,363,363	5,611,052	4,465,840	7,527,336	8,901,418	6,477,336	6,980,113	-	-
Gross Sales	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	309,690,000
5-year av.	22,328,041	46,812,363	69,142,150	92,178,641	117,675,921	142,766,821	167,015,954	193,237,629	222,782,054	248,274,054	275,149,796	298,361,325
Actual '15	24,451,416	49,369,952	73,897,873	100,535,590	126,069,993	152,903,947	183,620,644	217,447,856	245,398,053	272,268,899	-	-
Prize Expense	13,220,985	21,717,534	40,938,943	55,099,638	70,717,362	86,088,548	100,373,167	117,019,894	135,033,835	150,648,432	167,082,341	181,246,675
5-year av.	13,441,873	21,524,973	40,583,212	54,069,391	68,451,693	83,621,032	98,625,208	114,387,831	131,594,774	146,550,237	162,137,328	175,921,613
Actual '15	14,654,310	30,119,041	44,780,773	60,720,500	76,089,768	93,459,325	111,691,769	131,474,617	148,688,423	164,528,847	-	-
Operating Expenses	529,368	1,572,936	3,065,293	3,985,354	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	2,263,492	3,323,155	4,250,793	5,157,050	6,034,686	6,978,776	7,867,593	8,903,962	9,944,496	11,509,102
Actual '15	507,364	1,380,638	2,861,298	3,674,851	4,667,280	5,693,027	6,575,325	7,723,292	9,146,396	10,174,238	-	-
Proceeds to General Fund	5,301,997	10,662,869	14,991,477	20,517,240	26,162,247	31,898,414	37,419,972	43,454,059	49,907,020	55,750,548	62,079,053	66,607,915
5-year av.	5,148,789	11,088,860	16,327,279	21,977,068	28,994,572	34,584,424	39,749,966	45,710,656	52,954,531	58,970,066	65,751,255	70,211,955
Actual '15	5,416,154	3,862,448	15,930,606	22,223,783	27,674,539	32,100,911	39,378,468	47,917,236	54,273,295	61,136,895	-	-
Proceeds to Veterans Trust	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	2,104,198	2,200,000
5-year av.	138,154	567,795	813,587	946,481	1,084,617	1,189,694	1,413,785	1,794,403	2,061,904	2,241,875	2,375,321	2,463,515
Actual '15	266,208	787,338	1,046,540	1,116,725	1,277,021	1,316,268	1,596,068	1,923,618	2,050,495	2,147,808	-	-
Total Proceeds	5,424,379	11,165,845	15,712,185	21,157,543	27,105,328	32,952,293	38,672,960	45,034,756	51,733,539	57,736,493	64,183,211	68,707,915
5-year av.	5,286,943	11,650,665	17,140,858	22,925,549	30,059,189	35,774,118	41,162,751	47,495,059	55,016,435	61,211,941	68,126,576	72,689,470
Actual '15	5,682,362	9,649,786	16,977,145	23,340,508	29,951,560	33,417,200	40,944,536	49,845,954	56,323,750	63,283,903	-	-

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 Ten Months Ending April 30, 2015

	Month ended 4/30/2015	Month ended 4/30/2014	Year-to-date 4/30/2015	Year-to-date 4/30/2014
Operating revenues:				
Instant-scratch ticket sales	\$19,019,897.00	\$17,120,315.00	\$176,661,695.00	\$157,359,981.00
Pick 3 sales	596,747.50	608,341.50	5,805,359.06	5,808,758.50
Powerball sales	3,193,253.00	3,940,194.00	45,495,476.00	52,953,624.50
Mega Millions Sales	997,994.00	1,114,460.00	14,686,992.00	19,553,107.00
Hot Lotto sales	1,024,867.00	992,237.00	9,099,389.00	8,477,313.00
Raffle sales	-	-	-	242,960.00
Pick 4 sales	272,202.00	284,877.50	2,664,514.00	2,700,872.00
\$100,000 Cash Game sales	-	-	-	2,530,984.00
All or Nothing sales	364,488.00	630,759.00	3,844,008.00	2,186,897.00
Monopoly Millionaires' Club sales	-	-	591,605.00	-
Pull-tab sales	1,401,397.06	1,432,457.37	13,419,863.14	13,217,963.66
Application fees	350.00	400.00	3,025.00	3,375.00
Other	1,487.56	488.66	5,377.38	7,606.89
Total operating revenues	26,872,683.12	26,124,530.03	272,277,303.58	265,043,442.55
Operating expenses:				
Scratch ticket	11,691,510.00	10,599,599.08	114,228,696.54	101,781,318.27
Pick 3	353,578.50	358,424.90	3,430,055.40	3,428,677.30
Powerball	1,555,888.50	1,932,058.00	22,140,019.50	25,713,262.17
Mega Millions	487,476.00	545,497.00	6,995,481.43	9,832,083.67
Hot Lotto	501,094.50	486,672.50	4,386,732.01	4,105,052.95
Raffle	-	-	-	101,535.96
Pick 4	155,796.20	169,301.50	1,659,484.10	1,592,878.20
\$100,000 Cash Game	-	(527,455.45)	-	610,955.00
All or Nothing	212,265.36	381,673.56	2,279,606.54	1,523,295.82
Monopoly Millionaires' Club	-	-	668,442.74	-
Pull-tab	874,780.38	897,081.81	8,390,252.04	8,277,985.74
VIP Club prize expense	-	9,642.43	240,810.90	519,101.43
Promotional	7,034.61	6,204.84	109,265.30	168,597.83
Advertising/publicity	413,297.52	536,300.81	5,566,224.96	5,964,297.28
Retailer compensation expense	1,736,093.72	1,661,149.03	17,551,614.80	16,962,680.85
Ticket expense	253,344.90	254,784.33	2,797,825.90	2,848,894.58
Vendor compensation expense	552,290.08	532,706.63	5,563,960.37	5,394,150.19
Online game expense	-	-	6,563.40	-
Salary and benefits	824,045.15	781,182.41	8,087,527.45	7,846,370.75
Travel	28,436.01	35,980.66	351,535.38	342,547.81
Supplies	15,787.69	18,404.46	113,152.25	98,021.74
Printing	(298.42)	-	5,930.94	18,776.09
Postage	312.23	390.37	5,098.37	6,228.50
Communications	7,093.62	13,839.34	186,898.43	149,806.10
Rentals	28,228.83	25,135.16	255,829.45	257,352.97
Utilities	3,608.53	6,530.10	112,269.57	99,704.11
Professional fees	26,756.08	19,513.70	137,918.88	82,546.09
Vending machine maintenance	48,486.61	47,373.04	482,037.62	472,957.18
Outside services and repairs	84,654.47	72,839.36	700,443.42	442,151.10
Data processing	7,420.53	7,501.44	86,478.36	74,639.08
Equipment	14,462.78	17,821.66	408,544.36	194,344.76
Reimbursement to other state agencies	29,789.65	48,227.39	335,080.36	361,771.20
Depreciation	26,708.39	24,398.56	229,895.70	242,662.28
Other	16,037.92	4,329.77	95,326.07	62,980.97
MUSL/Lotto administrative expense	2,329.53	8,827.48	85,849.78	57,517.78
Total operating expenses	19,958,309.87	18,975,935.87	207,694,852.32	199,635,145.75
Operating income	6,914,373.25	7,148,594.16	64,582,451.26	65,408,296.80
Non-operating revenue (expenses):				
Proceeds provided to State General Fund	(6,863,599.59)	(5,462,299.62)	(61,136,895.17)	(60,962,482.49)
Proceeds provided to Veteran's Trust Fund	(96,512.93)	(86,008.45)	(2,147,007.14)	(1,682,085.16)
Interest income	9,206.09	6,362.73	48,471.17	40,791.02
Interest expense	(724.87)	-	(6,724.29)	-
Gain (Loss) on disposal of capital assets	-	-	(364,876.59)	-
Net non-operating revenues (expenses)	(6,951,631.30)	(5,541,945.34)	(63,607,032.02)	(62,603,776.63)
Change in net position	(37,258.05)	1,606,648.82	975,419.24	2,804,520.17
Net position beginning of year	10,526,533.08	7,482,050.75	9,513,855.79	6,284,179.40
Net position end of year	\$ 10,489,275.03	\$ 9,088,699.57	\$ 10,489,275.03	\$ 9,088,699.57

IOWA LOTTERY AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
For the Nine Months Ending March 31, 2015

	Month ended 3/31/2015	Month ended 3/31/2014	Year-to-date 3/31/2015	Year-to-date 3/31/2014
Operating revenues:				
Instant-scratch ticket sales	\$19,944,921.00	\$16,733,890.00	\$157,641,798.00	\$140,239,666.00
Pick 3 sales	635,108.56	652,423.00	5,208,611.56	5,200,417.00
Powerball sales	3,273,134.00	3,602,854.00	42,302,223.00	49,013,430.50
Mega Millions Sales	1,050,074.00	3,037,551.00	13,688,998.00	18,438,647.00
Hot Lotto sales	875,532.00	954,381.00	8,074,522.00	7,485,076.00
Raffle sales	-	-	-	242,960.00
Pick 4 sales	294,020.00	308,525.50	2,392,312.00	2,415,994.50
\$100,000 Cash Game sales	-	-	-	2,530,984.00
All or Nothing sales	378,365.00	791,403.00	3,479,520.00	1,556,138.00
Monopoly Millionaires' Club sales	-	-	591,605.00	-
Pull-tab sales	1,499,042.36	1,346,762.74	12,018,466.08	11,785,506.29
Application fees	475.00	200.00	2,675.00	2,975.00
Other	601.92	292.00	3,889.82	7,118.23
Total operating revenues	27,951,273.84	27,428,282.24	245,404,620.46	238,918,912.52
Operating expenses:				
Scratch ticket	12,928,380.00	11,444,322.00	102,537,186.54	91,181,719.19
Pick 3	377,185.10	386,903.80	3,076,476.90	3,070,252.40
Powerball	1,602,389.00	1,708,565.00	20,584,131.00	23,781,204.17
Mega Millions	466,807.00	1,535,097.37	6,508,005.43	9,286,586.67
Hot Lotto	427,275.00	465,497.95	3,885,637.51	3,618,380.45
Raffle	-	-	-	101,535.96
Pick 4	174,487.00	183,740.30	1,503,687.90	1,423,576.70
\$100,000 Cash Game	-	(4,165.00)	-	1,138,410.45
All or Nothing	213,371.36	478,879.56	2,067,341.18	1,141,622.26
Monopoly Millionaires' Club	-	-	668,442.74	-
Pull-tab	937,839.46	841,010.71	7,515,471.66	7,380,903.93
VIP Club prize expense	75,000.00	20,309.00	240,810.90	509,459.00
Promotional	12,071.76	6,883.37	102,230.69	162,392.99
Advertising/publicity	525,081.83	589,048.05	5,152,927.44	5,427,996.47
Retailer compensation expense	1,826,289.11	1,748,059.93	15,815,521.08	15,301,531.82
Ticket expense	260,865.30	238,861.88	2,544,481.00	2,594,110.25
Vendor compensation expense	582,491.98	546,470.37	5,011,670.29	4,861,443.56
Online game expense	-	-	6,563.40	-
Salary and benefits	833,772.96	759,908.02	7,263,482.30	7,065,188.34
Travel	34,106.87	37,005.27	323,099.37	306,567.15
Supplies	3,178.74	10,628.88	97,364.56	79,617.28
Printing	874.95	5,403.68	6,229.36	18,776.09
Postage	(1,559.44)	428.74	4,786.14	5,838.13
Communications	51,378.29	13,977.59	179,804.81	135,966.76
Rentals	25,130.79	29,152.25	227,600.62	232,217.81
Utilities	5,663.18	17,433.54	108,661.04	93,174.01
Professional fees	13,040.42	5,205.68	111,162.80	63,032.39
Vending machine maintenance	48,486.61	47,404.83	433,551.01	425,584.14
Outside services and repairs	53,161.11	63,906.45	615,788.95	369,311.74
Data processing	12,682.14	7,363.13	79,057.83	67,137.64
Equipment	27,886.02	4,024.65	394,081.58	176,523.10
Reimbursement to other state agencies	38,957.55	25,241.38	305,290.71	313,543.81
Depreciation	24,886.72	24,398.57	203,187.31	218,263.72
Other	4,247.13	5,637.92	79,288.15	58,651.20
MUSL/Lotto administrative expense	7,329.47	8,827.48	83,520.25	48,690.30
Total operating expenses	21,592,757.41	21,255,432.35	187,736,542.45	180,659,209.88
Operating income	6,358,516.43	6,172,849.89	57,668,078.01	58,259,702.64
Non-operating revenue (expenses):				
Proceeds provided to State General Fund	(6,355,959.34)	(4,660,336.09)	(54,273,295.58)	(55,500,182.87)
Proceeds provided to Veteran's Trust Fund	(121,876.74)	(83,663.31)	(2,050,494.21)	(1,596,076.71)
Interest income	4,600.16	2,404.71	39,265.08	34,428.29
Interest expense	(599.44)	-	(5,999.42)	-
Gain (Loss) on disposal of capital assets	1,650.00	-	(364,876.59)	-
Net non-operating revenues (expenses)	(6,472,185.36)	(4,741,594.69)	(56,655,400.72)	(57,061,831.29)
Change in net position	(113,668.93)	1,431,255.20	1,012,677.29	1,197,871.35
Net position beginning of year	10,640,202.01	6,050,795.55	9,513,855.79	6,284,179.40
Net position end of year	10,526,533.08	7,482,050.75	10,526,533.08	7,482,050.75

IOWA LOTTERY AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
For the Eight Months Ending February 28, 2015

	Month ended 2/28/2015	Month ended 2/28/2014	Year-to-date 2/28/2015	Year-to-date 2/28/2014
Operating revenues:				
Instant-scratch ticket sales	\$19,015,281.00	\$16,200,819.00	\$137,696,877.00	\$123,505,776.00
Pick 3 sales	579,362.50	549,283.00	4,573,503.00	4,547,994.00
Powerball sales	10,178,872.00	7,237,061.50	39,029,089.00	45,410,576.50
Mega Millions Sales	1,315,901.00	1,581,468.00	12,638,924.00	15,401,096.00
Hot Lotto sales	868,652.00	783,445.00	7,198,990.00	6,530,695.00
Raffle sales	-	-	-	242,960.00
Pick 4 sales	269,244.50	258,377.50	2,098,292.00	2,107,469.00
\$100,000 Cash Game sales	-	-	-	2,530,984.00
All or Nothing sales	344,014.00	681,301.00	3,101,155.00	764,735.00
Monopoly Millionaires' Club sales	-	-	591,605.00	-
Pull-tab sales	1,255,885.27	1,253,280.29	10,519,423.72	10,438,743.55
Application fees	600.00	300.00	2,200.00	2,775.00
Other	303.41	494.50	3,287.90	6,826.23
Total operating revenues	33,828,115.68	28,545,829.79	217,453,346.62	211,490,630.28
Operating expenses:				
Scratch ticket	12,241,417.00	9,770,743.00	89,608,806.54	79,737,397.19
Pick 3	342,467.50	324,909.80	2,699,291.80	2,683,348.60
Powerball	4,982,625.50	3,576,055.00	18,981,742.00	22,072,639.17
Mega Millions	641,448.50	798,084.30	6,041,198.43	7,751,489.30
Hot Lotto	425,215.00	384,670.50	3,458,362.51	3,152,882.50
Raffle	-	-	-	101,535.96
Pick 4	172,189.00	153,496.50	1,329,200.90	1,239,836.40
\$100,000 Cash Game	-	(3,672.00)	-	1,142,575.45
All or Nothing	186,588.51	412,256.61	1,853,969.82	662,742.70
Monopoly Millionaires' Club	-	-	668,442.74	-
Pull-tab	783,539.72	784,118.85	6,577,632.20	6,539,893.22
VIP Club prize expense	-	195.52	165,810.90	489,150.00
Promotional	7,357.09	21,880.31	90,158.93	155,509.62
Advertising/publicity	616,640.57	555,279.38	4,627,845.61	4,838,948.42
Retailer compensation expense	2,169,141.68	1,826,926.50	13,989,231.97	13,553,471.89
Ticket expense	464,232.91	495,454.40	2,283,615.70	2,355,248.37
Vendor compensation expense	712,845.52	590,460.67	4,429,178.31	4,314,973.19
Online game expense	-	-	6,563.40	-
Salary and benefits	770,994.55	730,070.16	6,429,709.34	6,305,280.32
Travel	22,156.82	31,365.91	288,992.50	269,561.88
Supplies	25,201.39	5,273.33	94,185.82	68,988.40
Printing	1,413.68	5,680.08	5,354.41	13,372.41
Postage	4,068.41	2,957.21	6,345.58	5,409.39
Communications	36,291.28	14,323.15	128,426.52	121,989.17
Rentals	25,187.80	26,074.16	202,469.83	203,065.56
Utilities	6,133.91	10,714.98	102,997.86	75,740.47
Professional fees	5,338.09	4,563.17	98,122.38	57,826.71
Vending machine maintenance	48,561.61	47,404.83	385,064.40	378,179.31
Outside services and repairs	63,499.78	53,329.99	562,627.84	305,405.29
Data processing	8,093.52	7,224.97	66,375.69	59,774.51
Equipment	29,071.10	(43.93)	366,195.56	172,498.45
Reimbursement to other state agencies	18,086.84	33,615.02	266,333.16	288,302.43
Depreciation	26,047.84	24,398.56	178,300.59	193,865.15
Other	4,050.90	3,027.55	75,041.02	53,013.28
MUSL/Lotto administrative expense	7,329.47	8,827.48	76,190.78	39,862.82
Total operating expenses	24,847,235.49	20,699,665.96	166,143,785.04	159,403,777.53
Operating income	8,980,880.19	7,846,163.83	51,309,561.58	52,086,852.75
Non-operating revenue (expenses):				
Proceeds provided to State General Fund	(8,538,867.73)	(7,715,155.36)	(47,917,336.24)	(50,839,846.78)
Proceeds provided to Veteran's Trust Fund	(362,550.06)	(435,806.64)	(1,928,617.47)	(1,512,413.40)
Interest income	1,896.41	641.76	34,664.92	32,023.58
Interest expense	(608.99)	-	(5,399.98)	-
Gain (Loss) on disposal of capital assets	(2,930.69)	-	(366,526.59)	-
Net non-operating revenues (expenses)	(8,903,061.06)	(8,150,320.24)	(50,183,215.36)	(52,320,236.60)
Change in net position	77,819.13	(304,156.41)	1,126,346.22	(233,383.85)
Net position beginning of year	10,562,382.88	6,354,951.96	9,513,855.79	6,284,179.40
Net position end of year	10,640,202.01	6,050,795.55	10,640,202.01	6,050,795.55

SECURITY REPORT
MARCH 2015

INVESTIGATIONS

Cases: 8
Cases open: 4
Cases closed: 3
Cases suspended: 1

TYPES

Theft: 4
Employee theft: 3
Missing tickets: 1

EVENTS

Supervise and monitor Powerball, Mega Millions and Hot Lotto, validate All or Nothing Game, MUSL validator checks. Assisted with Win With Friends promotional draw, observed a Pull Tab ticket print.

MISCELLANEOUS

Validations: 11
Law enforcement contacts: 8
Records of contact: 44
Customer assists: 3
Retailer assists: 6
Compliance checks: 48
Quality control checks: 10

SECURITY REPORT
APRIL 2015

INVESTIGATIONS

Cases: 6
Cases open: 5
Cases closed: 0
Cases unfounded: 1

TYPES

Theft: 1
Employee theft: 2
Missing tickets: 2
Possible fraud: 1

EVENTS

Supervise and monitor Powerball, Mega Millions, Hot Lotto, validate All or Nothing Game, MUSL validator checks. Did 3 inspections at G-tech and observed instant ticket productions at facility in Florida.

MISCELLANEOUS

Validations: 14
Law enforcement contacts: 7
Retailer assists: 3
Customer assist: 5
Compliance checks: 39

SECURITY REPORT
MAY 2015

INVESTIGATIONS

Cases: 9
Cases open: 9
Cases closed: 0

TYPES

Employee theft: 2
Theft: 5
Fraud: 1
Possible fraud: 1

EVENTS

Supervise and monitor Powerball, Mega Millions, Hot Lotto, validate All of Nothing Game, MUSL validator checks.

MISCELLANEOUS

Validations: 13
Law enforcement contacts: 8
Retailer assists: 5
Customer assists: 3
Compliance checks 44
Records of contact: 37

**Amendment Number Two to
Agreement for Maintenance of Pull-Tab and Instant Ticket Vending Machines
Between
Iowa Lottery Authority
And
Pollard Games, Inc., doing business as 'American Games'**

This Contract Amendment ("Amendment") to the Agreement for Maintenance of Pull-Tab and Instant Ticket Vending Machines entered into on October 1, 2015 ("Agreement"), is between the Iowa Lottery Authority ("Lottery") and Pollard Games, Inc. doing business as 'American Games' ("Contractor"). The Lottery and Contractor agree as follows:

1. Purpose. The purpose of the Amendment is to correct and restate the pricing applicable to the Agreement, as reached by the Lottery and the Contractor.

2. Term. Section 4 of the Agreement is rescinded in its entirety, and hereby replaced by the following new Section 4:

The term of this Agreement will be from October 1, 2015 through September 30, 2016.

3. Pricing. Section 6.1 of the Agreement is rescinded in its entirety, and hereby replaced by the following new Section 6.1:

Upon execution of the Agreement, the total number of machines installed at retail locations throughout Iowa is 992 PTVM's and 303 ITVM's. The Lottery agrees to pay reasonable cost for replacement parts as deemed necessary and approved by the Lottery, and the following relocation fees and monthly maintenance fees:

Monthly maintenance fees shall be:

6 column PTVM:	\$33.87 per machine/month
12 column PTVM:	\$33.87 per machine/month
12 bin ITVM:	\$55.53 per machine/month
16 bin ITVM:	\$55.53 per machine/month
20 bin ITVM:	\$55.53 per machine/month

Relocation fees shall be:

PTVM relocation:	\$122.80 per machine/relocation
ITVM relocation:	\$480.52 per machine/relocation

4. Amendments. This Amendment may only be modified by the mutual consent of the Lottery and the Contractor, in writing and executed by all parties.

5. Effect of Amendment on Agreement. Except as set forth by this Amendment, all other provisions of the Agreement shall remain in full force and effect.

Iowa Lottery Authority

Pollard Games, Inc.

By: _____
Larry Loss
Executive Vice President
Date: _____

By: _____
Steven Fingold
Vice President
Date: _____

**EXTENSION #1 TO THE SECOND ADDENDUM TO THE AGREEMENT FOR
AN ON-LINE GAMING SYSTEM AND RELATED PRODUCTS AND SERVICES
(OrderPad)**

THIS EXTENSION #1 TO THE SECOND ADDENDUM to the Agreement for an On-Line Gaming System and Related Products and Services dated October 28, 2010 ("Agreement"), is made by and between the **IOWA LOTTERY AUTHORITY**, an instrumentality of the State of Iowa, (referred to herein as the "Lottery") and **SCIENTIFIC GAMES INTERNATIONAL, INC.** ("SGI") and is effective beginning upon the execution of this agreement.

Reference is made to the Software Subscription Services Agreement, dated June 25, 2012 by and among the Lottery, SGI and OrderPad Software, Inc. ("OrderPad") (the "Subscription Services Agreement"). Capitalized terms used herein but not defined herein shall have the meanings ascribed to them in the Subscription Services Agreement.

WHEREAS, notwithstanding the respective definitions of "Pilot Training," "Initial Subscription Term" and the "Go Live Date," as found in Section 1.1 of the Subscription Services Agreement, by the mutual agreement of the Lottery, SGI and OrderPad the three (3) year Initial Subscription Term of the Subscription Services Agreement commenced on or about October 1, 2012; and

WHEREAS, on or about June 26, 2012, the Lottery and SGI amended the October 28, 2010 Agreement by entering into an agreement for the acquisition and implementation of OnePlace, OrderPad Software's field sales automation program (hereinafter the "Second Addendum"); and

WHEREAS, pursuant to Section B2 of the Second Addendum, the term of the Second Addendum continues for three (3) years from the October 1, 2012 first day of the Lottery's use of the "OrderPad" OnePlace software in a pilot program; and

WHEREAS, the Subscription Services Agreement and the Second Addendum run concurrently through September 30, 2015; and

WHEREAS, pursuant to Section 12.1 of the Subscription Services Agreement, the Subscription Services Agreement provides for two (2) one-year extensions upon the mutual agreement of the Parties; and

WHEREAS, pursuant to Section B2 of the Second Addendum, the Second Addendum provides for two (2) one-year extensions upon the mutual agreement of the Parties, and conditioned upon the Subscription Services Agreement also being so renewed or extended; and

WHEREAS, the Lottery, SGI and OrderPad intend to renew the Subscription Services Agreement contemporaneously with the Lottery's and SGI's execution of this Extension #1 to the Second Addendum.

NOW, WHEREFORE, 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 agree as follows:

- 1) Extension. Consistent with Section B2 of the Second Addendum, the Lottery hereby exercises both of the two available one-year extensions. The extended term of the Second Addendum shall run from October 1, 2015 through September 30, 2017.
- 2) Compensation. The Compensation for 55 User Subscriptions over the term of the Second Addendum shall not exceed \$16,447.50 per quarter, payable upon receipt of an approved invoice in accordance with Iowa Code 8A.514 and 11 Iowa Administrative Code 41.1(2).
- 3) Ratification. Except as expressly amended hereby, the Second Addendum or any other amendments to the Second Addendum between the Parties shall remain in full force and effect, and the Parties hereby ratify and confirm the terms and conditions thereof.
- 4) Authorization. Each party to this Extension #1 to the Second Addendum represents and warrants to the other that:
 - a. It has the right, power and authority to enter into and perform its obligations under this Extension #1 to the Second Addendum; and
 - b. It has taken all requisite action (corporate statutory or otherwise) to approve execution, delivery and performance of this Extension #1 to the Second Addendum, and this Extension #1 to the Second 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.
- 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 Agreement and have caused their duly authorized representatives to execute this Agreement.

IOWA LOTTERY AUTHORITY

SGI

By: _____
 Larry Loss
 Executive Vice-President

By: _____

Date: _____

Date: _____

**EXTENSION #1 TO THE SOFTWARE SUBSCRIPTION SERVICES AGREEMENT
BETWEEN
HUDSON ALLEY SOFTWARE, INC., AND SCIENTIFIC GAMES INTERNATIONAL**

THIS EXTENSION #1 TO THE SOFTWARE SUBSCRIPTION SERVICES AGREEMENT dated August 17, 2012 ("Agreement"), is made by and between HUDSON ALLEY SOFTWARE, INC. (formerly "ORDERPAD SOFTWARE, INC."), (referred to herein as the "Hudson Alley") and SCIENTIFIC GAMES INTERNATIONAL, INC. ("SGI") for the benefit of the IOWA LOTTERY AUTHORITY ("LOTTERY"), a third-party beneficiary, is effective beginning upon the execution of this Agreement.

Reference is made to the Software Subscription Services Agreement, dated August 17, 2012 by and among SGI and OrderPad Software, Inc., (subsequently renamed Hudson Alley Software, Inc.) (hereinafter "Hudson Alley") (the "Subscription Services Agreement"), and to an Agreement between SGI and Lottery for an On-Line Gaming System and Related Products and Services dated October 28, 2010. Capitalized terms used herein but not defined herein shall have the meanings ascribed to them in the Subscription Services Agreement.

WHEREAS, notwithstanding the respective definitions of "Pilot Training," "Initial Subscription Term" and the "Go Live Date," as found in Section 1.1 of the Subscription Services Agreement, by the mutual agreement of the Lottery, SGI and Hudson Alley, the three (3) year Initial Subscription Term of the Subscription Services Agreement commenced on or about October 1, 2012; and

WHEREAS, on or about June 26, 2012, the Lottery and SGI amended an October 28, 2010 Online Services Agreement by entering into an agreement for the acquisition and implementation of OnePlace, Hudson Alley's field sales automation program (hereinafter the "Second Addendum"); and

WHEREAS, pursuant to Section B2 of the Second Addendum, the term of the Second Addendum continues for three (3) years from the October 1, 2012 first day of the Lottery's use of the "OrderPad" Hudson Alley software in a pilot program; and

WHEREAS, the term of the Subscription Services Agreement and the Second Addendum run concurrently through September 30, 2015; and

WHEREAS, Section 12.1 of Subscription Services Agreement provides for up to two (2) one-year extensions of the Subscription Services Agreement, upon the mutual agreement of the Parties; and

WHEREAS, SGI and Hudson Alley agree to renew the Subscription Services Agreement for the benefit of the Lottery, contemporaneously with the Lottery's and SGI's execution of Extension #1 to the Second Addendum to the Agreement for an On-Line Gaming System and Related Products and Services dated October 28, 2010.

NOW, WHEREFORE, 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 agree as follows:

- 1) Extension. Consistent with Section 12.1 of the Subscription Services Agreement, SGI hereby exercises both of the two available one-year extensions. The extended term of

the Subscription Services Agreement shall run from October 1, 2015 through September 30, 2017.

- 2) Compensation. The Compensation for 55 User Subscriptions over the term of the Subscription Services Agreement shall not exceed \$16,447.50 per quarter, payable upon receipt of an approved invoice in accordance with Iowa Code 8A.514 and 11 Iowa Administrative Code 41.1(2).
- 3) Ratification. Except as expressly amended hereby, the Subscription Services Agreement or any other amendments to the Subscription Services Agreement between the Parties shall remain in full force and effect, and the Parties hereby ratify and confirm the terms and conditions thereof.
- 4) Authorization. Each party to this Extension #1 to the Subscription Services Agreement represents and warrants to the other that:
 - a. It has the right, power and authority to enter into and perform its obligations under this Extension #1 to the Subscription Services Agreement; and
 - b. It has taken all requisite action (corporate statutory or otherwise) to approve execution, delivery and performance of this Extension #1 to the Subscription Services Agreement, and this Extension #1 to the Subscription Services Agreement constitutes a legal, valid and binding obligation upon itself in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency and similar laws.
- 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 Agreement and have caused their duly authorized representatives to execute this Agreement.

Hudson Alley Software, Inc.

Scientific Games International, Inc.

By: _____
Adam Perlow, CEO

By: _____

Date: _____

Date: _____

Iowa Lottery Authority, Beneficiary of this Agreement

By: _____

Date: _____

Budget for Lottery Fund

	FY 2014 ACTUAL	FY 2015 BOARD APPROVED FINAL BUDGET	FY 2016 BOARD APPROVED PRELIMINARY BUDGET	FY 2016 PROPOSED FINAL BUDGET
<u>Resources</u>				
Lottery sales	314,055,429	309,500,000	312,700,000	321,150,000
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	321,660,000
<u>Expenses and Change in Net Assets</u>				
Prizes	186,948,985	181,346,675	184,122,172	190,207,767
Retailer compensation	20,131,428	20,037,982	20,044,543	20,586,201
Advertising production and media purchases	6,933,352	12,380,000	12,508,000	12,846,000
Retailer Lottery system/Terminal Communications	6,453,429	7,248,100	7,388,828	7,643,516
Instant/Pull-tab ticket expense & machine maintenance	4,077,813	4,295,000	4,328,000	4,593,000
Vending machines/Ticket dispensers	81,787	250,000	1,723,333	1,723,333
Courier delivery of instant tickets	322,729	610,000	660,000	710,000
Interest expense (ITVM/PTVM/Building)	12,622	-	3,220	3,805
Lottery operating expense	12,073,776	13,478,358	13,264,328	14,161,362
Building (purchase and sale)	3,432,016	1,964,000	-	-
Increase (decrease) in net assets	(202,339)	(308,030)	25,400	25,400
Total Expenses and Change in Net Assets	240,265,598	241,302,085	244,067,824	252,500,384
<u>Proceeds</u>				
Proceeds Transfer to General Fund	72,141,420	66,507,915	66,942,176	66,659,616
Proceeds Transfer to Veterans Trust Fund	1,804,434	2,200,000	2,200,000	2,500,000
Total Proceeds Transfers	73,945,854	68,707,915	69,142,176	69,159,616
Total Expenses and Proceeds	314,211,452	310,010,000	313,210,000	321,660,000

Lottery Operations - Budget Detail

	FY 2014 ACTUAL	FY 2015 BOARD APPROVED FINAL BUDGET	FY 2016 BOARD APPROVED PRELIMINARY BUDGET	FY 2016 PROPOSED FINAL BUDGET
Administrative payroll*	9,461,004	10,145,328	10,145,328	10,965,362
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	320,000
Utilities	120,101	128,000	84,000	101,000
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	370,000
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	\$ 14,161,362

* FY 2016 Proposed Final Budget for "Administrative Payroll" includes salary and benefit cost increases per DOM projections

Pay Plan

Current effective 6/20/14 -
6/18/15

Effective 6/19/15 - 6/30/16

Pay Grade		Current effective 6/20/14 - 6/18/15		Effective 6/19/15 - 6/30/16	
		Range Minimum	Range Maximum	Range Minimum	Range Maximum
0	Hourly	26.74	41.35	27.41	42.38
	Biweekly	2,139.20	3,308.00	2,192.80	3,390.40
	Annually	55,619.20	86,008.00	57,012.80	88,150.40
1	Hourly	29.76	45.77	30.50	46.91
	Biweekly	2,380.80	3,661.60	2,440.00	3,752.80
	Annually	61,900.80	95,201.60	63,440.00	97,572.80
2	Hourly	38.28	60.04	39.24	61.54
	Biweekly	3,062.40	4,803.20	3,139.20	4,923.20
	Annually	79,622.40	124,883.20	81,619.20	128,003.20
3	Hourly	42.28	66.30	43.34	67.96
	Biweekly	3,382.40	5,304.00	3,467.20	5,436.80
	Annually	87,942.40	137,904.00	90,147.20	141,356.80
4	Hourly	46.75	73.31	47.92	75.14
	Biweekly	3,740.00	5,864.80	3,833.60	6,011.20
	Annually	97,240.00	152,484.80	99,673.60	156,291.20
5	Hourly	84.04	137.15	86.14	140.58
	Biweekly	6,723.20	10,972.00	6,891.20	11,246.40
	Annually	174,803.20	285,272.00	179,171.20	292,406.40

To: Iowa Lottery Authority Board

From: Terry Rich

Re: ILA Management Line of Succession

Dear Board:

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

1. CEO—(Statutory)
2. Executive VP/Sales and Product Development—Larry Loss (Statutory)
3. VP Finance/CFO—Brenda Nye
4. VP External Relations—Mary Neubauer
5. VP Marketing—Teri Wood TeBockhorst
6. VP Security—Steve Bogle
7. VP/General Counsel—Rob Porter
8. VP Operations and Systems—Hale Strasser

IOWA LOTTERY PRIORITIES FY 2016

MAINTAIN A HIGH LEVEL OF LOTTERY INTEGRITY

- Continuous updates and oversight of integrity checks and balances
- Maintain public and retailer education about Lottery products and policies
- Open and transparent oversight of lottery operations
- Continue to emphasize responsible play

EXCEED ILOT'S BASE PROCEEDS GOAL OF \$68 MILLION

- Expand upon successful sales and merchandising by lottery field staff
- Plan diversification of the lottery retail base (bars & electronic play)
- Add a regional lotto game for portfolio diversity
- Execute transition of the pull-tab and vending category



BEST-IN-CLASS LOTTERY OPERATIONS

- Meet and exceed player expectations for value, entertainment and game security
- Together, employees strive to enhance the lottery's positive, innovative work environment
- Emphasis on continuation of operations through cross-training
- Customer Service and Sales are a way of doing business, not a department
- Strive for continuous improvement of performance in all areas of the lottery's business