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

**AGENDA**  
**IOWA LOTTERY BOARD**  
**September 29, 2015**  
**10:00 a.m.**

- I. Call to Order
  - a. Approval of Minutes
  
- II. Quarterly Reports
  - a. Financial
  - b. Marketing
  - c. Security
  - d. Legislative
    - i. Vending/Pull-Tab
  - e. Legal – Hot Lotto Wrap-up
  
- III. Lucky For Life
  - a. Game overview
  - b. Participation Agreement
  
- IV. Instant Ticket Printing Extensions
  - a. SGI, Pollard & IGT
  
- V. Contract Extension – Online Gaming System
  
- VI. FY 2017 Budget
  
- VII. CEO Report
  - a. Industry Update
  - b. NASPL President Update
  
- VIII. Adjournment

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

**MINUTES**  
**IOWA LOTTERY BOARD**  
**June 18, 2015**

The Iowa Lottery Board convened at 10:00 a.m., Interim Board Chairperson Matt McDermott presiding.

Board members participating: Matt McDermott, Mike Klappholz, Mary Rathje, and Connor Flynn (in-person) and Ying Sa (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; and Christine Wetzler, HR.

Others present: Dave Berger, Scientific Games; Brittany Telk, House Republican Caucus Staff; Darwin Danielson, Radio Iowa.

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

Rathje moved to conduct the meeting by teleconference and Flynn seconded. Motion carried unanimously.

**APPROVAL OF MINUTES**

Klappholz moved to approve the March board meeting minutes. Sa seconded. Motion carried unanimously.

**Quarterly Reports**

**Financial**

Nye reported that the performance measures through April and the February, March and April financial reports were in the board packets. Nye stated that through January, sales were ahead of budget by nearly 6% and ahead of the five-year average by nearly 10%. Proceeds were ahead of budget by nearly 10% and ahead of the five-year average by more than 3%.

**Marketing**

Wood reported that the lottery turned 30 in 2015 and in recognition, launched a new instant-scratch ticket on May 4 called "30 Somethings," a \$5 game. Tickets in the game are printed on eco-scratch paper with 60% recycled fibers (35 percent post-consumer), and the same paper is used in all point-of-sale materials. Strong sales indicate that the ticket is appealing to the environmentally friendly and socially conscious players, as the lottery had hoped. The 30 Somethings game has nine top prizes of \$30,000 with a \$30,000 instant-win opportunity. A second-chance promotion by the same name offers three drawings - 30 days apart - with a grand prize of \$30,000. Some unique prizes offered in the promotion include a ride in a pace car at the Iowa Speedway, concert tickets at the Iowa State Fair, and 30 \$1,000 cash prizes.

Wood said that in addition to that game and promotion, the lottery's anniversary celebration will include a lotto promotion called the "30-Day Ticket Giveaway" where free tickets will be awarded to lotto players statewide. The idea is that for every 30<sup>th</sup> transaction statewide in a certain lotto game, the player making the purchase will receive a free play.

Wood stated the promotion following that initiative would then be the holiday promotion beginning in November.

Wood added that the lottery is now conducting Pop-Up contests through emails to VIP Club members. These contests began in April and members of the lottery's VIP Club can enter by simply clicking the "Enter" button within the email that they receive. The first prize awarded in a Pop-Up contest was Iowa Cubs season tickets. Entries have averaged around 10,000 per contest. Players have approximately 48 hours to enter each contest.

Rich stated the lottery staff works hard to offer contest prizes that are available throughout the state, not just in one area. Wood added that the lottery has two summer interns who are conducting different events throughout the state with the community and retailers. And, with the 27 media outlets partnering with the lottery, there's a broad statewide reach, she said.

### **Security**

Wells stated that the Security reports are included in the packet and added that some changes will be made to future reports. McDermott asked what "suspended case" meant and Wells said a case may be suspended if there's not enough information to file charges or close the case. Wells explained that the "possible fraud" cases listed in the report were simply errors with the lottery's predictive ordering system.

Rich added that the investigators spend most of their time investigating theft cases in which retail employees steal lottery tickets from the businesses where they are employed. Klappholz asked Wells to explain the compliance-check process and Wells stated there are two kinds of retail compliance checks that lottery investigators complete; one is for new retailers where the investigators conduct meet-and-greets, and the second is where the investigators covertly take live tickets to retailers to confirm they are complying with lottery policies, such as paying correctly, providing receipts and requiring signatures on tickets. The results of these covert compliance checks are recorded in formal reports upon the investigators' return to headquarters and shared with the lottery's Regional Managers.

Rich reminded the board that as board members that they are not allowed to purchase lottery tickets, or play the lottery, in Iowa.

### **Sales**

Rich then asked Loss to discuss sales reports. Loss reviewed with the board a report showing the first 5 weeks of sales for the \$5 scratch games with the Top 10 highest sales at that price point in lottery history. The report shows that the 30 Somethings ticket is performing exceptionally well compared to other games. McDermott asked why this particular game is doing so well and Loss stated that there are many contributing factors such as promotions, timing, and look of the ticket.

Loss shared a second report which showed how Iowa Lottery sales compare to LOI (Lotteries of Interest) and the United States lottery industry as a whole. The LOI consist of Minnesota, New Mexico, Wisconsin, Oklahoma and Nebraska. Loss explained that LOI is made up of either states that border Iowa or are similar in population and lottery structure to Iowa. Loss confirmed that instant tickets are the top-selling lottery product category in Iowa.

Ying asked if this information is available on a quarterly basis and Rich confirmed that it is. Ying asked why Iowa is higher than the other groups and Rich responded that it varies and is in partly due to the diversification of products along with the times and gas prices.

Flynn asked if there are plans to ramp up the lottery's social engagement aspect. Wood responded that Marketing and External Relations work together on social marketing and have ramped up the online presence, such as enriched video, in the past 18 months and have spent marketing dollars differently than in the past. Neubauer added that the lottery has an active presence in the social media world and just debuted on Pinterest and Instagram last month. The lottery is also on Facebook, Twitter, YouTube, Google+ and blogging. Wood added that the average lottery player is spending 3-5 seconds on lottery ads, which delivers the jackpot awareness message.

### **Legislative**

Neubauer handed out two documents; one providing legislative updates and the second regarding the lottery's participation in the state's Amber Alert program. Neubauer stated that Senate File 323 was signed into law by the governor on March 31 after it was passed by the House and Senate. The law change provided in the bill will go into effect July 1. This lottery-sponsored bill's goal is to stabilize the proceeds that the lottery raises for the Iowa Veterans Trust Fund. Neubauer stated that lottery proceeds to the Veterans Trust Fund have been on the decline for the past few years due to the overall decline in pull-tab sales. The bill allocates a portion of the proceeds from the sale of all lottery games, totaling \$2.5 million annually, to the Trust Fund beginning July 1. The set of games introduced in January that provide 100 percent of their proceeds to the Veterans Trust Fund are the last of that type to be released.

Neubauer stated that the lottery plans to occasionally offer patriotic-themed games and will also continue to spread the word about the Veterans Trust Fund and the help it offers to Iowa veterans and their families by including that information in the proceeds advertising it conducts each year and through public events. The message to players will change to highlight that proceeds from all Iowa Lottery games will benefit the Iowa Veterans Trust Fund.

Neubauer went on to provide the board with updates concerning Internet gaming discussions in Congress, stating that she and Rich went to Washington D.C., in March to participate in the Congressional visits on behalf of the North American Association of State and Provincial Lotteries (NASPL). Neubauer and Rich were there to join voices with state lawmakers who continue to stress states' rights on the issue. H.R. 707, aka the Restoration of America's Wire Act, was introduced in February by U.S. Representative Jason Chaffetz, R-Utah. Neubauer and Rich met with all of Iowa's members of Congress or their staff during their visit.

Neubauer stated that although there was a public hearing on the bill while they were in Washington, the proposal has not advanced further and that she will continue to monitor the situation, as changes can develop quickly in Congress.

Neubauer went on to discuss the Iowa Lottery's involvement in the state's Amber Alert program, stating that there have been four alerts this year already, which above the average. Neubauer said that the Iowa Lottery was a founding member of the team that organized the state's Amber Alert notification process in 2003. The program is intended to get as much attention out to the public regarding a missing child as quickly as possible. With lottery terminals and video display screens (LIMs) in approximately 2,400 retail locations in Iowa, the lottery can distributed information quickly to all areas of the state, amplifying the Amber Alert message. Detailed information is included on the lottery's screens in retail locations, including the suspect's vehicle description and license plate number.

Flynn asked if there is a cost associated with the Amber Alerts and Neubauer said only labor for the time it takes to enter the information. Loss added that this was a feature within the online contract with Scientific Games. Klappholz added that he appreciates the system and work that goes into this cause.

Rich then asked Porter to update the board on the Tipton trial in the Hot Lotto case. Porter stated that the trial for Eddie Tipton, the former Multi-State Lottery Association vendor employee charged with fraud in the Hot Lotto jackpot case, is set to begin the week of July 13. Both parties have been actively involved in discovery and in preparing for the case. Porter stated that the lottery continues to provide assistance and support to the Iowa Attorney General's office and state Division of Criminal Investigation. Porter added that in response to an interview that a defense counsel gave to a local TV station, the court advised attorneys for both parties to refrain from communicating with the press and noted that any communications with the press will be analyzed to determine if Mr. Tipton's right to a fair trial has been compromised.

Rich stated that if board members receive any request for information about the case to refer the requestor to Rob Porter or Mary Neubauer.

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

### **Contract Extensions**

Loss stated that the lottery is requesting approval on two contract extensions. The first extension Loss presented was for maintenance on 992 pull-tab vending machines and 303 instant-ticket vending machines that are owned by the Iowa Lottery. The contract is through American Games of Council Bluffs, Iowa, a subsidiary of Pollard Banknote in Winnipeg, Canada. This contract would cover maintenance through September 30, 2016. Loss stated that the pricing is dependent on the type of machine and noted the monthly maintenance fees went up due to the age of the machines.

McDermott asked what ITVM and PTVM stood for and Loss explained that those are abbreviations for instant-ticket vending machines and pull-tab vending machines.

Loss stated the second contract extension needing approval is for an OrderPad agreement for software that is deployed on the iPads the lottery has distributed to its sales staff. The software allows access to detailed information for each retail location, such as contact information, sales history, the games each store carries, etc. Loss stated that the lottery is seeking approval to exercise two one-year extensions, as the initial contract date is coming to an end. Loss stated this is a unique situation, exercising both one-year extensions, and noted that this feature is part of the Scientific Games online system contract and Scientific Games then contracts with Hudson Alley to deliver the product. Loss noted that there are two documents being presented to the board; one being the extension with Scientific Games and the second showing Iowa Lottery as the beneficiary to an agreement between Scientific Games and Hudson Alley. Loss thanked Porter for his work on the contracts.

Flynn asked Loss to confirm the cost was \$65,000 per year and Loss concurred. Sa asked why the board is asked to approve contracts that contain technical information that the board would have little knowledge about. Porter responded stating that Iowa Code states that the board must approve contracts that include essential functions of running the lottery. Porter stated that one contract being presented to the board includes delivery and execution of pull-tabs and instant tickets and is considered an essential function of the lottery. Porter added the second contract is associated with the online gaming system which is under board purview and allows field staff to interact with retailers successfully. Porter stated he felt these contracts were appropriate for board approval and noted that not every contract is brought before the board.

Sa responded stating that the definition of crucial or essential functions of the lottery is flexible and believes that as a board member she would only need to know that the bidding was done fairly and that a selection was made consciously by management. Sa stated she felt the board should focus on the process of selecting vendors and not on the amount being paid.

Porter stated that the definition pertaining to major procurement contracts is listed in two places; Iowa Code 99G 3 [8] and Iowa Code 99G 9 [2]. Porter quoted "A contract for the business organization for the printing of tickets or the purchase or lease or services essential to the operation of the lottery." Porter stated that any contract that falls within that definition gets approved by the board. Porter stated that whatever is brought to the board has gone through all appropriate processes and reminded the board to contact him if they have questions or concerns about any contracts or related processes.

Sa stated that, in her opinion, the focus of the board should be on compliance of the processes and stated she does not want to be responsible for every contract the Iowa Lottery signs. Sa added that when she states she approves a contract she is only stating that she approves the procedure, how the contract was obtained and that the proper selection process was followed. Sa stated she doesn't have the knowledge to say whether the cost in the contracts is correct or not.

Flynn echoed Sa's concerns, saying that the board should be provided with more information prior to being asked to approve contracts. Flynn asked how the costs are determined to be fair and asked if there is a down-stroke or something in lieu of a down-stroke?

Klappholz stated that he was on the board when the original contracts were approved and reminded the other board members that the approvals being sought are for extensions of current contracts. Klappholz stated that the lottery staff exercised their due diligence with the original contract, including input and oversight from attorneys, the Attorney General's office, and sometimes even the DCI to conduct background checks. Klappholz suggested a quick review of the contract and an explanation as to why the lottery is seeking extensions.

Rich stated that the big procurement contracts, although they may be very detailed, allow the press and public to have access to that information. Klappholz stated that the board has a responsibility to provide oversight by Iowa Code and relies on Porter and Dave Van Comperolle from the Attorney General's Office to provide their expertise on what contracts the board needs to approve.

Porter stated that to his knowledge both original contracts were approved by the board, went through procurement processes at that time and the need still exists to deliver instant tickets and pull-tabs in the field. Maintenance of the machines that deliver those tickets is necessary to make tickets available to players. Porter stated he felt Loss articulated the need for OrderPad software renewal, saying the software provides vital information to the field staff to better serve the retailers.

Rich stated that board members should work through the Board President if they have any concerns or questions. Porter suggested that, going forward, a summary of the initial contract could be included in the packet provided to the board.

Sa stated she would like to see a summary about the compliance aspect and how decisions were made in regards to contracts being presented to the board for approval. Sa added the expense or cost of a contract is a management decision and not a board decision and said she felt, in previous meetings where contracts were being presented for approval, that it was not her place to approve costs. Sa requested the focus of the board's approval be on compliance and not cost.

McDermott asked if these contracts need to be approved at this meeting and it was concluded that the contracts expire September 30, 2015. Klappholz inquired as to which staff member decided this was a good contract and Porter stated he and Loss worked together. Klappholz then asked Loss to give a summary.

Loss stated that vending machines have been used in the field since early 1990's and pull tabs are only sold via vending machines, making it necessary to maintain the machines. American Games (Pollard Banknote) manufactured the machines, which have specific components that require American Games to do the work, as they are the only company that provides those components. Loss explained approval is being sought for an extension of a contract already in place. American Games was the only company that bid on the original contract.

Loss stated that the OrderPad agreement is through Hudson Alley and Scientific Games and is linked to the online gaming system. Scientific Games provides both retail equipment and access to retailer information. The lottery wanted to provide electronic tools to allow field staff to access that retailer information while in the field and this was an option within the original contract, which was exercised three years ago. The Iowa Lottery is the first lottery to use iPads with this software.

Rich added that contract procurement takes substantial time and effort and extensions are offered so that if a company isn't performing as expected, the lottery can end that relationship. However, most companies amortize and depreciate their equipment over time which results in cost savings when the extensions are exercised.

Flynn asked if the vending machines are placed for the lottery and if they're leased or purchased. Loss stated that the lottery issued bonds to purchase the machines due to extremely low interest rates at the time and said all the bonds have been paid off.

Rathje asked if the RFP has a minimum or maximum on the number of extensions available and Rich stated there was a maximum and after the maximum has been exercised, the lottery will need to do another RFP. Loss added that this situation is unique since the lottery owns the vending machines and that maintenance is substantially less than the cost to lease different equipment. Porter added that major procurement contracts, by Code, are competitively bid unless there is only one qualified vendor and that vendor has exclusive rights to deliver the service and/or goods.

Flynn asked if this was a \$600,000/year contract and Nye stated that the cost of the vending machine maintenance is a separate line item on the financials, adding that through April, \$482,000 was spent on vending machine maintenance in FY 2015. Flynn asked what other lotteries spend on this type of service and how the lottery knows this cost is fair. Rich stated that when only one vendor bids on a contract there is no competitive pricing. Other states like New York may get a lower price per unit because they're servicing tens of thousands of machines where in Iowa there are fewer to service. Loss added that there are only a couple other states that sell pull-tabs so it's difficult to evaluate a competitive price. Porter stated that, when looking at the cost of maintenance, it needs to be considered that pull-tabs generate approximately \$16 million in sales and are only sold from vending machines.

Sa asked if background checks are completed again when an extension is exercised and Porter stated that the background check would only be done again if there was ownership change or some substantial event that caused concern. Rich added that vendors must notify the Iowa Lottery of staff changes and are in violation of the contract if they fail to inform the lottery. Loss commented that these particular vendors have been backgrounded in less than five years.

Klappholz moved to approve the contract extensions and Rathje seconded. Motion carried unanimously.

### **FY 2016 Financial Budget**

Nye stated that fiscal year 2016 preliminary budget was brought to the board last fall for approval and a finalized budget is brought to the board again in June for updates prior to the next fiscal year. Nye

stated that the main change is that projected salary and benefits will increase under the operating budget, reflecting pay decisions approved by the Iowa Legislature. Nye stated there a few other changes in the revised budget and final proceeds are nearly the same as the original budget document.

McDermott asked about interest income and why the budget number is much larger than the actual number. Nye stated that the lottery budgets for interest income because there are monies set aside with Multi-State Lotteries Association (MUSL) as a prize reserve fund which accrues interest. The lottery can then choose to use that interest income for various reasons, such as promotions. That money is then reported as income.

McDermott asked why, under 'Other', there was \$99,000 actual but only \$5,000 budgeted. Nye stated that 'Other' was from liquidated damages and therefore is not budgeted. McDermott asked what damages were liquidated and Porter responded that contract related assessments were imposed to a vendor because specific obligations set forth in the contract were not met.

Rich commented that in 2009, the highest lottery proceeds to state causes were in the \$58 million to \$60 million range. In the past few years, the lottery had used \$60 million in proceeds as its base for the past few years, and this coming year the new proceeds goal is \$69 million. Klappholz stated that the promotion of playing responsibly is equally important as the proceeds brought to the state. Rich stated that even though the lottery has increased its sales and proceeds by almost a third over the past handful of years, the number of people who call 1-800-BETSOFF, are admitted to treatment, and cite the lottery as their form of gambling leading up to that, has remained between 25 and 30 per year.

Fitzgerald announced he needed to leave the meeting.

McDermott asked why the building expenses went down and Rich stated the lottery had two buildings last year as it transitioned its headquarters location from Des Moines to Clive.

Flynn moved to approve the FY16 budget and Sa seconded. Motion carried unanimously.

Rich stated that Sa came to the office and went through the budget extensively with Nye prior to the meeting. Rich and McDermott thanked Sa. Sa thanked Nye for her thoroughness.

#### **FY16 Key Employee Pay Plan**

Rich stated that the Iowa Lottery is guided by the State of Iowa's non-contract compensation approach. Rich said the original ranges were set in 2003 or 2004 and asked the board to approve 2.5% increase for lottery key employees, effective June 19, 2015, and a step increase of 4.5% for any key employee who hasn't reached the top of their pay range. The step increase will take effect on the anniversary date of each eligible key employee. Rich stated that lottery key employees will continue to pay the same percentage of health care premiums as other non-contract state employees. Rich asked the board to approve following the direction for non-contract employee compensation.

Sa asked if the step increase is a management decision and not the same for every employee and Rich stated that the lottery would follow the non-contract employee compensation and that eligible key employees would be the same. Although the lottery is authorized to give incentives, Rich stated, he is asking for the board to approve following the non-contract employee compensation. Nye added that the non-contract follows the contract compensation. Rich agreed and added that the only difference is that non-contract employees pay a higher percentage for health care costs.

Klappholz reiterated that the ranges are increasing 2.5% and then those key employees who are not at the top of their range will receive a step increase of 4.5%. Rich stated that all but two key employees

are at the top of their ranges which speaks to the dedicated staff who have stayed at the lottery despite not receiving incentives.

Rathje asked what the health care costs are for non-contract employees and Porter stated 20% of the monthly premium and contract employees pay \$20 per month.

Sa asked if Terry Rich is the one who decides the annual salary for employees. Porter stated that by Iowa Code, Rich's salary is set by the governor and all other key employee salaries are set by the CEO and the board. Sa asked if Larry Loss' and Terry Rich's salaries are set by the governor and Porter stated only the CEO's salary is set by the Governor.

Klappholz moved to approve the FY2016 key employee pay plan and Flynn seconded. Motion carried unanimously.

### **Succession Plan**

Rich stated that the succession plan was presented to the board previously but names were updated due to employee changes. Rich stated the succession plan could include titles only or include both title and names of staff holding those positions. Porter recommended leaving the staff names and McDermott concurred. Rathje asked if this plan changed often and Porter said it's updated only when the people in those positions retire or otherwise leave lottery employment.

Rathje moved to approve the Succession Plan with names included. Flynn seconded and the motion carried unanimously.

### **CEO Update**

Rich stated the audio and visual equipment in the new building will be completed in the coming weeks and that the building project ended under budget and on time. Rich said the lottery is still working with the Department of Cultural Affairs on the art project and plans for the art to be completed and on display sometime in the fall.

Rich stated that Larry Loss will be awarded the Lifetime Achievement Award at the SmartTech Conference in the fall. Rich congratulated Loss.

Rich stated that Tammy Cooper was retiring after 40 years with the state and encouraged the board to stop by her office. Rich added that Christine Wetzler now works at the Iowa Lottery part-time and the Iowa Finance Authority part-time doing HR work for both entities.

Rich stated that scratch tickets have done well and the Iowa Lottery has done better than most lotteries in terms of growth but says at some point they will mature and diversification of products is important. Rich stated half of the lottery sales come from four different retailers, which can be risky. Pull tabs are a mature product and have been declining in sales in recent years but leveled off this year.

Rich added that the lottery is a National Guard employer with Steve Bogle being a retired brigadier general and has been active in promoting the hiring of national guards. Rich will join Bogle in some of those activities in July.

Rich added that the lottery will be adding a game called Lucky For Life in January. Powerball has had several matrix changes over the years as more states join and another matrix change is expected in October.

Rich then highlighted the FY16 priorities, which is included in the packet.

### **Board Elections**

McDermott stated that with Richter and Burnight's terms on the board expiring in April 2015, the Chair and Vice-Chair positions are open. McDermott then asked for nominations for Vice-Chair. Rathje nominated Mike Klappholz as Vice-Chair, Flynn seconded. Motion carried unanimously.

McDermott then asked for a nomination for Chair and Klappholz nominated Matt McDermott. Flynn seconded. Motion carried unanimously.

Klappholz added that the Chair and Vice-Chair positions rotate each year.

McDermott welcomed Connor Flynn and Mary Rathje to the board and asked them to introduce themselves. Rathje said she's from Marion and owns a construction company with her husband. She has 2 children and 4 grandchildren, is on the Master Builders of Iowa board and therefore comes to Des Moines often. Flynn stated he's a lifelong resident of Des Moines, has 3 children and 10 grandchildren, has worked for 45 years at Lessing Flynn Advertising, which has been in business for 107 years, and just recently turned over ownership to his son. Flynn stated he's also on some other boards, all of which are Catholic-associated.

McDermott then asked the staff around the table to state their name and number of years with the lottery. Terry Rich, 6 years; Larry Loss, since 1985; Brad Wells, 7 years; Dave Van Compernelle with the AG's Office, 10 years; Hale Strasser, 8 months; Teri Wood Tebockhorst, 5 years; Rob Porter, 1 year; Brenda Nye, 17 years plus 9 years at State Auditor's office; Jamie Shae, nearly 5 years; Mary Neubauer, 15 years.

### **Adjournment**

Klappholz moved to adjourn, Flynn seconded. Motion carried unanimously.

Meeting adjourned at 11:44am



## IOWA LOTTERY AUTHORITY

## Statement of Net Position

June 30, 2015

	FINAL	
	Year-to-date	Year-to-date
	6/30/2015	6/30/2014
<b>Assets</b>		
Current assets:		
Cash	21,111,136.05	20,731,888.20
Cash on hand	600.00	600.00
Restricted assets - cash	618,196.54	541,239.08
Prepaid expense	129,579.17	118,243.48
Interest receivable	21,118.26	10,743.15
Accounts receivable, net	3,723,409.75	3,640,790.44
Ticket inventories	1,968,113.75	2,125,436.68
Investment in prize annuities	1,348,544.95	1,426,028.82
Total current assets	<u>28,920,698.47</u>	<u>28,594,969.85</u>
Noncurrent assets:		
Prize reserve	5,448,064.38	5,460,061.29
Investment in prize annuities	1,969,981.34	3,345,613.69
Capital assets, net	8,159,091.79	8,245,232.72
Total noncurrent assets	<u>15,577,137.51</u>	<u>17,050,907.70</u>
<b>Total assets</b>	<u><b>44,497,835.98</b></u>	<u><b>45,645,877.55</b></u>
<b>Deferred Outflows of Resources</b>	<u><b>842,827.70</b></u>	<u>-</u>
<b>Liabilities</b>		
Current liabilities:		
Multi-State Prize Payable	1,082,292.50	1,199,727.00
Mega Millions Prize Payable	445,343.52	531,440.02
Hot Lotto Prize Payable	343,975.50	326,235.00
All or Nothing Prize Payable	100,108.61	110,876.45
Monopoly Millionaires' Club Payable	15,158.00	-
Pick 4 Prize Payable	185,787.80	77,298.90
Pick 3 Prize Payable	200,448.50	306,377.50
Retailer/Other Deposits	12,500.00	17,500.00
Current Obligation/Annuities	8,400.00	12,300.00
Annuity Prizes Payable	1,348,544.95	1,426,028.82
Accounts payable and accruals	1,220,904.46	2,284,512.44
Short term note payable	-	1,238,175.69
Unearned revenue	387,950.44	335,174.50
Salary and benefits payable	398,659.86	283,865.62
Compensated absences	786,962.76	727,541.62
State withholding payable	67,114.34	55,292.80
Federal withholding payable	139,000.00	151,750.00
Due to State General Fund	18,092,604.70	16,667,497.83
Due to Veterans Trust Fund	100,673.22	208,357.59
Total current liabilities	<u>24,936,429.16</u>	<u>25,959,951.78</u>
Long-term liabilities:		
Accounts payable and accruals	39,693.00	21,295.00
Net pension liability	4,077,531.00	-
Prize reserve	5,448,064.38	5,460,061.29
Compensated absences and OPEB	1,379,166.02	1,345,100.00
Annuity prizes payable	1,969,981.34	3,345,613.69
Total long-term liabilities	<u>12,914,435.74</u>	<u>10,172,069.98</u>
<b>Total liabilities</b>	<u><b>37,850,864.90</b></u>	<u><b>36,132,021.76</b></u>
<b>Deferred Inflows of Resources</b>	<u><b>1,691,461.00</b></u>	<u>-</u>
<b>Net Position</b>		
Net investment in capital assets	8,159,091.79	6,876,980.00
Unrestricted	(2,360,754.01)	2,636,875.79
<b>Total net position</b>	<u><b>5,798,337.78</b></u>	<u><b>9,513,855.79</b></u>

**IOWA LOTTERY AUTHORITY**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Twelve Months Ending June 30, 2015**

	Month ended 6/30/2015	Month ended 6/30/2014	Year-to-date 6/30/2015	Year-to-date 6/30/2014
<b>Operating revenues:</b>				
Instant-scratch ticket sales	\$16,886,932.75	\$14,580,772.80	\$211,986,967.75	\$188,754,110.80
Pick 3 sales	612,729.00	540,911.00	7,046,335.06	6,948,165.00
Powerball sales	2,922,498.00	4,221,910.00	52,231,108.00	61,153,876.00
Mega Millions Sales	1,337,596.00	885,946.00	17,980,367.00	21,835,102.00
Hot Lotto sales	973,440.00	954,103.00	11,111,717.00	10,434,227.00
Raffle sales	-	-	-	242,960.00
Pick 4 sales	284,639.50	251,357.00	3,231,397.00	3,224,892.00
\$100,000 Cash Game sales	-	-	-	2,530,984.00
All or Nothing sales	342,499.00	468,607.00	4,542,846.00	3,196,195.00
Monopoly Millionaires' Club sales	-	-	591,605.00	-
Pull-tab sales	1,373,412.74	1,285,021.01	16,045,073.07	15,734,917.59
Application fees	275.00	650.00	3,800.00	4,375.00
Other	430.36	90,866.65	6,220.49	99,931.82
Total operating revenues	<u>24,734,452.35</u>	<u>23,280,144.46</u>	<u>324,777,436.37</u>	<u>314,159,736.21</u>
<b>Operating expenses:</b>				
Scratch ticket	11,103,342.00	9,797,875.50	137,660,011.05	121,968,548.77
Pick 3	361,677.40	318,826.60	4,164,551.00	4,101,291.20
Powerball	1,375,009.50	2,070,194.50	25,386,810.00	29,583,455.17
Mega Millions	657,913.00	435,188.00	8,593,263.39	10,946,296.17
Hot Lotto	474,204.96	458,372.50	5,351,407.40	5,042,962.95
Raffle	-	-	-	101,535.96
Pick 4	169,098.70	149,564.20	1,993,338.90	1,905,110.20
\$100,000 Cash Game	-	-	-	610,955.00
All or Nothing	197,406.81	283,555.04	2,684,291.82	2,134,024.06
Monopoly Millionaires' Club	(41,595.95)	-	626,846.79	-
Pull-tab	857,867.91	803,068.63	10,028,417.97	9,851,090.41
VIP Club prize expense	23,840.27	-	264,651.17	519,101.43
Promotional	(2,519.35)	4,989.35	128,699.38	184,614.96
Advertising/publicity	580,385.51	514,878.60	6,766,993.58	6,942,677.47
Retailer compensation expense	1,630,135.13	1,512,492.63	20,977,398.64	20,131,428.02
Ticket expense	224,189.13	340,887.78	3,255,588.81	3,447,827.52
Vendor compensation expense	504,971.53	471,815.81	6,626,138.51	6,378,255.66
Online game expense	-	-	6,563.40	-
Salary and benefits	703,272.93	837,671.06	9,565,121.77	9,419,069.61
Travel	36,971.89	39,186.57	417,200.42	419,444.03
Supplies	4,491.32	4,667.11	130,723.18	111,764.76
Printing	300.00	1,703.19	6,290.93	20,914.28
Postage	765.19	385.29	6,118.19	6,992.62
Communications	28,372.99	15,514.61	227,509.17	179,249.55
Rentals	29,649.62	24,911.62	308,922.22	307,062.03
Utilities	9,927.04	17,163.60	126,901.79	122,461.71
Professional fees	3,415.18	14,766.09	162,781.92	126,331.57
Vending machine maintenance	48,536.61	47,393.06	579,060.84	567,775.09
Outside services and repairs	98,158.00	93,559.35	873,809.41	605,982.74
Data processing	9,283.32	7,373.11	105,399.52	89,573.10
Equipment	60,767.19	101,772.63	506,016.15	306,900.94
Reimbursement to other state agencies	29,013.50	37,464.69	418,625.34	426,958.75
Depreciation	22,518.54	22,005.15	278,004.29	287,356.41
Other	(20,761.99)	7,418.15	79,975.68	81,905.73
MUSL/Lotto administrative expense	4,623.51	8,827.48	100,802.76	75,172.74
Total operating expenses	<u>19,185,231.39</u>	<u>18,443,491.90</u>	<u>248,408,235.39</u>	<u>237,004,090.61</u>
Operating income	<u>5,549,220.96</u>	<u>4,836,652.56</u>	<u>76,369,200.98</u>	<u>77,155,645.60</u>
<b>Non-operating revenue (expenses):</b>				
Proceeds provided to State General Fund	(5,118,954.83)	(4,217,615.02)	(72,365,900.28)	(72,167,680.70)
Proceeds provided to Veteran's Trust Fund	26,229.91	(56,890.34)	(2,151,167.43)	(1,804,434.30)
Interest income	24,791.19	14,977.17	76,037.59	58,767.43
Interest expense	(676.71)	(12,621.64)	(8,046.28)	(12,621.64)
Gain (Loss) on disposal of capital assets	0	0	(364,251.59)	0
Net non-operating revenues (expenses)	<u>(5,068,610.44)</u>	<u>(4,272,149.83)</u>	<u>(74,813,327.99)</u>	<u>(73,925,969.21)</u>
Change in net position	480,610.52	564,502.73	1,555,872.99	3,229,676.39
Net position beginning of year, as restated	5,317,727.26	8,949,353.06	4,242,464.79	6,284,179.40
Net position end of year	<u>5,798,337.78</u>	<u>9,513,855.79</u>	<u>5,798,337.78</u>	<u>9,513,855.79</u>

**IOWA LOTTERY AUTHORITY**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Eleven Months Ending May 31, 2015**

	Month ended 5/31/2015	Month ended 5/31/2014	Year-to-date 5/31/2015	Year-to-date 5/31/2014
<b>Operating revenues:</b>				
Instant-scratch ticket sales	\$18,438,340.00	\$16,813,357.00	\$195,100,035.00	\$174,173,338.00
Pick 3 sales	628,247.00	598,495.50	6,433,606.06	6,407,254.00
Powerball sales	3,813,134.00	3,978,341.50	49,308,610.00	56,931,966.00
Mega Millions Sales	1,955,779.00	1,396,049.00	16,642,771.00	20,949,156.00
Hot Lotto sales	1,038,888.00	1,002,811.00	10,138,277.00	9,480,124.00
Raffle sales	-	-	-	242,960.00
Pick 4 sales	282,243.50	272,663.00	2,946,757.50	2,973,535.00
\$100,000 Cash Game sales	-	-	-	2,530,984.00
All or Nothing sales	356,339.00	540,691.00	4,200,347.00	2,727,588.00
Monopoly Millionaires' Club sales	-	-	591,605.00	-
Pull-tab sales	1,251,797.19	1,231,932.92	14,671,660.33	14,449,896.58
Application fees	500.00	350.00	3,525.00	3,725.00
Other	412.75	1,458.28	5,790.13	9,065.17
<b>Total operating revenues</b>	<b>27,765,680.44</b>	<b>25,836,149.20</b>	<b>300,042,984.02</b>	<b>290,879,591.75</b>
<b>Operating expenses:</b>				
Scratch ticket	12,327,972.51	10,389,355.00	126,556,669.05	112,170,673.27
Pick 3	372,818.20	353,787.30	3,802,873.60	3,782,464.60
Powerball	1,871,781.00	1,799,998.50	24,011,800.50	27,513,260.67
Mega Millions	939,868.96	679,024.50	7,935,350.39	10,511,108.17
Hot Lotto	490,470.43	479,537.50	4,877,202.44	4,584,590.45
Raffle	-	-	-	101,535.96
Pick 4	164,756.10	162,667.80	1,824,240.20	1,755,546.00
\$100,000 Cash Game	-	-	-	610,955.00
All or Nothing	207,278.47	327,173.20	2,486,885.01	1,850,469.02
Monopoly Millionaires' Club	-	-	668,442.74	-
Pull-tab	780,298.02	770,036.04	9,170,550.06	9,048,021.78
VIP Club prize expense	-	-	240,810.90	519,101.43
Promotional	21,953.43	11,027.78	131,218.73	179,625.61
Advertising/publicity	620,383.11	463,501.59	6,186,608.07	6,427,798.87
Retailer compensation expense	1,795,648.71	1,656,254.54	19,347,263.51	18,618,935.39
Ticket expense	233,573.78	258,045.16	3,031,399.68	3,106,939.74
Vendor compensation expense	557,206.61	512,289.66	6,121,166.98	5,906,439.85
Online game expense	-	-	6,563.40	-
Salary and benefits	774,321.39	735,027.80	8,861,848.84	8,581,398.55
Travel	28,693.15	37,709.65	380,228.53	380,257.46
Supplies	13,736.28	9,075.91	126,888.53	107,097.65
Printing	59.99	435.00	5,990.93	19,211.09
Postage	254.63	378.83	5,353.00	6,607.33
Communications	12,237.75	13,928.84	199,136.18	163,734.94
Rentals	23,443.15	24,797.44	279,272.60	282,150.41
Utilities	4,705.18	5,594.00	116,974.75	105,298.11
Professional fees	21,447.86	29,019.39	159,366.74	111,565.48
Vending machine maintenance	48,486.61	47,424.85	530,524.23	520,382.03
Outside services and repairs	74,574.79	70,272.29	775,018.21	512,423.39
Data processing	9,637.84	7,560.91	96,116.20	82,199.99
Equipment	36,681.13	10,783.55	445,225.49	205,128.31
Reimbursement to other state agencies	54,531.48	27,722.86	389,611.84	389,494.06
Depreciation	25,590.05	22,688.98	255,485.75	265,351.26
Other	5,411.60	11,506.61	100,737.67	74,487.58
MUSL/Lotto administrative expense	10,329.47	8,827.48	96,179.25	66,345.26
<b>Total operating expenses</b>	<b>21,528,151.68</b>	<b>18,925,452.96</b>	<b>229,223,004.00</b>	<b>218,560,598.71</b>
<b>Operating income</b>	<b>6,237,528.76</b>	<b>6,910,696.24</b>	<b>70,819,980.02</b>	<b>72,318,993.04</b>
<b>Non-operating revenue (expenses):</b>				
Proceeds provided to State General Fund	(6,110,050.28)	(6,987,583.19)	(67,246,945.45)	(67,950,065.68)
Proceeds provided to Veteran's Trust Fund	(30,390.20)	(65,458.80)	(2,177,397.34)	(1,747,543.96)
Interest income	2,775.23	2,999.24	51,246.40	43,790.26
Interest expense	(645.28)	-	(7,369.57)	-
Gain (Loss) on disposal of capital assets	625.00	-	(364,251.59)	-
<b>Net non-operating revenues (expenses)</b>	<b>(6,137,685.53)</b>	<b>(7,050,042.75)</b>	<b>(69,744,717.55)</b>	<b>(69,653,819.38)</b>
<b>Change in net position</b>	<b>99,843.23</b>	<b>(139,346.51)</b>	<b>1,075,262.47</b>	<b>2,665,173.66</b>
<b>Net position beginning of year</b>	<b>10,489,275.03</b>	<b>9,088,699.57</b>	<b>9,513,855.79</b>	<b>6,284,179.40</b>
<b>Net position end of year</b>	<b>10,589,118.26</b>	<b>8,949,353.06</b>	<b>10,589,118.26</b>	<b>8,949,353.06</b>

**IOWA LOTTERY AUTHORITY  
CONFERENCE AND TRAINING OUT-OF-STATE TRAVEL  
FY 2015**

<b>EMPLOYEE</b>	<b>DATE</b>	<b>CONFERENCE/TRAINING EVENT</b>	<b>DESTINATION</b>	<b>COST</b>
Steve Bogle	Jul 2014	NASPL Professional Development Seminar	Myrtle Beach, SC	\$ 2,118.99
Mary Neubauer	Jul 2014	NASPL Professional Development Seminar	Myrtle Beach, SC	\$ 1,832.62
Brenda Nye	Jul 2014	NASPL Professional Development Seminar	Myrtle Beach, SC	\$ 1,647.83
Terry Rich	Aug 2014	SGI Lottery Symposium	Atlanta, GA	\$ 541.00
Teri Wood	Aug 2014	SGI Lottery Symposium	Atlanta, GA	\$ 542.34
Steve Bogle	Aug 2014	SGI Lottery Symposium	Atlanta, GA	\$ 547.75
Larry Loss	Sept 2014	Smart-Tech Conference	Miami, FL	\$ 951.91
Larry Loss	Sept - Oct 2014	NASPL Annual Conference	Atlantic City, NJ	\$ 900.55
Teri Wood	Nov 2014	La Fleur's Lottery Conclave & Interactive Summit	Austin, TX	\$ 1,649.29
Mary Neubauer	Nov 2014	World Lottery Summit	Rome, Italy	\$ 1,794.14
Larry Loss	Nov 2014	World Lottery Summit	Rome, Italy	\$ 4,501.41
Terry Rich	Mar 2015	Fraud workshop	Atlanta, GA	\$ 1,459.89
Steve Bogle	Mar 2015	Fraud workshop	Atlanta, GA	\$ 1,572.02
Larry Loss	Mar - Apr 2015	PGRI Smart-Tech Conference	New York, NY	\$ 1,713.44
Terry Rich	Mar - Apr 2015	PGRI Smart-Tech Conference	New York, NY	\$ 1,405.41
Michael Conroy	Apr 2015	Lottery Leadership Institute	Cleveland, OH	\$ 2,018.25
Karen Steck	Jun 2015	IGT Security Evaluation & Instant Ticket Security Workshop	Lakeland, FL	\$ 1,320.51
Cindy Weber	Jun 2015	IGT Security Evaluation & Instant Ticket Security Workshop	Lakeland, FL	\$ 1,087.30

**IOWA LOTTERY AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR FISCAL YEARS 2011 THROUGH 2015**  
**FINAL**

	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011
<b>OPERATING REVENUES</b>					
Instant-scratch ticket sales	211,986,968	188,754,111	202,299,747	188,814,325	165,329,031
Pick 3 sales	7,046,335	6,948,165	6,804,870	6,743,717	6,573,020
Powerball sales	52,231,108	61,153,876	81,385,271	57,934,104	47,124,656
Mega Millions sales	17,980,367	21,835,102	13,317,888	22,293,152	16,051,016
Hot Lotto sales	11,111,717	10,434,227	11,664,946	10,525,347	11,608,730
Raffle sales	-	242,960	-	-	-
Pick 4 sales	3,231,397	3,224,892	3,085,784	2,788,613	2,701,949
All or Nothing sales	4,542,846	3,196,195	-	-	-
\$100,000 Cash Game sales	-	2,530,984	4,483,605	4,314,098	3,687,370
Monopoly Millionaires' Club sales	591,605	-	-	-	-
Pull-tab sales	16,045,073	15,734,917	16,209,309	17,438,369	18,315,275
Application fees	3,800	4,375	5,125	4,075	5,575
Other revenue	6,220	99,932	11,706	212,884	138,133
<b>Total operating revenues</b>	<b>324,777,436</b>	<b>314,159,736</b>	<b>339,268,251</b>	<b>311,068,684</b>	<b>271,534,755</b>
<b>OPERATING EXPENSES</b>					
Scratch ticket prize expense	137,660,011	121,968,549	128,096,203	116,954,213	103,652,725
Pick 3 prize expense	4,164,551	4,101,291	4,009,581	3,993,780	3,894,422
Powerball prize expense	25,386,810	29,583,455	39,682,727	28,287,777	22,553,385
Mega Millions prize expense	8,593,263	10,946,296	6,538,181	11,307,020	8,365,976
Hot Lotto prize expense	5,351,407	5,042,963	5,652,815	5,118,123	5,608,729
Raffle prize expense	-	101,536	-	-	-
Pick 4 prize expense	1,993,339	1,905,110	1,812,515	1,634,063	1,596,054
All or Nothing prize expense	2,684,292	2,134,024	-	-	-
\$100,000 Cash Game prize expense	-	610,955	2,740,099	2,175,236	1,745,257
Monopoly Millionaires' Club prize expense	626,847	-	-	-	-
Pull-tab prize expense	10,028,418	9,851,090	10,140,042	10,912,790	11,458,672
VIP Club prize expense	264,651	519,101	1,950,002	1,907,142	-
Promotional prize expense	128,699	184,615	179,603	152,303	85,858
Advertising/Publicity	6,766,994	6,942,677	6,603,905	6,605,304	6,647,468
Retailer compensation expense	20,977,399	20,131,428	22,116,797	20,125,497	17,284,432
Ticket expense	3,255,589	3,447,828	3,945,970	3,115,487	2,784,308
Vendor compensation expense	6,626,139	6,378,256	6,885,203	6,204,116	5,848,081
Online game expense	6,563	-	295,663	-	-
Salary and benefits	9,565,122	9,419,070	9,375,334	9,120,063	8,650,620
Travel	417,200	419,444	425,300	451,040	415,007
Supplies	130,723	111,765	100,620	147,091	110,465
Printing	6,291	20,915	13,459	15,031	13,830
Postage	6,118	6,993	6,337	6,238	5,112
Communications	227,509	179,250	155,755	130,366	518,708
Rentals	308,922	307,062	304,452	290,595	277,163
Utilities	126,902	122,461	103,386	97,579	103,438
Professional fees	162,782	126,332	125,004	165,225	118,062
Vending machine maintenance	579,061	567,775	577,841	537,941	526,196
Outside services & repairs	873,809	605,983	326,659	460,445	306,730
Data processing	105,400	89,573	57,072	50,320	46,670
Equipment	506,016	306,901	380,142	719,188	387,674
Reimbursement to other state agencies	418,625	426,958	415,056	433,436	432,878
Depreciation	278,004	287,356	245,805	173,611	117,508
Other	79,976	81,906	67,345	56,009	58,006
MUSL administrative expense	100,803	75,173	37,050	45,106	40,528
<b>Total operating expenses</b>	<b>248,408,235</b>	<b>237,004,091</b>	<b>253,365,923</b>	<b>231,392,135</b>	<b>203,653,962</b>
<b>Operating income (loss)</b>	<b>76,369,201</b>	<b>77,155,645</b>	<b>85,902,328</b>	<b>79,676,549</b>	<b>67,880,793</b>

**IOWA LOTTERY AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR FISCAL YEARS 2011 THROUGH 2015**  
**FINAL**

	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011
<b>Non-operating revenues (expenses)</b>					
State General Fund	(72,365,900)	(72,167,680)	(82,764,005)	(76,012,455)	(64,896,382)
Veterans Trust Fund	(2,151,167)	(1,804,434)	(2,126,724)	(2,719,494)	(3,105,371)
Interest income	76,038	58,768	110,073	105,755	146,178
Interest expense	(8,046)	(12,622)	(33,453)	(39,134)	(42,418)
Gain (Loss) on disposal of capital assets	(364,252)	-	-	-	-
<b>Net non-operating revenues(expenses)</b>	<b>(74,813,328)</b>	<b>(73,925,968)</b>	<b>(84,814,109)</b>	<b>(78,665,328)</b>	<b>(67,897,993)</b>
<b>Change in net position</b>	<b>1,555,873</b>	<b>3,229,677</b>	<b>1,088,219</b>	<b>1,011,221</b>	<b>(17,200)</b>
Net position, beginning of period, as restated*	4,242,465	6,284,179	5,195,960	4,184,739	4,201,939
<b>Net position, end of period</b>	<b>5,798,338</b>	<b>9,513,856</b>	<b>6,284,179</b>	<b>5,195,960</b>	<b>4,184,739</b>

\* beginning Net Position was restated in FY 2015 due to implementation of GASB 68, Accounting and Financial Reporting for Pensions

IOWA LOTTERY  
PERFORMANCE MEASURES  
FY 2016

Month	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
<b>Gross Sales</b>												
Budget '16	23,834,084	25,461,659	23,733,551	24,811,289	27,194,561	26,705,439	26,858,803	29,997,407	31,388,556	27,291,539	28,928,003	24,945,109
5-year av.	23,411,245	25,009,945	23,312,496	24,371,114	26,712,104	26,231,659	26,382,303	28,787,466	30,153,935	26,129,803	27,737,035	23,824,802
Actual '16	25,907,997	25,180,933	-	-	-	-	-	-	-	-	-	-
<b>Prize Expense</b>												
Budget '16	14,116,232	15,080,197	14,056,689	14,695,002	16,106,544	15,816,852	15,907,685	17,766,588	18,590,525	16,163,982	17,133,211	14,774,260
5-year av.	14,170,986	14,598,857	13,709,047	14,346,043	15,220,681	16,164,184	16,073,258	17,141,508	17,868,628	15,188,040	16,429,395	14,296,686
Actual '16	15,690,151	15,581,596	-	-	-	-	-	-	-	-	-	-
59.23% 1)												
58.37% 2)												
61.88% 3)												
<b>Operating Expenses</b>												
Budget '16	503,008	1,092,391	1,579,119	953,326	1,092,391	1,092,391	1,092,391	1,092,391	1,579,119	1,092,391	953,326	2,039,118
5-year av.	508,168	841,926	1,067,719	1,036,796	1,004,500	862,588	923,101	979,081	1,002,573	1,087,245	1,021,482	1,419,524
Actual '16	452,290	958,695	-	-	-	-	-	-	-	-	-	-
<b>Total Proceeds</b>												
Budget '16	5,680,642	5,513,526	4,578,448	5,483,856	5,963,120	5,836,220	5,876,009	6,690,306	6,564,506	5,988,281	6,551,919	4,432,783
5-year av.	5,566,219	6,066,103	6,037,982	6,196,005	7,314,599	5,605,872	6,159,970	7,271,757	7,422,268	6,634,641	6,335,723	4,809,997
Actual '16	6,188,361	5,102,911	-	-	-	-	-	-	-	-	-	-
<b>YEAR TO DATE</b>												
<b>Gross Sales</b>												
Budget '16	23,834,084	49,295,743	73,029,294	97,840,583	125,035,144	151,740,583	178,599,386	208,596,793	239,985,349	267,276,888	296,204,891	321,150,000
5-year av.	23,411,245	48,421,190	71,733,686	96,104,800	122,816,904	149,048,563	175,430,866	204,218,332	234,372,267	260,501,870	288,238,905	312,063,707
Actual '16	25,907,997	51,088,930	-	-	-	-	-	-	-	-	-	-
<b>Prize Expense</b>												
Budget '16	14,116,232	29,195,429	43,253,118	57,948,120	74,054,664	89,871,516	105,779,201	123,545,789	142,136,314	158,300,296	175,433,507	190,207,767
5-year av.	14,170,986	28,769,843	42,478,890	56,824,933	72,045,614	88,209,798	104,283,056	121,424,564	139,293,192	154,481,232	170,910,627	185,207,313
Actual '16	15,690,151	31,271,747	-	-	-	-	-	-	-	-	-	-
59.23% 1)												
59.42% 2)												
61.21% 3)												
<b>Operating Expenses</b>												
Budget '16	503,008	1,595,399	3,174,518	4,127,844	5,220,235	6,312,626	7,405,017	8,497,408	10,076,527	11,168,918	12,122,244	14,161,362
5-year av.	508,168	1,350,094	2,417,813	3,453,609	4,458,109	5,320,697	6,243,798	7,222,879	8,225,452	9,312,697	10,334,179	11,753,703
Actual '16	452,290	1,411,185	-	-	-	-	-	-	-	-	-	-
<b>Total Proceeds</b>												
Budget '16	5,680,642	11,194,168	15,772,616	21,256,472	27,219,592	33,055,812	38,931,821	45,622,127	52,186,633	58,174,914	64,726,833	69,159,616
5-year av.	5,566,219	11,632,322	17,670,304	23,866,309	31,180,908	36,786,780	42,946,750	50,218,507	57,640,775	64,275,416	71,211,139	76,021,136
Actual '16	6,188,361	11,291,272	-	-	-	-	-	-	-	-	-	-

- 1) Budget FY'16 Prize Payout
- 2) Actual 5-year average Prize Payout
- 3) Actual FY'16 Prize Payout
- 4) Actual FY'16 compared to Actual 5-year average
- 5) Actual FY'16 compared to Budget FY'16

**IOWA LOTTERY AUTHORITY**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Two Months Ending August 31, 2015**

	Month ended 8/31/2015	Month ended 8/31/2014	Year-to-date 8/31/2015	Year-to-date 8/31/2014
<b>Operating revenues:</b>				
Instant-scratch ticket sales	\$17,644,787.00	\$16,221,443.00	\$35,672,299.00	\$32,347,290.00
Pick 3 sales	614,229.50	559,446.50	1,241,330.50	1,121,082.50
Powerball sales	3,429,327.00	3,322,616.00	6,516,086.00	6,816,591.00
Mega Millions Sales	922,082.00	1,582,107.00	2,361,650.00	2,579,626.00
Hot Lotto sales	742,210.00	1,247,200.00	1,502,137.00	2,397,075.00
Pick 4 sales	305,867.50	248,098.50	602,316.00	510,232.00
All or Nothing sales	346,276.00	424,565.00	697,938.00	878,655.00
Pull-tab sales	1,176,154.03	1,312,670.43	2,495,173.23	2,719,010.99
Application fees	450.00	200.00	650.00	475.00
Other	557.97	165.77	951.84	926.09
<b>Total operating revenues</b>	<b>25,181,941.00</b>	<b>24,918,512.20</b>	<b>51,090,531.57</b>	<b>49,370,963.58</b>
<b>Operating expenses:</b>				
Scratch ticket	11,551,040.00	10,948,539.54	23,051,023.00	21,172,729.59
Pick 3	362,577.70	329,517.90	734,108.30	658,549.50
Powerball	1,683,713.50	1,561,626.00	3,189,712.00	3,253,633.50
Mega Millions	441,791.00	782,755.50	1,148,620.00	1,273,342.00
Hot Lotto	355,753.00	605,071.00	722,168.50	1,165,551.50
Pick 4	181,165.50	153,757.40	356,849.60	312,045.00
All or Nothing	204,503.33	256,905.15	412,484.71	531,675.93
Pull-tab	738,729.17	819,472.71	1,564,452.22	1,700,942.07
VIP Club prize expense	52,927.16	41.45	70,823.77	36,381.38
Promotional	9,395.26	7,044.08	21,504.44	14,190.42
Advertising/publicity	649,668.67	597,600.36	1,094,470.71	1,180,383.51
Retailer compensation expense	1,627,745.18	1,577,525.28	3,303,945.59	3,156,609.88
Ticket expense	243,253.08	276,293.15	476,545.94	517,286.79
Vendor compensation expense	496,865.37	488,363.11	1,029,624.43	986,519.84
Salary and benefits	814,840.84	760,592.09	1,716,682.24	1,604,615.49
Travel	28,699.81	31,020.92	54,636.88	59,984.87
Supplies	7,842.18	3,092.60	31,936.19	33,877.43
Printing	93.80	(2.50)	93.80	112.50
Postage	382.43	301.39	746.66	686.68
Communications	12,793.85	14,137.32	24,472.84	26,461.64
Rentals	27,358.13	25,240.16	51,138.08	51,592.32
Utilities	8,106.65	20,158.85	15,903.65	31,808.43
Professional fees	3,170.90	19,016.49	18,755.30	22,803.85
Vending machine maintenance	48,486.61	47,221.27	96,973.22	94,582.54
Outside services and repairs	66,504.93	56,968.75	134,320.34	128,345.87
Data processing	9,918.07	8,558.53	20,256.93	15,931.64
Equipment	45,690.32	10,023.09	104,949.35	36,692.03
Reimbursement to other state agencies	34,356.52	27,625.21	58,935.84	56,584.10
Depreciation	27,098.40	21,283.66	52,813.38	42,909.24
Other	5,655.29	4,075.61	10,286.42	8,574.97
MUSL/Lotto administrative expense	11,058.89	17,654.00	12,058.88	17,654.00
<b>Total operating expenses</b>	<b>19,751,185.54</b>	<b>19,471,480.07</b>	<b>39,581,293.21</b>	<b>38,193,058.51</b>
<b>Operating income</b>	<b>5,430,755.46</b>	<b>5,447,032.13</b>	<b>11,509,238.36</b>	<b>11,177,905.07</b>
<b>Non-operating revenue (expenses):</b>				
Proceeds provided to State General Fund	(5,102,910.56)	(3,448,294.38)	(8,791,271.20)	(8,862,447.89)
Proceeds provided to Veteran's Trust Fund	-	(521,129.63)	(2,500,000.00)	(787,337.13)
Interest expense	-	-	-	(4,172.48)
Gain (Loss) on disposal of capital assets	1,325.00	(1,600.00)	4,750.00	(2,500.00)
<b>Net non-operating revenues (expenses)</b>	<b>(5,101,585.56)</b>	<b>(3,969,024.01)</b>	<b>(11,286,521.20)</b>	<b>(9,656,457.50)</b>
<b>Change in net position</b>	<b>329,169.90</b>	<b>1,478,008.12</b>	<b>222,717.16</b>	<b>1,521,447.57</b>
<b>Net position beginning of year</b>	<b>5,691,885.04</b>	<b>9,557,295.24</b>	<b>5,798,337.78</b>	<b>9,513,855.79</b>
<b>Net position end of year</b>	<b>6,021,054.94</b>	<b>11,035,303.36</b>	<b>6,021,054.94</b>	<b>11,035,303.36</b>

**IOWA LOTTERY AUTHORITY**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the One Month Ending July 31, 2015**

	Month ended 7/31/2015	Month ended 7/31/2014
Operating revenues:		
Instant-scratch ticket sales	\$18,027,512.00	\$16,125,847.00
Pick 3 sales	627,101.00	561,636.00
Powerball sales	3,086,759.00	3,493,975.00
Mega Millions Sales	1,439,568.00	997,519.00
Hot Lotto sales	759,927.00	1,149,875.00
Pick 4 sales	296,448.50	262,133.50
All or Nothing sales	351,662.00	454,090.00
Pull-tab sales	1,319,019.20	1,406,340.56
Application fees	200.00	275.00
Other	393.87	760.32
Total operating revenues	25,908,590.57	24,452,451.38
Operating expenses:		
Scratch ticket	11,499,983.00	10,224,190.05
Pick 3	371,530.60	329,031.60
Powerball	1,505,998.50	1,692,007.50
Mega Millions	706,829.00	490,586.50
Hot Lotto	366,415.50	560,480.50
Pick 4	175,684.10	158,287.60
All or Nothing	207,981.38	274,770.78
Pull-tab	825,723.05	881,469.36
VIP Club prize expense	17,896.61	36,339.93
Promotional	12,109.18	7,146.34
Advertising/publicity	444,802.04	582,783.15
Retailer compensation expense	1,676,200.41	1,579,084.60
Ticket expense	233,292.86	240,993.64
Vendor compensation expense	532,759.06	498,156.73
Salary and benefits	901,841.40	844,023.40
Travel	25,937.07	28,963.95
Supplies	24,094.01	30,784.83
Printing	-	115.00
Postage	364.23	385.29
Communications	11,678.99	12,324.32
Rentals	23,779.95	26,352.16
Utilities	7,797.00	11,649.58
Professional fees	15,584.40	3,787.36
Vending machine maintenance	48,486.61	47,361.27
Outside services and repairs	67,815.41	71,377.12
Data processing	10,338.86	7,373.11
Equipment	59,259.03	26,668.94
Reimbursement to other state agencies	24,579.32	28,958.89
Depreciation	25,714.98	21,625.58
Other	4,631.13	4,499.36
MUSL/Lotto administrative expense	999.99	-
Total operating expenses	19,830,107.67	18,721,578.44
Operating income	6,078,482.90	5,730,872.94
Non-operating revenue (expenses):		
Proceeds provided to State General Fund	(3,688,360.64)	(5,416,153.51)
Proceeds provided to Veteran's Trust Fund	(2,500,000.00)	(266,207.50)
Interest expense	-	(4,172.48)
Gain (Loss) on disposal of capital assets	3,425.00	(900.00)
Net non-operating revenues (expenses)	(6,184,935.64)	(5,687,433.49)
Change in net position	(106,452.74)	43,439.45
Net position beginning of year	5,793,779.58	9,513,855.79
Net position end of year	5,687,326.84	9,557,295.24

**SECURITY REPORT  
JUNE 2015**

INVESTIGATIONS

Cases: 3  
Cases open: 3  
Cases closed: 0

TYPES

Retail employee theft: 2  
Theft: 1

EVENTS

Supervise and monitor Powerball, Mega Millions, Hot Lotto, validate All or Nothing Game, MUSL validator checks. Quality control checks on 4 instant scratch games. Assisted Marketing with 30 Something Promotional Drawing.

MISCELLANEOUS

Validations: 5  
Law enforcement contacts: 2  
Retailer assists: 5  
Customer assists: 7  
Compliance checks 42  
Records of contact: 46

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**SECURITY REPORT  
JULY 2015**

INVESTIGATIONS

Cases: 3:  
Cases open: 2  
Cases closed: 1-cleared by arrest

TYPES

Theft: 3

EVENTS

Supervise and monitor Powerball, Mega Millions, Hot Lotto, validate All or Nothing Game, MUSL validator checks. Assisted on 30 Something promotional drawing.

MISCELLANEOUS

Validations: 13  
Law enforcement contacts: 5  
Retailer assists: 3  
Customer assists: 5  
Compliance checks 101:  
Records of contact: 43

**SECURITY REPORT  
AUGUST 2015**

INVESTIGATIONS

Cases: 6  
Cases open: 4  
Cases unfounded: 1  
Cases cleared by arrest: 1

TYPES

Theft: 3  
Bad check: 1  
Underage player: 1

EVENTS

Supervise and monitor Powerball, Mega Millions, Hot Lotto, validate All or Nothing Game, MUSL validator checks, assisted on 30 Something Promotional Drawing. Quality control checks on instant tickets.

MISCELLANEOUS

Validations: 19  
Law enforcement contacts: 7  
Retailer assists: 5  
Customer assists: 6  
Compliance checks: 47  
Records of contact: 48



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Terry E. Branstad · Governor

Kim Reynolds · Lt. Governor

Terry Rich · Chief Executive Officer

## MEMO

**To: Ben Hammes, Communications Director  
Ted Stopulos, Legislative Liaison  
Office of the Governor**

**From: Mary Neubauer & Terry Rich  
Iowa Lottery**

**Date: Sept. 24, 2015**

**Re: Potential 2016 Code Change To Allow Continued Use Of Lottery  
Vending Machines**

The Iowa Lottery believes that a change in state law is necessary for it to continue to utilize vending machines in the sale of its products, as it has done since 1991. The machines, which are installed within businesses in locations monitored by retail staff, serve as a convenience to both players and retailers, allowing players to complete purchases on their own through self service.

Today, lottery pull-tab games in Iowa are sold exclusively through vending machines, while vending machines for instant-scratch games, the lottery's leading sales product, are in use in about 10 percent of lottery retail locations.

The vending machines that the Iowa Lottery currently has in the field are 10 years old and in need of replacement. Like any mechanical device, they will only last so long, and the computer technology built into the devices also is now 10 years old and needs to be upgraded. On the plus side, by purchasing the machines in 2004 rather than entering into a traditional six-year lease agreement, the lottery has been able to extend the number of years it has had the equipment in operation, producing savings in vending costs during that time.

**The revenues and proceeds generated through the use of lottery vending machines are significant, and as we have stated, the lottery believes that a change in state law is necessary for it to continue to utilize vending equipment. The lottery therefore requests that language be added to Iowa Code Chapter 99G in 2016 to define and allow use of lottery self-service kiosks. We have provided our suggestion for such a Code revision and seek IGOV's input before moving forward with filing legislation. Strong, continued lottery proceeds to state causes are vital to any of the goals established by the Administration.**

As background, lottery tickets are currently sold at about 2,400 retail locations in Iowa, with scratch-ticket vending machines in use in about 260 of those locations and pull-tab vending machines installed in about 800 locations. The lottery utilizes cost-benefit analysis in the operation of its vending equipment, installing machines in those locations where it believes their use will maximize sales and build proceeds by more than covering the cost to operate the equipment.

Scratch tickets are the lottery's top-selling product, accounting for 65 percent of total lottery sales in fiscal year 2015. Pull-tabs accounted for 5 percent of lottery sales in FY 2015, with lotto games achieving 30 percent of total sales.

Iowa retail locations with scratch-ticket vending machines in operation achieved \$21.6 million in sales of that product in FY 2015 (10 percent of total scratch-ticket sales in Iowa). Lottery figures indicate that sales of about \$14.5 million -- or nearly 70 percent of scratch-ticket sales at those locations -- came from vending machines.

Meantime, sales of pull-tab tickets, which are distributed solely through vending machines, totaled \$16 million in FY 2015.

With advances in technology, the newest self-service machines of all types -- including lottery vending machines -- now utilize touch screens, not push buttons (see attached photos). Everything from vending machines for beverages and snacks to airline check-in kiosks, ATMs, self-checkout lanes and movie-rental stations feature touch-screens that customers use to complete their transactions.

The new vending machines available to lotteries today create a complication with Iowa law. Because the vending machines have a touch screen, they meet the legal definition of a monitor vending machine, a program that was known as TouchPlay when it was in operation. Code language passed in 2006 defines monitor vending machines and prohibits their operation in 99G.3(7), 99G.3(9) and 99G.30A.

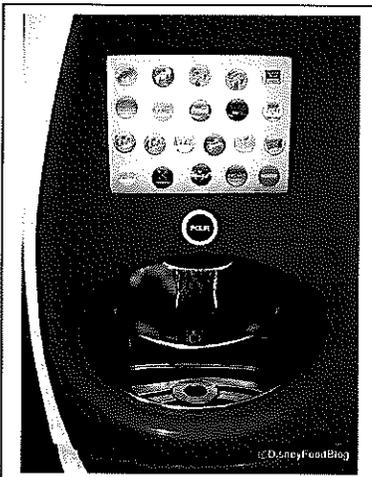
**The lottery is cognizant of the monitor vending machine prohibition and does not wish to alter it. Rather, we simply want to allow continued use of traditional lottery vending machines, which would be owned or leased by the lottery. To make our intent clear, we do not propose changing any Code references to monitor vending machines. Rather, we propose adding a new section to Iowa Code to define lottery self-service kiosks and allow their use in Iowa, as outlined below.**

## **PROPOSED LANGUAGE**

### **99G.12 LOTTERY SELF-SERVICE KIOSKS.**

1. Notwithstanding any other provision of law to the contrary, the authority may operate electronic self-service kiosks where lottery games and lottery products are sold, provided such self-service kiosks are owned or leased by the authority.
2. Self-service kiosks may, without limitation, dispense instant tickets, lotto tickets, or other lottery products authorized under this chapter.
3. Self-service kiosks shall only be placed in retail locations licensed by the authority pursuant to this chapter. The authority shall determine, in its sole discretion, the placement of the self-service kiosks.
4. The self-service kiosks authorized by this section may dispense change to a purchaser but shall not be used to dispense cash for a lottery ticket to a player.
5. The self-service kiosks authorized by this section shall not extend or arrange credit for the purchase of a lottery game or lottery product.
6. Lottery revenues from sales of lottery games or tickets from self-service kiosks shall not be subject to tax under section 99G.30A.

## Today's Vending Equipment & Self-Service Kiosks Utilize Touchscreens



Touch-screen machine dispensing fountain beverages and ice at a restaurant



Touch-screen machine vending bottled beverages



And a Pepsi touch-screen vending machine (It's not all Coke! 😊)



Touch-screen kiosks used by retail customers for gift registries



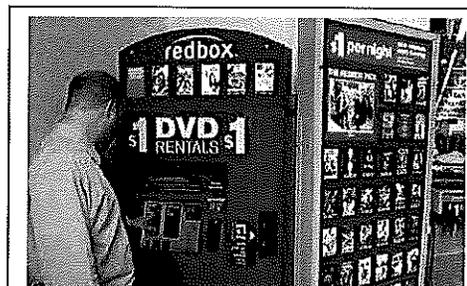
Self-service kiosks with touch screens for airline tickets



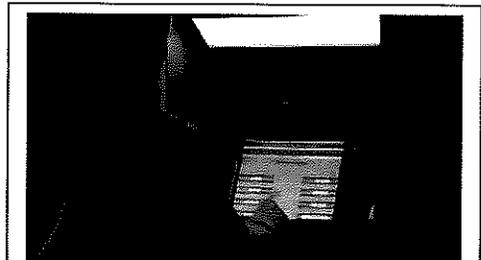
Touch-screen machine vending snacks



Self-checkout lanes with touch screens at retail store



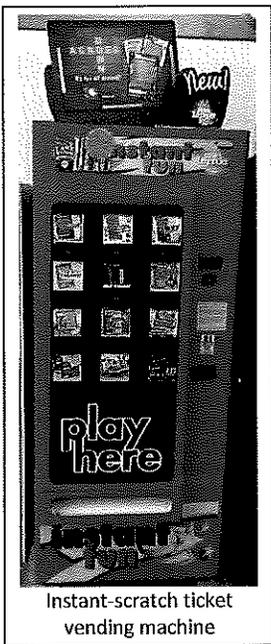
Self-service kiosk with touch screen to rent a movie



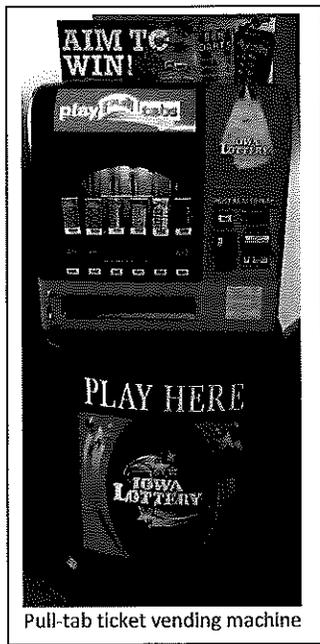
Automated teller machine (ATM) with touch screen for banking transactions

**Current Iowa Lottery Vending Machines  
purchased in 2004**

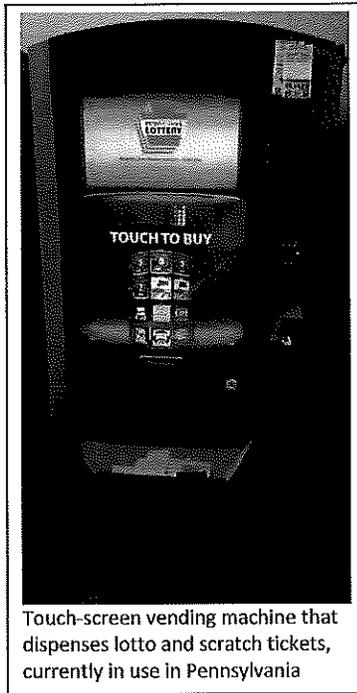
**Vending Machines/Self-Service Kiosks Now  
Available For Lease/Purchase By Lotteries**



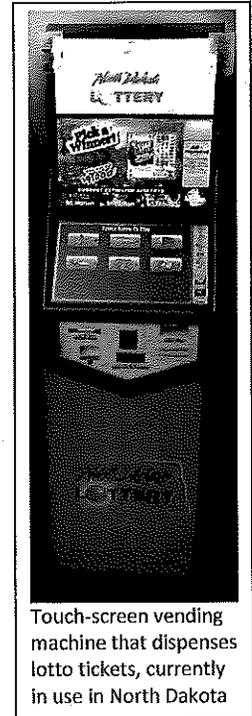
Instant-scratch ticket vending machine



Pull-tab ticket vending machine



Touch-screen vending machine that dispenses lotto and scratch tickets, currently in use in Pennsylvania



Touch-screen vending machine that dispenses lotto tickets, currently in use in North Dakota



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

Date: September 29, 2015

To: Iowa Lottery Board  
From: Larry L. Loss  
Re: Approval to Join the Lucky For Life Game

Lucky for Life (LFL) is a lotto style game that is currently sold in sixteen lotteries in North America. The Iowa Lottery has had interest in this game and has been watching its development since the game began.

Lucky for Life was formally introduced to the Board at the December 9, 2014 meeting. At that meeting, the Board received an overview of the game, play style, price and prize structure. In addition, the Board also received a copy of the Lucky For Life Licensee Lottery Participation Agreement. During the discussion of the game, Matt McDermott inquired about the timeline to introduce the game. Due to potential changes to Powerball and other programming issues, the Lottery was not able to specify a starting date. The Board then voted unanimously that there was interest in the game, but to table the discussion until a starting date could be identified.

### **History**

#### March 11, 2012

Six New England Lotteries joined together to offer their players a new opportunity to win with a top prize of \$7,000 a week for life.

Lucky for Life tickets went on sale in Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont. The first drawing was held in Connecticut on March 15, 2012.

#### September 17, 2013

A new prize structure was introduced. The most significant enhancement was to the second tier prize. Instead of winning \$25,000, the players now had the opportunity to win \$25,000 a year for life. Other lower tier prizes were also enhanced.

#### October, 2013

Meeting held at the NASPL Conference to explore the interests in other lotteries joining the game. There was interest from several states. The New England Lotteries began the process of expanding the game to allow additional states to join the Lucky for Life game.

#### 2015

The expanded game went on sale, with the first draw of the expanded game occurring on January 29, 2015.

In 2015, the lotteries in Arkansas, D.C., Delaware, Idaho, Kentucky, Michigan, Minnesota, Missouri, Montana and South Carolina joined the game.

**Game Design**

Ticket Price: \$2.00  
 Drawings Held: Monday & Thursday  
 Matrix: Double matrix game: (1 of 48) plus (1 of 18)  
 Ticket Cancellations: Not allowed  
 Advance and Multi-Draw Option: Allowed, at jurisdictional discretion  
 Prize Claim Period: At jurisdictional discretion  
 Ineligible Players: Lottery employees and all others as described by Iowa Law  
 For Life Prizes: Subject to the each Lottery's jurisdictional laws.  
 Measuring Life: For a single Wager, the measuring life of a Top Prize Winner used to determine the duration over which the Top Prize is paid, shall be the natural life of the individual determined by the Selling Lottery to be the Top Prize Winner. If the Top Prize under a single Wager is being claimed by more than one (1) natural person or by a legal entity, the measuring life for that Top Prize Winner shall be twenty (20) years.

**Prize Structure**

Prize Level	Matches Matrix #1 (5 of 48)	Matches Matrix #2 (1 of 18)	Odds of Winning: 1/	Prize	% Sales
1	5	1	30,821,472.000	\$7,000/Week for Life*	10.2201%
2	5	0	1,813,027.765	\$25,000/Year for Life*	11.6380%
3	4	1	143,355.684	\$5,000*	1.7439%
4	4	0	8,432.687	\$200	1.1859%
5	3	1	3,413.231	\$150	2.1973%
6	3	0	200.778	\$20	4.9806%
7	2	1	249.749	\$25	5.0050%
8	2	0	14.691	\$3	10.2103%
9	1	1	49.950	\$6	6.0060%
10	0	1	32.019	\$4	6.2463%
				<b>Total Payout</b>	<b>59.4335%</b>

**Average Chance of Winning: 1 in 7.769**

\*Prize amounts may be split if there are multiple Winners, in accordance with the provisions of the Official Game Rules. Split prizes may be lower than the published prize amounts.

### **Items of Note**

Previously, the Iowa Lottery along with the Minnesota & Wisconsin Lotteries conducted focus group research regarding new lotto game concepts. The New England Lucky for Life Game was one of the concepts we tested. It received the highest scores of the three concepts tested.

The New England Lotteries are issuing licenses to other Lotteries to sell the Lucky for Life game. The Iowa Lottery will be asked to sign a Participation Agreement to be part of the game. This is similar to the agreement that we signed to sell Mega Millions. Attached is the Participation Agreement for your review.

### **Going Forward**

The Iowa Lottery has expressed interest in joining the LFL game. If the Board approves Iowa's participation in LFL, the Iowa lottery would begin selling tickets on January 24, 2016. Please note: other lotteries have also expressed an interest in joining LFL, and may also begin selling tickets before the end of the 2016 fiscal year.

The Iowa Lottery will need to sign several participation agreements to join the LFL game. Attached are copies of the:

- Lucky for Life Licensee Lottery Participation Agreement
- First Amendment Participation Agreement
- Second Amendment Participation Agreement
- Third Amendment Participation Agreement
- Sublicense Agreement

These agreements have all been reviewed both by the Iowa Lottery's General Counsel, as well as the Iowa Attorney General's Office. There are no legal concerns that would prevent moving forward.

Upon your approval to join the LFL game, the Iowa Lottery will sign all of these documents.

Also attached are the LFL Official Game Rules.

### **Sales**

For FY 16, the Iowa Lottery is projecting sales of \$3,450,000.

For FY 17, the Iowa Lottery is projecting sales of \$7,020,000.

### **Expenses**

Attached is a copy of the FY2016 Lucky for Life budget which indicates the Participating Lottery's shared expenses. The Iowa Lottery's expense will be determined based on the percentage of Iowa's quarterly sales to the total quarterly Lucky for Life sales. The Iowa Lottery will be invoiced quarterly, in arrears, by MUSL.

As more lotteries join the game, the annual cost per lottery should be lower. Based on the LFL FY2016 Budget, the Iowa Lottery would project an expense similar to that assessed to the Delaware Lottery.

### **Recommendation**

Iowa Lottery staff believes that the Lucky for Life game would be a good addition to our lotto game portfolio and will raise additional revenue for the State of Iowa. It is the recommendation of Lottery staff that we should move forward with joining the Lucky for Life game and we are asking for your approval to do so.

Lucky for Life  
FY2016 Budget

Item	Description	Entity	Fiscal Year 2015	Fiscal Year 2016	Shared by 6 NE States	Shared by All States
Game Admin	Game Administrator	MUSL	156,750	200,000	0	200,000
	Draw Auditor	MUSL (Marcum)	56,000	56,000	0	56,000
Draw Production	Draw machine/equip maintenance	Connecticut Lottery	2,050	4,376	0	4,376
	Remote control capability for backup machine			3,500	0	3,500
	Ball set maint		120			
	Purchase ball sets		5,000			
	Web site redesign		20,000			
Web Host	Website - hosting	Connecticut Lottery		7,200	0	7,200
	Website - program, support & dev.	Connecticut Lottery		18,000	0	18,000
	Server 1 time configure	Massachusetts Lottery	0			
	On-going monthly cost	Massachusetts Lottery	8,000			
	Stream draw - Fox	Massachusetts Lottery	2,000			
Legal	Legal expenses	Connecticut Lottery	35,000	20,000	15,000	5,000
Research	Game research	Connecticut Lottery	15,000	75,000	75,000	0
Unanticipated	By Vote of Directors		20,000	20,000	20,000	0
<b>Total</b>			<b>319,920</b>	<b>404,076</b>	<b>110,000</b>	<b>294,076</b>
						0
Operating Expense Budget is billed to Party Lotteries quarterly, based on cost incurred.						
The expense is allocated on percentage of sales for the corresponding quarter.						
Projected draw sales are the April 2015 amounts only.						
Used to project annual percentages, not values.						
April is presently the only full month for all states.						

Lucky for Life  
FY2016 Budget

Budget Projection by State (est sales basis)	6 States share			All States share			FY2016 Budget Total
	Proj Draw Sales	Draw %	6 State Share	Proj Draw Sales	Draw %	All States Share	
1 Arkansas				426,174	0.028	8,244	8,244 Arkansas
2 Connecticut	2,058,064	0.336	36,917	2,058,064	0.135	39,810	76,728 Connecticut
3 District of Columbia				376,840	0.025	7,289	7,289 District of Columbia
4 Delaware				542,540	0.036	10,495	10,495 Delaware
5 Idaho				385,804	0.025	7,463	7,463 Idaho
6 Kentucky				1,096,766	0.072	21,215	21,215 Kentucky
7 Maine	466,498	0.076	8,368	466,498	0.031	9,024	17,392 Maine
8 Massachusetts	2,483,334	0.405	44,546	2,483,334	0.163	48,036	92,582 Massachusetts
9 Michigan				2,073,484	0.136	40,109	40,109 Michigan
10 Minnesota				1,006,466	0.066	19,469	19,469 Minnesota
11 Missouri				985,524	0.065	19,064	19,064 Missouri
12 Montana				382,522	0.025	7,399	7,399 Montana
13 New Hampshire	462,774	0.075	8,301	462,774	0.030	8,952	17,253 New Hampshire
14 Rhode Island	497,568	0.081	8,925	497,568	0.033	9,625	18,550 Rhode Island
15 South Carolina				1,794,402	0.118	34,710	34,710 South Carolina
16 Vermont	164,038	0.027	2,942	164,038	0.011	3,173	8,116 Vermont
	6,132,276	1.000	110,000	15,202,798	1.000	294,076	404,076
							0

**OFFICIAL GAME RULES**  
**“Lucky for Life”**

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## **OFFICIAL GAME RULES**

### **“Lucky for Life”**

The following Official Game Rules govern the operation of the “Lucky for Life” game described herein (the “Game”). These Official Game Rules apply unless otherwise inconsistent with the constitutional provisions, statutes, regulations and rules of each Party Lottery jurisdiction (“jurisdictional laws”).

**PART I LOTTERIES OFFERING THE GAME.** The Connecticut Lottery Corporation, the Maine State Liquor & Lottery Commission, the Massachusetts State Lottery Commission, the New Hampshire Lottery Commission, the Rhode Island Division of State Lottery and the Vermont Lottery Commission (collectively the “New England Lotteries”) are offering the Game for sale.

In addition to the New England Lotteries, other lotteries may, from time to time, offer the Game in their respective jurisdictions (collectively the “Licensee Lotteries”).

The New England Lotteries and the Licensee Lotteries are together referred to as the “Party Lotteries” or individually as a “Party Lottery.”

**PART II PURPOSE.** The Game’s purpose is to generate revenue for the Party Lotteries through the operation of a multi-jurisdictional lottery game that will award prizes to Game Ticket holders matching specified combinations of numbers randomly-selected in regularly scheduled Drawings.

**PART III TERM.** The Game shall commence sales no sooner than January 25, 2015 and shall continue until terminated. Upon a decision to terminate the Game in a particular jurisdiction, that Party Lottery shall publicly announce a termination date. The Game’s first Drawing shall be held no sooner than January 29, 2015.

#### **PART IV DEFINITIONS.**

- A. “Advance Action” or “Multi Draw” shall have the meanings given to them in each Party Lottery jurisdiction.
- B. “Annuitized Payment Option” shall mean the manner in which the Game’s Top Prize or second prize (also referred to as “Prize Level #2”) may be paid in equal payments or installments. The Annuitized Payment Option shall be calculated on an annual basis. The schedule of payments shall be at each Party Lottery’s discretion.
- C. (i) “Cash Option” shall mean the manner in which the Game’s Top Prize or second prize may be paid upon the Winner’s request in one (1) single cash payment as an alternative to the Annuitized Payment Option.  
(ii) “Lump Sum Cash Payment” shall mean the manner in which the Game’s Top Prize or second prize is required to be paid in one (1) single cash payment when the liability limit is exceeded and no Annuitized Payment Option is available, as set forth more fully in Part VII Paragraph A of these Official Game Rules.
- D. “Claimant” or “Winner” shall mean any natural person or legal entity submitting a winning Game Ticket within the required prize claim period. A Claimant may be the Purchaser, the natural person or legal entity named on the back of a signed Game Ticket, the bearer of an unsigned Game Ticket, or any other natural person or legal entity who may seek entitlement to a prize payment in accordance with each Party Lottery’s jurisdictional laws. No Claimant may assert rights different from the rights acquired by the original Purchaser at the time of purchase.
- E. “Clearinghouse Lottery” shall refer to the Party Lottery or other duly authorized entity who is responsible for collecting and transferring prize payouts on behalf of all Party Lotteries.
- F. “Drawing” shall mean the formal process of selecting Winning Numbers that conclusively determines the number of Winners for each prize level of the Game.

- G. "Game Play(s)" shall mean that area of the Play Slip, also known as a "board" or "panel", which contains two (2) sets of numbered squares to be marked by the Player: the first set (Matrix 1) contains forty-eight (48) squares, numbered one (1) through forty-eight (48) inclusive; the second set (Matrix 2) contains eighteen (18) squares, numbered one (1) through eighteen (18) inclusive.
- H. "Game Ticket" or "Ticket" shall mean acceptable evidence of Game Play that represents a Wager accepted by a Party Lottery's On-Line Gaming System, meeting the specifications defined in these Official Game Rules.
- I. "Liability Limit" shall mean a pre-established threshold, as determined in advance by the New England Lottery Directors, for paying Top Prize, second prize and third prize claims, as set forth more fully in Part VII Paragraph A of these Official Game Rules.
- J. "Lucky Ball" shall mean the number selected from the second set of numbers (Matrix 2) in each Drawing.
- K. "On-Line Gaming System" shall mean a computer wagering system or internet-based sales system used by a Party Lottery to issue and validate Game Tickets.
- L. "Play," "Bet" or "Wager" shall mean the six (6) numbers (the first five (5) from a field of forty-eight (48) numbers inclusive, and one (1) Lucky Ball number from a field of eighteen (18) numbers inclusive) that appear on a Game Ticket as a single-lettered Play, board or panel, and are played by a Player in the Game.
- M. "Play Slip," "Selection Slip", "Bet Slip" or any other such term utilized by a Party Lottery shall mean a card used in marking a Player's Game Plays or Wagers.
- N. "Player" or "Purchaser" shall mean a natural person(s) or legal entity who buys Game Tickets in accordance with these Official Game Rules and jurisdictional laws.
- O. "Quick Pick", or any other such term utilized by a Party Lottery shall mean the random selection of six (6) numbers resulting in a Wager accepted by a Party Lottery's On-Line Gaming System.
- P. "Sales Retailer" or "Sales Agent" shall mean a natural person or legal entity licensed and/or authorized by a Party Lottery to sell and redeem Game Tickets.
- Q. "Selling Lottery" shall mean the Party Lottery that sold a winning Game Ticket.
- R. "Set Prize" shall mean a pre-determined prize payout that is paid in a single cash payment. Set Prizes shall apply to the lowest eight (8) prize levels. They may also apply, however, to the Top Prize and second prize under certain conditions, as set forth more fully in Part VII Paragraph A of these Official Game Rules.
- S. "Split Prize" shall mean a pre-determined Set Prize payout that is divided equally among the number of winning Game Tickets of a prize level. Split prizes shall only apply to the Game's Top Prize, the Prize Level #2 and Prize Level #3 Winners under certain conditions, as set forth more fully in Part VII Paragraph A of these Official Game Rules.
- T. "Subscription Ticket", "Season Ticket", or any other such term utilized by a Party Lottery shall have the meanings given them in each Party Lottery jurisdiction.
- U. "Terminal" shall mean a device including, but not limited, to Player Activated Terminals ("PATs"), Self-Service Terminals ("SSTs") and Ticket Vending Machines, authorized to function in an on-line, interactive mode with the On-Line Gaming System for the purpose of issuing and validating lottery transactions.
- V. "Top Prize" shall mean the Game's first prize.

- W. "Winning Numbers" shall mean the six (6) numbers (the first five (5) numbers from Matrix 1 and the one (1) Lucky Ball number from Matrix 2 ) that are randomly selected in each Drawing and used to determine the winning Plays contained on a Game Ticket.

**PART V DRAWING PROCEDURES.** The New England Lottery Directors shall establish the Drawing procedures for the Game Drawings, including a drawing problem resolution mechanism. All Drawings shall be open to the public and shall be witnessed by an Independent Certified Public Accounting Firm. Any equipment used in a Drawing shall be inspected at least annually. All Drawings, including pre and post test drawings, shall be recorded.

**PART VI GAME DESCRIPTION AND CHARACTERISTICS.**

- A. **Game Designation.** For purposes of identification, the Game shall have a designated game number in the On-Line Gaming System.
- B. **Game Design.** The Game is a double matrix-style game, drawn each Monday and Thursday, in which Players select five (5) unique numbers in the Matrix 1 from one (1) to forty-eight (48) inclusive, PLUS one (1) Lucky Ball number in the Matrix 2 from one (1) to eighteen (18) inclusive. The additional number may be the same as one (1) of the first five (5) numbers selected by the Player.
- C. **Game Purchases.** Game Tickets must be purchased from a Terminal operated by a Sales Retailer, a PAT (if available) by using a touch screen or by inserting a Selection Slip, a lottery subscription system (if available), or such other means as approved by a Party Lottery.
- D. **Ticket Format.** Game Tickets shall include, but not be limited to, the Player's number selections, Game logo or Game name, Ticket cost, Terminal number, barcode, Quick Pick (if selected), replay (if selected), serial number and Drawing date. Advance Action Tickets shall visibly show the beginning and ending Drawing dates. Game Tickets may also include the selling date, time stamp and any information required by a Party Lottery's jurisdictional laws pertaining to the validation of Game Tickets.
- E. **Ticket Price.**
1. **Uniform Price.** Each Game Ticket shall be sold at retail for the price set in these Official Game Rules.
  2. **Taxes.** The Game Ticket price shall include all the applicable taxes that a Party Lottery may be required to collect.
  3. **Cost Per Play.** Game Tickets may be purchased for two dollars (\$2.00) per Play, or multiples thereof, in accordance with these Official Game Rules. The Player receives one (1) Play for each two dollar (\$2.00) Wager.
  4. **Promotions.** A promotion shall mean marketing or advertising intended to increase sales of Game Tickets (excluding Subscription Tickets or Advance Action) through a discount or rebate. A Party Lottery may offer Game Tickets through promotions without approval of the other Party Lotteries for a period not to exceed ninety (90) days in any six (6) month period, as long as advance notification of five (5) days is provided to all Party Lotteries of the terms and dates of the promotional offering.
  5. **Tickets as Prizes.** A Party Lottery may offer Game Tickets as a prize in any other lottery game after advising all other Party Lotteries of the terms and dates of such action.
  6. **Contribution to Prize Pool.** A Party Lottery may offer Game Tickets as a prize or as part of an authorized promotion provided that all such Game Ticket sales are assessed and reported to the prize pool at the full gross sales amount.
- F. **Play Restrictions and Play Styles.**
1. **Ticket Sales to Minors Prohibited.** Game Tickets may not be sold to or purchased by

minors as defined by each Party Lottery's jurisdictional law.

2. Ticket Cashing by Minors. Subject to the each Party Lottery's jurisdictional laws, Game Tickets may not be cashed or redeemed by minors under the age of eighteen (18) years.
3. Ineligible Players. Game Tickets shall not be purchased, and a prize won by any such Game Ticket or share, either in whole or in part, shall not be paid to:
  - a. A Party Lottery employee, officer, director, board member or commissioner.
  - b. A contractor or consultant under agreement with any Party Lottery to perform audit and security procedures.
  - c. An employee of the independent certified public accounting firm under contract with any New England Lottery to oversee Game Drawings.
  - d. An employee of a Party Lottery's on-line vendor.
  - e. An employee of a Party Lottery's advertising or public relations provider.
  - f. An immediate family member (parent, stepparent, child, stepchild, spouse, sibling or person engaged in a domestic partnership or civil union) of an individual described in Subsections a, b, c, d, e or f residing as a member of the same household in the principal place of residence of any such person.
  - g. Those persons designated herein as ineligible to play the Game in one (1) Party Lottery jurisdiction shall also be ineligible to play the Game in all other Party Lottery jurisdictions selling the Game.

A Party Lottery may expand this list of ineligible players.

4. Ticket Cancellations Prohibited. A Game Ticket may not be cancelled or voided by returning the Game Ticket to the Sales Retailer or to a Party Lottery. A Game Ticket accepted by the Sales Retailer as a returned ticket and that cannot be resold shall be deemed as owned by the bearer thereof. This prohibition also applies to a Game Ticket that may be printed in error by the Sales Retailer. Subject to each Party Lottery's jurisdictional laws, no Game Ticket, or physical portion thereof, that may be used to claim a prize, shall be returned to any Party Lottery for credit.
5. Game Sell-Out Prohibited. A Party Lottery shall not directly and knowingly sell a Game Ticket or combination of Game Tickets to any natural person or legal entity that would guarantee such Purchaser a Top Prize or second prize win.
6. Claims. A Game Ticket, subject to the validation requirements as detailed in Part VII Paragraph C of these Official Game Rules, shall be the only proof of a Game Play (or Plays) and the submission of a winning Game Ticket to a Party Lottery or its Sales Retailer shall be the sole method of claiming a prize or prizes. A Play Slip has no pecuniary or prize value and shall not constitute evidence of a Game Ticket purchase or of numbers selected. Under no circumstances will a claim be paid for a Top Prize or second prize without a winning Game Ticket. Subject to each Party Lottery's jurisdictional laws, lost or missing Game Tickets may not be honored or processed for payment or replacement.
7. Disclosure of Game Winners. Subject to each Party Lottery's jurisdictional laws relating to the disclosure of lottery winners and in each Party Lottery's discretion where such disclosure is lawful, the name and town/city of a winner of a Top Prize or second prize (Prize Level # 2) will be disclosed in a press conference and/or in a press release. Such winner may be required to participate in a press conference.

8. Use of Play Slips. Players may submit a completed Play Slip to any Sales Retailer to have issued a Game Ticket. Play Slips shall be available at no cost to the Purchaser and shall have no pecuniary or prize value, or constitute evidence of purchase or number selections. The use of facsimiles of Play Slips, copies of Play Slips, or other materials that are inserted into the Terminal's Play Slip reader that are not printed or approved by the Party Lottery, are not permitted. Sales Retailers shall not permit any device to be connected to a Terminal to enter Plays, except as approved by its Party Lottery.
9. Manual Entry. Players may convey their number selections to any Sales Retailer to obtain a Game Ticket. Such number selections shall be manually entered into the Terminal by the Sales Retailer.
10. Quick Pick. Players may either request a Quick Pick Game Ticket from a Sales Retailer or may select the Quick Pick option on the Play Slip and submit the completed Play Slip to any Sales Retailer. Quick Pick shall be differentiated from Customer Select in that Quick Pick shall refer to the random selection of numbers made by the On-Line Gaming System rather than by the Player.
11. Customer Select. Players may select their own numbers by completing a Play Slip or by conveying their number selections directly to any Sales Retailer. Customer Select shall be differentiated from Quick Pick in that Customer Select shall refer to number selections made by the Player rather than the On-Line Gaming System.
12. Replay Feature. If available in a Party Lottery jurisdiction, Players may utilize the barcodes of already-purchased Game Tickets to duplicate another Game Ticket of the same price and with the same number selections and options. To replay, Players may either make the request of a Sales Retailer or may scan the barcode directly into a PAT or SST, if authorized.
13. Advance Action or Multi-Draw. Game Tickets may be purchased for multiple future Drawings, if available in a Party Lottery jurisdiction.
14. Subscriptions or Season Tickets. Game Tickets may be purchased by subscription, if available in a Party Lottery jurisdiction.
15. Limited to Highest Prize Won. In connection with the Winning Numbers drawn, the holder of a winning Game Ticket may win only one (1) prize per Play, board or panel, and shall be entitled only to the prize won by those numbers in the highest matching prize category.
16. Prize Claim Period. The prize claim period shall be determined by each Party Lottery.
17. Player Responsibility. It shall be the Player's sole responsibility to verify the accuracy of the Game Play (or Plays) and the other data printed on the Game Ticket. The placing of Wagers is done at the Player's own risk through the Sales Retailer.
18. Prize Payments. A Party Lottery may not pay prizes that are less than or more than the prize amounts established in these Official Game Rules. The prize won cannot be indirectly increased by promotions or Retailer activity.

**PART VII PRIZE LIABILITY LIMITS, PRIZE PAYOUTS AND PRIZE LEVELS.** The following paragraphs and chart define the Game's prize liability limits, prize payouts, prize levels and pool percentages, and chances of winning per prize level.

**A. Prize Liability Limits.** There are 10 prize levels in the Game.

1. Except as provided in these Official Game Rules, the Top Prize (Prize Level #1) shall be annuitized and based on a Top Prize liability that will be split equally among the number of winning Game Tickets. A Top Prize Winner may request the Cash Option, the amount of

which is to be established by the New England Lotteries for a defined period of Drawings. Notice of the amount of and changes to the Cash Option shall be posted on the Game's website and/or published in each Party Lottery jurisdiction in a manner determined by that Party Lottery at least thirty (30) days prior to the first Drawing to which it is applicable (the "Published Notice"). Under certain circumstances, as detailed below, the Top Prize is required to be paid in a single Lump Sum Cash Payment and no Annuitized Payment Option is available.

- a. One (1) Top Prize Winner. If there is one (1) Top Prize Winner, the annuitized prize value will be seven thousand dollars (\$7,000.00) per week for life. As an alternative to the Annuitized Payment Option, the Top Prize Winner may request the Top Prize Cash Option in the amount set forth in the Published Notice.
  - b. Two (2) to Fourteen (14) Top Prize Winners. If there are between two (2) and fourteen (14) Top Prize Winners, the Annuitized Payment Option, based on an annuitized prize value of seven thousand dollars (\$7,000.00) per week, will be divided by the total number of Top Prize Winners. The minimum annuitized prize value for this category will be five hundred dollars (\$500.00) a week for life. Any of these two (2) to fourteen (14) Top Prize Winners may choose the Cash Option as an alternative to the Annuitized Payment Option. The amount of the Cash Option for this category will be the amount of the Top Prize Cash Option set forth in the Published Notice divided by the total number of Top Prize Winners. The minimum Cash Option for this category will be the amount set forth in the Published Notice.
  - c. Fifteen (15) or more Top Prize Winners. If there are fifteen (15) or more Top Prize Winners, the Top Prize liability shall be capped at seven million one hundred twenty-five thousand dollars (\$7,125,000.00), shall be split equally among all Top Prize Winners, and shall be paid in one (1) Lump Sum Cash Payment, without an Annuitized Payment Option. The minimum prize value for this category shall not be less than any lower tier prize paid in that respective Drawing.
  - d. The Winner(s) of the Top Prize who do not request the Cash Option shall be paid their appropriate Top Prize share on a weekly basis, or according to such other schedule of payments set at the discretion of each Party Lottery, as permitted in Part VII Paragraph C of these Official Game Rules, for a minimum period of twenty (20) years. The first Top Prize payment will be made when the prize is claimed at the Selling Lottery's Headquarters.
  - e. Measuring Life. For a single Wager, the measuring life of a Top Prize Winner used to determine the duration over which the Top Prize is paid, shall be the natural life of the individual determined by the Selling Lottery to be the Top Prize Winner. If the Top Prize under a single Wager is being claimed by more than one (1) natural person or by a legal entity, the measuring life for that Top Prize Winner shall be twenty (20) years.
  - f. If paid in a Lump Sum Cash Payment, Top Prize amounts will be rounded to the nearest whole dollar.
2. Except as provided in these Official Game Rules, the second prize (Prize Level #2) Winner will be paid twenty-five thousand dollars (\$25,000.00) a year for life. A second prize Winner may request the Cash Option, the amount of which is to be established by the New England Lotteries for a defined period of Drawings. Notice of the amount of and changes to the Cash Option shall be posted on the Game's website and/or by each Party Lottery's Published Notice. Under certain circumstances, as detailed below, the second prize is required to be paid in a single Lump Sum Cash Payment and no Annuitized Payment Option is available.
    - a. One (1) to Twenty (20) Second Prize Winners. If there are between one (1) and

twenty (20) second prize Winner(s), the annuitized prize value will be twenty-five thousand dollars (\$25,000.00) per year for life. Any of these one (1) to twenty (20) second prize Winner(s) may choose the second prize Cash Option as an alternative to the Annuitized Payment Option. The amount of the Cash Option for this category will be set forth in the Published Notice.

- b. Twenty-one (21) or more Second Prize Winners. If there are twenty-one (21) or more second prize Winners, the second prize liability shall be capped at nine million four hundred thousand dollars (\$9,400,000.00), shall be split equally among all second prize Winners, and shall be paid in a single Lump Sum Cash payment, without an Annuitized Payment Option. The minimum prize value for this category shall not be less than any lower tier prize paid in that respective Drawing.
- c. The Winner(s) of the second prize who do not request the Cash Option shall be paid their appropriate second prize share on an annual basis for a minimum period of twenty (20) years. The initial second prize payment will be made when the prize is claimed at the Selling Lottery's Headquarters; subsequent second prize payments will be made annually thereafter.
- d. Measuring Life. For a single Wager, the measuring life of a second prize Winner used to determine the duration over which the second prize is paid, shall be the natural life of the individual determined by the Selling Lottery to be the second prize Winner. If the second prize under a single Wager is being claimed by more than one (1) natural person or by a legal entity, the measuring life for that second prize Winner shall be twenty (20) years.
- e. If paid in a Lump Sum Cash Payment, second prize amounts will be rounded to the nearest whole dollar.

3. Except as provided in these Official Game Rules, the third prize (Prize Level #3) will be paid as a five thousand dollar (\$5,000.00) Set Prize. If there are more than one thousand (1,000) Winners of this prize level in a single Drawing, the total prize liability of five million dollars (\$5,000,000.00) ( $\$5,000.00 \times 1,000$ ) will be split equally among the Winners. Under no circumstances, however, will the value of the third prize fall below a minimum prize value of two hundred dollars (\$200.00) per Winner, regardless of the number of Winners. Third prizes will be rounded to the nearest whole dollar and paid in a single cash payment.

**B. Entitlement to Prizes by Winners.** The holder of a winning Game Ticket shall be entitled only to the prize won by matching the Winning Numbers in the highest matching prize category.

**C. Payment of Prizes.** All winning Game Tickets, including the Top Prize and second prize winning Tickets, shall be paid in accordance with these Official Game Rules and jurisdictional laws. Each Party Lottery shall withhold taxes and other required withholdings in accordance with applicable federal and jurisdictional laws. To be a valid Game Ticket and eligible to receive a prize, a winning Game Ticket shall satisfy all the requirements established for the validation of winning Game Tickets sold through each Party Lottery's On-Line Gaming System, and any other requirements adopted by the New England Lottery Directors. Party Lotteries shall not be responsible for Game Tickets that are altered in any manner.

- 1. Top Prize and Second Prize Payments. Except in the case of a Cash Option payment or a Lump Sum Cash Payment paid in accordance with these Official Game Rules, annuitized prize payments shall be made for the measuring life of the Top Prize or second prize Winner. All annuitized payments shall be made for a minimum of twenty (20) years. The measuring life as defined in Section VII Paragraphs A (1)(e) and A (2)(d) of these Official Game Rules shall be determined at the time the Top Prize or second prize is claimed. In the event annuitized prize payments are assigned, if allowable under jurisdictional law, or assigned by a court order, the measuring life at the time the Top Prize or second prize was claimed shall not change and limit or

extend the number of annuitized payments due any assignee, court-ordered or otherwise. In the event of the death of a Top Prize or second prize Winner during the annuity payment period, the Selling Lottery, with the approval of the New England Lotteries, upon petition of the estate of that Winner (the "Estate") to the Selling Lottery, and subject to the Selling Lottery's jurisdictional laws, may accelerate the payment of all the remaining lottery proceeds to the Estate.

a. If the annuitant dies during the annuity payment period but before the guaranteed prize amount has been paid, the Estate shall receive the remaining payments equal to the minimum guaranteed prize amount.

b. If the annuitant dies during the annuity payment period but after the minimum guaranteed prize amount has been paid, all payments shall stop.

2. Low-Tier Set Prize Payments. All low-tier Set Prizes (all prizes except the Top Prize and second prize) shall be paid in one (1) single cash payment through the Selling Lottery that sold the winning Game Ticket(s). Prizes shall be rounded to the nearest whole dollar. A Selling Lottery may begin paying low-tier cash prizes after receiving authorization to pay from the Clearinghouse Lottery.

**D. Statistical Information.** The following table details the Game's statistical information.

Odds of Winning, Prize Payouts and Prize Funding as a Percentage of Sales.

Prize Level	Matches Matrix #1 (5 of 48)	Matches Matrix #2 (1 of 18)	Odds of Winning: 1/	Prize	% Sales
1	5	1	30,821,472.000	\$7,000/Week for Life*	10.2201%
2	5	0	1,813,027.765	\$25,000/Year for Life*	11.6380%
3	4	1	143,355.684	\$5,000*	1.7439%
4	4	0	8,432.687	\$200	1.1859%
5	3	1	3,413.231	\$150	2.1973%
6	3	0	200.778	\$20	4.9806%
7	2	1	249.749	\$25	5.0050%
8	2	0	14.691	\$3	10.2103%
9	1	1	49.950	\$6	6.0060%
10	0	1	32.019	\$4	6.2463%
				<b>Total Payout</b>	<b>59.4335%</b>

**Average Chance of Winning: 1 in 7.769**

\*Prize amounts may be split if there are multiple Winners, in accordance with the provisions established in Part VII Paragraph A of these Official Game Rules. Split prizes may be lower than the published prize amounts.

**PART VIII DISPUTES.** In the event a dispute between a Selling Lottery and a Game Ticket bearer occurs as to whether the Game Ticket is a winning Ticket, and if the Ticket prize is not paid, the Selling Lottery may, solely at its option and in its discretion, reimburse the Game Ticket bearer the purchase price of the Ticket. This shall be the Game Ticket bearer's sole and exclusive remedy.

**PART IX APPLICABLE LAW.** In purchasing a Game Ticket, the following provisions apply:

- A. The Purchaser agrees to comply with and abide by the Selling Lottery's jurisdictional laws and final decisions, as well as all rules established for the conduct of the Game.
- B. Decisions made by the Selling Lottery Director/Commissioner, including the declaration of prizes, the payment thereof, and the interpretation of these Official Game Rules, shall be final and binding on all Purchasers and on every person making a claim in respect thereof. In the event of conflict, however, between these Official Game Rules and the applicable Selling Lottery's jurisdictional laws, the applicable Selling Lottery's jurisdictional laws shall control.
- C. Any claims or litigation relating to the Game Tickets and/or prizes: (a) shall be subject to and resolved in accordance with the laws, rules and regulations of the Selling Lottery jurisdiction in which the Game Ticket was purchased; (b) must be brought in and strictly limited to the courts located within the jurisdiction of the Selling Lottery in which the Game Ticket was purchased; and (c) can only be brought against the Selling Lottery in the jurisdiction where such Game Ticket was purchased.

**FIRST AMENDMENT TO LUCKY FOR LIFE LICENSEE  
LOTTERY PARTICIPATION AGREEMENT**

This First Amendment (the "First Amendment") to the Lucky for Life Licensee Lottery Participation Agreement (the "Agreement") is by and among the New England Lotteries and the Delaware Lottery ("DE Lottery"). All capitalized terms in this First Amendment have the meanings given them in the Agreement.

**RECITALS**

WHEREAS, the Agreement establishes the terms and conditions for the sale and conduct of the Game, including the New England Lotteries' grant of certain licenses and rights that allow the Licensee Lotteries to offer the Game in their respective jurisdictions; and

WHEREAS, the DE Lottery, in order to offer the Game in its jurisdiction, wishes to become a Licensee Lottery under the Agreement; and

WHEREAS, the New England Lotteries are willing to grant certain licenses and rights to the DE Lottery so that it can join the Game on the same terms and conditions of the Agreement applicable to the Licensee Lotteries and, further, the Licensee Lotteries are amenable to expanding the Game to include that jurisdiction.

NOW, THEREFORE, in consideration of the mutual covenants contained in this First Amendment and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, all parties to this First Amendment agree as follows:

1. The DE Lottery is, and is hereafter considered to be, a Licensee Lottery with all of the rights and obligations set forth in the Agreement, as modified by this First Amendment.
2. Notwithstanding the date set forth in Section 3.1 of the Agreement, the DE Lottery will provide the Massachusetts State Lottery Commission with a fully executed copy of the Sublicense Agreement (attached to the Agreement as Exhibit B) by November 28, 2014.
3. Section 16 of the Agreement is modified to add the following contact information for the DE Lottery:

Delaware Lottery  
McKee Business Park  
1575 McKee Blvd., Suite 102  
Dover, DE 19904  
Attn: Vernon Kirk, Director  
E-mail: vernon.kirk@state.de.us

4. This First Amendment is effective for a Party Lottery as of the date it executes this First Amendment.

**THIRD AMENDMENT TO LUCKY FOR LIFE LICENSEE  
LOTTERY PARTICIPATION AGREEMENT**

This Third Amendment (the "**Third Amendment**") to the Lucky for Life Licensee Lottery Participation Agreement (the agreement and its first and second amendments are collectively referred to as the "Agreement") is by and among all Party Lotteries. All capitalized terms in this Third Amendment have the meanings given them in the Agreement.

**RECITALS**

WHEREAS, the Agreement establishes the terms and conditions for the sale and conduct of the Game, including the New England Lotteries' grant of certain licenses and rights that allow the Licensee Lotteries to offer the Game in their respective jurisdictions; and

WHEREAS, under the Agreement the New England Lotteries retain the right, in their sole discretion, to add additional lotteries to the Game; and

WHEREAS, the Colorado, North Dakota, Ohio, and West Virginia Lotteries each wishes to become a Licensee Lottery under the Agreement; and

WHEREAS, the New England Lotteries are willing to grant certain licenses and rights to each of those lotteries so that each can join the Game on the same terms and conditions of the Agreement applicable to the Licensee Lotteries and, further, the Licensee Lotteries are amenable to expanding the Game to include those jurisdictions; and

WHEREAS, the New England Lotteries are also willing to modify the Agreement so that the Licensee Lotteries may participate in future decisions about adding any other lotteries to the Game.

NOW, THEREFORE, in consideration of the mutual covenants contained in this Third Amendment and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, all parties to this Third Amendment agree as follows:

1. The definition of "MUSL" in Section 1 of the Agreement is deleted in its entirety and replaced with the following definition:

"MUSL" means the Multi-State Lottery Association, which will provide Game-related services under a contract with the Party Lotteries.

2. The Colorado, North Dakota, Ohio, and West Virginia Lotteries each is, and is hereafter considered to be, a Licensee Lottery with all of the rights and obligations set forth in the Agreement as modified by this Third Amendment.
3. Notwithstanding the date set forth in Section 3.1 of the Agreement, the Colorado, North Dakota, Ohio, and West Virginia Lotteries will each provide the Connecticut Lottery Corporation with a fully executed copy of the Sublicense Agreement (attached to the Agreement as Exhibit B) by November 1, 2015.

4. Section 3.3 of the Agreement is deleted in its entirety and replaced with the following provision:

“3.3 Retained Rights; Addition of New Lotteries. Except as expressly provided in Sections 3.1 and 3.2, above, and 5.2, below, of this Agreement, the New England Lotteries and the Massachusetts State Lottery Commission do not grant any other rights to the Licensee Lotteries, implied or otherwise, to the Lucky for Life Property or Licensed Patents. For the avoidance of doubt, each Licensee Lottery acknowledges and agrees that it has no rights vis-à-vis the Game or the New England Lotteries other than those contained in this Agreement.

Each Party Lottery shall have the right to vote on the addition of other lotteries to the Game, with each Party Lottery having one (1) vote. The affirmative vote of the majority of the then existing Party Lotteries is required to add new lotteries to the Game.”

5. Section 16 of the Agreement is modified to add the following contact information for the Colorado, North Dakota, Ohio, and West Virginia Lotteries:

Colorado Lottery  
225 North Main Street  
Pueblo, CO 81003  
Attn: Laura Solano, Director  
E-mail: [laura.solano@state.co.us](mailto:laura.solano@state.co.us)

North Dakota Lottery Division  
1050 E. Interstate Avenue, Suite 200  
Bismarck, ND 58503  
Attn: Randy Miller, Director  
E-mail: [rcmiller@nd.gov](mailto:rcmiller@nd.gov)

Ohio Lottery Commission  
615 W. Superior Ave.  
Cleveland, OH 44113  
Attn: Dennis Berg, Director  
E-mail: [dennis.berg@lottery.ohio.gov](mailto:dennis.berg@lottery.ohio.gov)

West Virginia Lottery  
P.O. Box 2067  
Charleston, WV 25327  
Attn: John Musgrave, Director  
E-mail: [jmusgrave@wvlottery.com](mailto:jmusgrave@wvlottery.com)

6. This Third Amendment is effective for a Party Lottery as of the date it executes this Third Amendment.

IN WITNESS WHEREOF, the parties have duly executed, or caused their duly authorized representative to execute, this Third Amendment.

CONNECTICUT LOTTERY CORPORATION

MAINE STATE LIQUOR AND LOTTERY  
COMMISSION

By: \_\_\_\_\_  
Anne M. Noble  
Its: President and Chief Executive Officer

By: \_\_\_\_\_  
Gregg Mineo  
Its: Director

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

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

**LUCKY FOR LIFE LICENSEE LOTTERY**  
**PARTICIPATION AGREEMENT**

This Lucky for Life Licensee Lottery Participation Agreement (the "Agreement") is by and among the following lotteries:

the Connecticut Lottery Corporation, the Massachusetts State Lottery Commission, the Maine State Liquor and Lottery Commission, the New Hampshire Lottery Commission, the Vermont Lottery Commission, and the Rhode Island Division of Lotteries (collectively the "New England Lotteries," and individually a "New England Lottery"), and

the Minnesota State Lottery, the Idaho Lottery, the D.C. Lottery & Charitable Games Board, the Arkansas Scholarship Lottery, the Iowa Lottery Authority, the Michigan Lottery, the Missouri Lottery, the South Carolina Education Lottery, and the Montana Lottery (collectively the "Licensee Lotteries," and individually a "Licensee Lottery").

The New England Lotteries and the Licensee Lotteries are together referred to as the "Party Lotteries" or individually as a "Party Lottery."

This Agreement is effective for a Party Lottery as of the date it executes this Agreement.

**RECITALS**

WHEREAS, each Party Lottery is a legal entity authorized to operate a lottery in its respective jurisdiction; and

WHEREAS, the revenue derived from the lottery operated by each Party Lottery remains within each respective jurisdiction for distribution in accordance with the constitutional, statutory and/or regulatory requirements of the jurisdiction where each Party Lottery is located; and

WHEREAS, each Party Lottery is entering into this Agreement to benefit its government, in accordance with its respective laws and rules; and

WHEREAS, each Licensee Lottery desires to offer in its jurisdiction the additional Lucky for Life Game (as defined below), wherein a separate and distinct prize pool in each Party Lottery's jurisdiction is combined so as to award larger prizes to the public than could be offered by any one lottery alone; and

WHEREAS, subject to the terms of this Agreement, the New England Lotteries desire to grant, and the Licensee Lotteries desire to obtain, the non-exclusive, non-transferable, and non-assignable licenses and other rights related to the Lucky for Life Game set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants contained in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the Party Lotteries agree as follows:

## 1. DEFINITIONS

In addition to other terms defined elsewhere in this Agreement, the following terms shall have the meanings set forth below (such meanings to be equally applicable to the singular as well as the plural forms of the terms defined):

“**Licensed Methods**” means any method, the use or practice of which either (a) is covered by one or more claims of a patent application included within the Licensed Patents or (b) would, if unlicensed, infringe one or more claims of an issued patent included within the Licensed Patents.

“**Licensed Patents**” means (a) the United States patent application listed on Exhibit A attached to and made a part of this Agreement as if fully set forth; (b) any divisional, substitution or continuation United States patent applications that, directly or indirectly, claim priority to the United States patent application listed on Exhibit A; (c) any United States patent issuing from any of the patent applications in (a) or (b); and (d) any United States renewals, extensions, reissues or reexaminations of any of the patents in (c).

“**Licensed Systems**” means any apparatus or system, the manufacture or use of which either (a) is covered by one or more claims of a patent application included within the Licensed Patents or (b) would, if unlicensed, infringe one or more claims of an issued patent included within the Licensed Patents.

“**Low-Tier Prize**” means the prizes awarded in Prize Levels 3 through 10 of the Game, as described more fully in the operable Official Game Rules.

“**Lucky for Life Game**” or “**Game**” means the one lottery draw game that is undertaken jointly by the New England Lotteries and the Licensee Lotteries in and among their respective jurisdictions and in accordance with this Agreement.

“**Lucky for Life Property**” means the approved matrix, rules, procedures, designs, trademarks, service-marks, trade names, copyrights, approved designs, colors, names, logo(s), marks, symbols, emblems, characters, artwork, depictions, illustrations, insignia, trade dress, indicia and visual representations of any type associated with the Game and owned and/or offered by the New England Lotteries, as may be modified from time to time.

“**MUSL**” means the Multi-State Lottery Association, which will provide Game-related services under a contract with the New England Lotteries.

“**Second Prize**” means the prize awarded in Prize Level 2 of the Game, as described more fully in the operable Official Game Rules.

“**Top Prize**” means the prize awarded in Prize Level 1 of the Game, as described more fully in the operable Official Game Rules.

## 2. SELLING THE GAME

2.1 Agreement to Sell. Each Party Lottery shall sell and conduct the Game in its respective jurisdiction using the approved logo and in compliance with the Official Game Rules, Finance and Operations Procedures, and Drawing Procedures, as each may be amended from

time to time by the New England Lotteries, *provided, however*, that a Party Lottery shall not be required to sell the Game until that Party Lottery's jurisdiction has adopted the Official Game Rules and any other jurisdiction-specific rules and procedures.

Amendments to such Game rules and procedures must be submitted in writing to each Party Lottery prior to any change. An amendment to the Game rules shall become effective for any Party Lottery only when all Party Lotteries have adopted the amendment in accordance with their respective laws and rules, unless the New England Lotteries determine that such an amendment can occur sooner without detrimentally affecting any Party Lottery. An amendment to the Finance and Operations Procedures and Drawing Procedures shall become effective upon the date stated in the written notice.

2.2 Manner of Sale. Each Party Lottery reserves the right to determine the manner in which Game tickets are sold or distributed within its jurisdiction, including but not limited to which locations are authorized to sell Game tickets and the rate of commission(s), if any, paid for the sale of such tickets.

2.3 Game Functions. Game functions to be performed within a particular Party Lottery's jurisdiction for the purpose of conducting Game sales within that jurisdiction shall be performed and carried out by such personnel or independent contractors as that Party Lottery shall determine.

2.4 Advertising. Each Party Lottery acknowledges that, in advertising the Game within its respective jurisdiction, there will be some unintentional "spill-over" (such as, but not limited to, radio, television, digital, and social media) that crosses the boundaries of its respective jurisdiction. Each Party Lottery agrees not to actively place or promote such advertising outside the boundaries of its jurisdiction and, further, it agrees that its advertising and marketing will be done in a way that is fair and not detrimental to any other Party Lottery. Each Party Lottery is responsible for the costs of advertising the Game in its respective jurisdiction.

2.5 Promotions. A Party Lottery offering a promotion shall provide all other Party Lotteries with written notice of that promotion as defined and described in the operable Official Game Rules.

### 3. LICENSES/GRANTS NECESSARY TO SELL THE GAME

3.1 Patent License Grant. Subject to the terms of this Agreement, the Massachusetts State Lottery Commission, on behalf of the New England Lotteries, hereby grants a non-exclusive, non-transferable, non-assignable license under the Licensed Patents (a) to each Licensee Lottery to make or have made for it the Licensed Systems and the Licensed Methods solely for its use in connection with the Game in its respective jurisdiction, and (b) to each Licensee Lottery, solely in each Licensee Lottery's respective jurisdiction, to use and practice the Licensed Systems and the Licensed Methods solely in connection with the Game in its respective jurisdiction.

Subject to the terms of this Agreement, the Massachusetts State Lottery Commission, on behalf of the New England Lotteries, hereby grants to each Licensee Lottery a non-exclusive, royalty-free, non-transferable, non-assignable right to grant a sublicense to a third party (the "Sublicensee") for purposes of allowing such Sublicensee to use and practice the Licensed

Systems and the Licensed Methods solely on behalf of such Licensee Lottery in connection with the operation of the Game in such Licensee Lottery's respective jurisdiction in accordance with the terms of this Agreement, *provided, however*, the agreement with each Sublicensee (the "Sublicense Agreement") will be in writing and in the form of the Sublicense Agreement attached as Exhibit B and made a part of this Agreement as if fully set forth. Each Licensee Lottery shall provide the Massachusetts State Lottery Commission with a fully executed copy of the Sublicense Agreement by September 30, 2014. Each Licensee Lottery shall remain liable to the New England Lotteries for any breaches by its Sublicensee of the applicable Sublicense Agreement.

However, the license grants under this Section 3.1 will expire (a) in the event one or more patent applications included in the Licensed Patents issues into a patent during the term of this Agreement, upon the last to expire of such issued patents or (b) in the event no patent applications included in the Licensed Patents issue into patents and all such patent applications are abandoned during the term of this Agreement, upon the last abandoned patent application.

3.2 Property Grant. Subject to and during the term of this Agreement, the New England Lotteries hereby grant to the Licensee Lotteries the non-exclusive, royalty-free, non-transferable, and non-assignable right to use the Lucky for Life Property in connection with the conduct of the Game in such Licensee Lottery's respective jurisdiction in accordance with this Agreement. In order to preserve the inherent value of the trademarks and service-marks included within the Lucky for Life Property, each Licensee Lottery agrees to use reasonable efforts to ensure that it maintains the quality of its business and the operation thereof to the standards prevailing in the operation of its business as of the date it executes this Agreement.

3.3 Retained Rights. Except as expressly provided in Sections 3.1 and 3.2, above, and 5.2, below, of this Agreement, the New England Lotteries and the Massachusetts State Lottery Commission do not grant any other rights to the Licensee Lotteries, implied or otherwise, to the Lucky for Life Property or the Licensed Patents. For the avoidance of doubt, each Licensee Lottery acknowledges and agrees that it has no rights vis-à-vis the Game or the New England Lotteries other than those contained in this Agreement.

The New England Lotteries retain the right, in their sole discretion, to add additional licensee lotteries to the Game.

3.4 Prosecution of Licensed Patents. As between the New England Lotteries and the Licensee Lotteries, the New England Lotteries, in their sole discretion, shall decide what steps shall be taken to obtain Licensed Patents that have been applied for and to maintain the Licensed Patents granted. As between the New England Lotteries and the Licensee Lotteries, the Licensee Lotteries understand and agree that the New England Lotteries may, in their sole discretion, abandon any or all Licensed Patents or otherwise allow any or all Licensed Patents to lapse, including but not limited to through the abandonment of any or all patent applications included within the Licensed Patents or the discontinuance of payment of any maintenance fees for any or all issued patents included within the Licensed Patents. The Licensee Lotteries agree that they shall not have any right of compensation or any other claim against the New England Lotteries based on the lapse or abandonment of any or all Licensed Patents.

3.5 Infringement of Licensed Patents. In the case of any third party infringing the Licensed Patents, as between the New England Lotteries and the Licensee Lotteries, the New England Lotteries shall, in their sole discretion, decide whether legal proceedings shall be initiated to prevent such infringement. If legal proceedings are initiated, the Licensee Lotteries agree, if requested, to cooperate with the New England Lotteries in this regard.

#### 4. PRIZE LIABILITY

##### 4.1 Allocation of Prize Liability.

(a) The total Top Prize liability for each Game drawing shall be shared by each Party Lottery as follows: each Party Lottery shall be responsible for an amount equal to a percentage of that Party Lottery's Game sales, said percentage being the proportion of the total Top Prize liability to the total Game sales for the applicable draw period.

(b) The total Second Prize liability for each Game drawing shall be shared by each Party Lottery as follows: each Party Lottery shall be responsible for an amount equal to a percentage of that Party Lottery's Game sales, said percentage being the proportion of the total Second Prize liability to the total Game sales for the applicable draw period.

(c) The total Low-Tier Prize liability for each Game drawing shall be shared by each Party Lottery as follows: each Party Lottery shall be responsible for an amount equal to a percentage of that Party Lottery's Game sales, said percentage being the proportion of the total Low-Tier Prize liability to the total Game sales for the applicable draw period.

4.2 Prize Reserve. Subject to its jurisdictional laws, regulations and rules, each Party Lottery shall establish a prize reserve in accordance with the Game's operable Finance and Operations Procedures or otherwise assume full and complete responsibility for that Party Lottery's Top Prize, Second Prize and Low-Tier Prize liabilities as described in Section 4.1, above.

4.3 Responsibility for Lifetime Payments. The Game's operable Finance and Operations Procedures may provide for the purchase of annuities or other financial instruments for payment of any Top Prize and Second Prize liability for or on behalf of one or more of the Party Lotteries. Each Party Lottery selling a winning Top Prize or Second Prize ticket is responsible for all lifetime payments for that prize; non-selling Party Lotteries will have no liability in the event of a default in any such lifetime payments. The Party Lotteries may offer a single cash payment option, determined by the New England Lotteries in their sole discretion, to winners of the Top Prize and Second Prize as an alternative to annuitized payments.

#### 5. OTHER FINANCIAL LIABILITY

5.1 Liability for Certain Game Costs. In addition to its liability for Game prizes, advertising, and financial audits as set forth in Sections 2.4 and 4, above, and Section 6, below, each Licensee Lottery shall share in and be liable for the costs associated with operating the Game, including but not limited to the costs and/or fees related to the drawings (such as the costs for drawing machines, balls, etc.), the fees payable to an actuary or other financial professional in connection with annuitized prizes, and the fees payable to MUSL (the "Game Costs"). With respect to the D.C. Lottery & Charitable Games Board, its assessed share of Game Costs shall

not exceed Fifteen Thousand Dollars (\$15,000) for FY 15 (through June 30, 2015), and may increase year over year thereafter by up to seven percent (7%). Each Licensee Lottery agrees to pay in full its assessed share of Game Costs within thirty (30) calendar days of notice of such assessment.

5.2 Right to Vote on Such Game Costs. Each Licensee Lottery shall have the right to vote on Game Costs prior to commencement of the Game and annually thereafter. The affirmative vote of two-thirds (2/3) of the then existing Licensee Lotteries is required to approve such Game Costs.

5.3 Voluntary Contribution to Other Costs. To ensure the success of the Game, the New England Lotteries may, from time to time, incur other Game-related costs (for example only, market research). A Licensee Lottery wishing to benefit from those efforts may voluntarily contribute to their costs.

## 6. FINANCIAL AUDITS

Each Licensee Lottery shall, at its sole cost and expense, subject the Game financial transactions, accounts and processes in its jurisdiction to a test of agreed upon procedures by an independent auditor, according to agreed upon attestation standards established by the American Institute of Certified Public Accounts. Such procedures shall be performed at least once each calendar year and otherwise as requested by the New England Lotteries; *provided, however*, any Licensee Lottery may, at its sole cost and expense, conduct such procedures of its jurisdiction's transactions, accounts and processes more frequently. Results shall be shared among all Party Lotteries upon request or if the results of such procedures reveal a material finding.

## 7. REVENUES

The revenues from the Game generated within each Party Lottery jurisdiction and not allocated to prizes or paid as Game Costs under this Agreement shall remain in that Party Lottery's jurisdiction for distribution in accordance with its respective constitutional, statutory, regulatory and/or contractual requirements.

## 8. DRAWINGS

Game drawings shall take place in Connecticut.

## 9. GOVERNING LAW AND LITIGATION VIS-À-VIS CLAIMANTS & PRIZES

9.1 Prizes. Any prize awarded pursuant to the Game operated in a Party Lottery's jurisdiction in accordance with this Agreement shall be subject to the constitution, statutes and other laws of the Party Lottery's jurisdiction in which the Game ticket was purchased. If any provision contained in this Agreement shall conflict in any way with any constitutional provision, statute or other law of a Party Lottery's jurisdiction, whether now in effect or later adopted, then, as to that Party Lottery, such constitutional or statutory provision or other law shall control.

9.2 Claims/Litigation. Any claims or litigation relating to Game tickets and/or prizes: (a) shall be subject to and resolved in accordance with the laws, rules and regulations of

the Party Lottery jurisdiction in which the Game ticket was purchased; (b) must be brought in and strictly limited to the courts located within the Party Lottery jurisdiction where the Game ticket was purchased; and (c) can only be brought against the Party Lottery in the jurisdiction where such Game ticket was purchased. If the claim or litigation relates to the Party Lotteries' joint operation of the Game in accordance with this Agreement, the costs of defending the claim or litigation shall be borne by all Party Lotteries. If the claim or litigation relates only to the conduct of the Party Lottery operating the Game, the costs of defending the claim or litigation shall be borne by only that Party Lottery.

9.3 Notice of Litigation. If any Party Lottery learns of any Game-related matter in its jurisdiction that is likely to result in litigation, including, but not limited to, information that a monetary or other legal claim has or is likely to be filed, that Party Lottery shall immediately provide all other Party Lotteries with a brief written description of the matter.

9.4 No Waiver. This Agreement does not waive the defense of sovereign immunity or any other legal or factual defense available to a Party Lottery in connection with disputed ticket claims and/or player prize claims. This Agreement does not pledge the credit (if applicable) of the respective jurisdictions in which each Party Lottery is located in relation to any such disputed claims.

9.5 Notice to Purchasers. The Party Lotteries agree to place language on any Game play slips or other Game literature, only if such placement is reasonably possible, that all claims arising out of the Game in any Party Lottery's jurisdiction must be pursued consistent with that Party Lottery's rules and procedures in effect at the time of purchase, as the claimant's sole and exclusive remedy.

9.6 No Liability. No Party Lottery shall be responsible for the acts or omissions of the officers, officials, commissioners, board members, employees, agents, subcontractors or other persons directly or indirectly employed by any other Party Lottery, whether the claim, liability, loss, damage, cost or expense is based on negligence, strict liability or any other culpable conduct, whether frivolous or not.

## 10. WITHDRAWAL; TERMINATION

10.1 Withdrawal. Unless a Party Lottery's jurisdictional law requires otherwise, a Party Lottery shall have the right to withdraw from this Agreement at the end of a fiscal year (each June 30) by giving written notice to the other Party Lotteries at least nine (9) months prior to the effective withdrawal date, *provided, however*, that a Party Lottery may withdraw at any time, without prior notice, if its authority is withdrawn or limited by law.

If the withdrawal of Party Lotteries under this Section 10.1 adversely impacts the Game's operations, sales or profitability, the Massachusetts State Lottery Commission and the New England Lotteries, as appropriate, reserve the right to withdraw the grants made in Sections 3.1 and 3.2, above

10.2 Termination for Cause. As between the New England Lotteries and each Licensee Lottery individually, if a Licensee Lottery breaches any of the terms of this Agreement and such breach remains uncured for a period of not fewer than thirty (30) calendar days (or such other period as the New England Lotteries may determine) after written notice of such breach, then the New England Lotteries may thereafter terminate this Agreement as to such individual Licensee Lottery by so notifying such Licensee Lottery in writing, *provided, however*, such termination shall not in any way prejudice the New England Lotteries or the individual Licensee Lottery, which retain all of the rights, defenses and remedies available to them in this Agreement, at law, in equity, or otherwise.

10.3 Effect of Withdrawal and Termination for Cause. Upon the effective date of withdrawal or termination, as applicable, under Section 10.1 or 10.2, above, all rights granted by the New England Lotteries and the Massachusetts State Lottery Commission in this Agreement to the withdrawn or terminated Licensee Lottery shall automatically revert to the New England Lotteries and the Massachusetts State Lottery Commission, as applicable, and such Licensee Lottery shall immediately cease all use of the Licensed Patents and the Lucky for Life Property. Furthermore, such Licensee Lottery shall, at the request of the New England Lotteries and/or the Massachusetts State Lottery Commission, take all steps and actions as may be necessary to reflect or confirm the expiration or termination of such Licensee Lottery's rights to use the Licensed Patents and the Lucky for Life Property.

A withdrawal pursuant to Section 10.1 or a termination for cause pursuant to Section 10.2 (a) shall not terminate this Agreement among any of the remaining Party Lotteries and (b) shall not cancel any of that lottery's obligation(s) incurred as a result of this Agreement prior to the effective withdrawal or termination date, regardless of the time when such obligation becomes due.

## 11. DISCLAIMERS

11.1 Disclaimer of Warranties. THE NEW ENGLAND LOTTERIES EXPRESSLY DISCLAIM, AND THE LICENSEE LOTTERIES EXPRESSLY WAIVE, ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY, NON-INFRINGEMENT, AND FITNESS FOR A PARTICULAR PURPOSE. THE LICENSEE LOTTERIES ACKNOWLEDGE THAT THIS DISCLAIMER OF WARRANTIES CONSTITUTES AN ESSENTIAL PART OF THIS AGREEMENT.

11.2 Disclaimer of Certain Damages. UNDER NO CIRCUMSTANCES AND UNDER NO LEGAL THEORY, WHETHER TORT (INCLUDING NEGLIGENCE), CONTRACT, OR OTHERWISE, ARE THE NEW ENGLAND LOTTERIES OR LICENSEE LOTTERIES LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL, PUNITIVE, OR CONSEQUENTIAL DAMAGES OF ANY CHARACTER INCLUDING, WITHOUT LIMITATION, DAMAGES FOR LOST PROFITS, LOSS OF GOODWILL, WORK STOPPAGE, COMPUTER FAILURE OR MALFUNCTION, OR ANY AND ALL OTHER COMMERCIAL DAMAGES OR LOSSES, EVEN IF THE NEW ENGLAND LOTTERIES OR LICENSEE LOTTERIES KNEW OR SHOULD HAVE KNOWN OR WERE INFORMED OF THE POSSIBILITY OF SUCH DAMAGES.

## **12. DISPUTE RESOLUTION**

12.1 Dispute Review. In the event of a dispute between two (2) or more Party Lotteries, the Party Lotteries in dispute shall, within ten (10) business days, meet as often as shall reasonably be required and make good faith efforts to resolve the dispute. If said Party Lotteries are unable to resolve the dispute after their representatives have commenced negotiations, or twenty (20) calendar days have passed since the initial request for negotiations, then those Party Lotteries shall agree in writing to submit the dispute to mediation as contemplated in Section 12.2, below.

12.2 Non-Binding Mediation. If the dispute negotiation by the Party Lotteries contemplated in Section 12.1, above, is not successful in resolving the dispute, those Party Lotteries shall mutually agree in writing to submit the dispute to non-binding mediation. Mediation should occur within fifteen (15) business days after those Party Lotteries agree to submit the dispute to mediation, and the duration of the mediation shall be limited to one (1) business day. Those Party Lotteries shall mutually select an independent mediator experienced in contract disputes, and each of those Party Lotteries shall designate a representative(s) to meet with the mediator in good faith in an effort to resolve the dispute. The cost for such mediator shall be shared equally among the Party Lotteries involved in the dispute. The specific format for the mediation shall be left to the discretion of the mediator and the designated Party Lottery representatives, and it may include the preparation of agreed-upon statements of fact or written statements of position furnished to the other Party Lottery(ies) involved in the dispute.

12.3 Continued Performance. Except where clearly prevented by the area in dispute, the Party Lotteries in dispute shall continue performing their obligations under this Agreement while the dispute is being resolved under this Section 12 unless and until the dispute is resolved, subject to the provisions of Section 10.3, above. The time frame for a Party Lottery to cure any breach of the terms of this Agreement shall not be tolled by the pendency of any dispute resolution procedures.

## **13. PLEDGE OF CREDIT**

No Party Lottery shall pledge the credit (if applicable) of any or all of the other Party Lotteries, directly or indirectly, except that each Party Lottery shall remain liable for its proportionate share of prize liability as set forth in Section 4, above.

## **14. ACCESS TO RECORDS**

The New England Lotteries agree that each Party Lottery's jurisdictional auditor may have reasonable access to records related to this Agreement for the purpose of complying with applicable jurisdictional law. Each Party Lottery agrees that it shall solely bear the costs and expenses, if any, associated with its jurisdictional auditor's access to records including but are not limited to, all costs and expenses of travel, lodging, transportation, and meals.

## **15. COMPLIANCE WITH LAWS**

In performing this Agreement, each Party Lottery shall comply with all applicable federal and jurisdictional laws.

**16. NOTICES**

All notices and other communications shall be in writing and shall be deemed given if delivered by e-mail or overnight courier to the Party Lotteries at the following addresses:

**If to the New England Lotteries, then to:**

Connecticut Lottery Corporation  
777 Brook Street  
Rocky Hill, CT 06067  
Attn: Anne M. Noble, President & CEO  
E-mail: [anne.noble@ctlottery.org](mailto:anne.noble@ctlottery.org)

**If to the Licensee Lotteries (collectively or individually, as applicable under this Agreement), then to:**

Arkansas Scholarship Lottery  
124 West Capitol Avenue, #1400  
Little Rock, AR 72203  
Attn: Bishop Woosley, Director  
E-mail: [bishop.woosley@arkansas.gov](mailto:bishop.woosley@arkansas.gov)

D.C. Lottery & Charitable Games Board  
2101 Martin Luther King, Jr. Ave, S.E.  
Washington, D.C. 20020  
Attn: Buddy Roogow, Executive Director  
E-mail: [buddy.roogow@dc.gov](mailto:buddy.roogow@dc.gov)

Idaho Lottery  
1199 Shoreline Lane  
Boise, ID 83702  
Attn: Jeff Anderson, Director  
E-mail: [janderson@lottery.idaho.gov](mailto:janderson@lottery.idaho.gov)

Iowa Lottery Authority  
2323 Grand Avenue  
Des Moines, IA 50312  
Attn: Terry Rich, Chief Executive Officer  
E-mail: [trich@ialottery.com](mailto:trich@ialottery.com)

Michigan Lottery  
101 E. Hillsdale  
Lansing, MI 48909  
Attn: M. Scott Bowen, Commissioner  
E-mail: [bowens1@michigan.gov](mailto:bowens1@michigan.gov)

Minnesota State Lottery  
2645 Long Lake Road  
Roseville, MN 55113  
Attn: Ed Van Petten, Executive Director  
E-mail: [edv@mnlottery.com](mailto:edv@mnlottery.com)

Missouri Lottery  
1823 Southridge Drive  
Jefferson City, MO 65109  
Attn: May Scheve Reardon, Exec. Director  
E-mail: [May.Scheve@molottery.com](mailto:May.Scheve@molottery.com)

Montana Lottery  
2525 North Montana Avenue  
Helena, MT 59601  
Attn: Angela Wong, Director  
E-mail: [avong@mt.gov](mailto:avong@mt.gov)

South Carolina Education Lottery  
P.O. Box 11949  
Columbia, SC 29211  
Attn: Paula Harper Bethea, Exec. Director  
E-mail: [phbethea@scslot.com](mailto:phbethea@scslot.com)

Notice shall be deemed received in the case of (a) e-mail, upon delivery, or (b) overnight courier (signature required), one (1) business day following shipment. A Party Lottery may

change the notice recipient or address by written notice to the other Party Lotteries and without amendment of this Agreement.

**17. SURVIVAL**

Sections 4.1, 4.3, 6, 9.2, 9.6, 10.1, 10.2, 10.3, 11.1, 11.2, and 14, above, shall survive the termination of this Agreement or a Licensee Lottery's withdrawal from it.

**18. MODIFICATION**

This Agreement may be modified only by a writing signed by an authorized representative of each Party Lottery.

**19. CONFLICT OF LAWS**

If there is a conflict between this Agreement and the constitution or jurisdictional laws of any Party Lottery, then the constitution or jurisdictional law of that Party Lottery shall control.

**20. SEVERABILITY**

If any one or more of this Agreement's provisions shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been a part of it.

**21. FORCE MAJEURE**

No Party Lottery shall be responsible to another Party Lottery for any loss or damage caused by delay in performance or failure to perform in whole or in part under this Agreement when such delay or failure is attributable to events beyond that Party Lottery's control, including without limitation, sabotage, failures or delays in transportation or communication, failures or substitutions of equipment, labor disputes, acts of terrorism, accidents, shortages of labor, fuel, raw materials or equipment, or technical failures.

**22. WAIVER**

All waivers of any rights or breach under this Agreement must be in writing to be effective, and no failure to enforce any right or provision shall be deemed to be a waiver of the same or any other right or provision on that or any other occasion.

**23. ASSIGNMENT**

The Licensee Lotteries, either collectively or individually, shall not assign or transfer this Agreement (including by contract or operation of law) without in each instance the New England Lotteries' prior written consent. Any attempted assignment without such prior written consent shall be void. The New England Lotteries shall have the right to assign this Agreement in their discretion and without the Licensee Lotteries' consent.

**24. SUCCESSION**

This Agreement will bind and inure to the benefit of the Party Lotteries and their respective successors and permitted assigns.

**25. ENTIRE AGREEMENT**

This Agreement constitutes the entire agreement between the New England Lotteries and the Licensee Lotteries and supersedes any prior or contemporaneous agreements between them with respect to its subject matter.

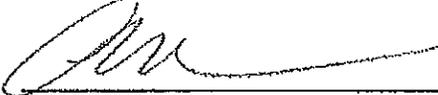
**26. COUNTERPARTS**

This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be an original, but all of the counterparts together shall constitute one and the same instrument. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to physically form the document. Facsimile and portable document format (pdf) copies of signatures shall be deemed original signatures.

IN WITNESS WHEREOF, the Party Lotteries have duly executed, or caused their duly authorized representative, to execute this Agreement.

CONNECTICUT LOTTERY CORPORATION

MAINE STATE LIQUOR AND LOTTERY COMMISSION

By:   
Anne M. Noble  
Its: President and Chief Executive Officer

By: \_\_\_\_\_  
Gregg Mineo  
Its: Director

Date: 9/22/11

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

MASSACHUSETTS STATE LOTTERY COMMISSION

NEW HAMPSHIRE LOTTERY COMMISSION

By: \_\_\_\_\_  
Beth Bresnahan  
Its: Executive Director

By: \_\_\_\_\_  
Charles R. McIntyre  
Its: Executive Director

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

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

**Exhibit A**

**LICENSED PATENTS**

<b>Title</b>	<b>U.S. Application Number</b>	<b>Filing Date</b>	<b>Issue Date</b>
<b>System and Method for Conducting a Lottery Game</b>	<b>14/179,449*</b>	<b>February 12, 2014</b>	<b>Pending application</b>

\* This non-provision United States patent application claims the benefit of United States provisional patent application bearing serial number 61/788,499 filed on March 15, 2013.

Exhibit B

SUBLICENSE AGREEMENT

This Sublicense Agreement (the "Agreement") is made as of the Effective Date by and between [Insert Name and Address of Lottery] (the "Sublicensor") and [Insert Name and Address of Vendor] (the "Sublicensee").

RECITALS

WHEREAS, the Massachusetts State Lottery Commission (the "Licensor") and the Sublicensor, among others, entered into a Lucky for Life Licensee Lottery Participation Agreement (the "Participation Agreement") wherein the Licensor granted to the Sublicensee certain non-exclusive rights to the Licensed Patents (as defined below) in connection with the Sublicensor's operation of a Game (as defined below) in the Sublicensor's jurisdiction; and

WHEREAS, the Sublicensee will provide certain services to and on behalf of the Sublicensor in connection with the Sublicensor's operation of the Game in the Sublicensor's jurisdiction; and

WHEREAS, subject to the terms of this Agreement, the Sublicensor desires to grant, and the Sublicensee desires to obtain, a limited, non-exclusive sublicense as set forth under this Agreement to the Licensed Patents solely for the Sublicensee to provide such certain services to and on behalf of the Sublicensor in connection with the Sublicensor's operation of the Game in its jurisdiction.

NOW, THEREFORE, in consideration of the mutual covenants contained in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties agree as follows:

1. DEFINITIONS

In addition to other terms that may be defined elsewhere in this Agreement, the following terms shall have the meanings set forth below (such meanings to be equally applicable to the singular as well as the plural forms of the terms defined):

"Effective Date" means the date of the Sublicensor's signature on this Agreement.

"Game" means the one lottery draw game that shall be called "Lucky for Life" and that is undertaken by the Sublicensor in its jurisdiction.

"Licensed Methods" means any method, the use or practice of which either (a) is covered by one or more claims of a patent application included within the Licensed Patents or (b) would, if unlicensed, infringe one or more claims of an issued patent included within the Licensed Patents

"Licensed Patents" means (a) the United States patent application listed on Exhibit 1 hereto; (b) any divisional, substitution or continuation United States patent applications that, directly or indirectly, claim priority to the United States patent application listed on Exhibit 1; (c) any United States patent issuing from any of the patent applications in (a) or (b); and (d) any United States renewals, extensions, reissues or reexaminations of any of the patents in (c).

"Licensed Systems" means any apparatus or system, the manufacture or use of which either (a) is covered by one or more claims of a patent application included within the Licensed Patents or (b) would, if unlicensed, infringe one or more claims of an issued patent included within the Licensed Patents.

## 2. GRANT OF LICENSE

Subject to the terms of this Agreement, the Sublicensor hereby grants to the Sublicensee a non-exclusive, non-transferable, non-assignable license (with no right to grant sublicenses) under the Licensed Patents to make, use and practice the Licensed Systems and Licensed Methods solely for and on behalf of the Sublicensor and solely for use in connection with the operation of the Game. Except as expressly provided in this Section 2, the Sublicensor does not grant to the Sublicensee a license, implied or otherwise, to the Licensed Patents.

## 3. TERM AND TERMINATION

3.1 Term. Unless terminated earlier hereunder, this Agreement shall commence on the Effective Date and will continue until the earliest occurrence of one of the following events, at which time this Agreement hereby automatically terminates: (a) the expiration or termination of the Participation Agreement; (b) the expiration or termination of the Sublicensor's license as to the Licensed Patents under the Participation Agreement; or (c) the Sublicensor ceasing to operate the Game in its jurisdiction for any reason, including but not limited to as a result of the Sublicensor's withdrawal or removal from the Participation Agreement. If one of the events in Section 3.1(a), (b) or (c) occurs thereby terminating this Agreement, the Sublicensor and/or the Licensor will provide written notice to the Sublicensee of such termination.

3.2 Termination for Cause. If a party breaches any of the terms of this Agreement (the "Breaching Party"), and such breach remains uncured for a period of thirty (30) calendar days after having received written notification of such violation, then the other party may thereafter immediately terminate this Agreement by so notifying the Breaching Party in writing, *provided, however*, such termination shall not prejudice the rights of the other party, and the other party retains all of the rights and remedies available to it in this Agreement, at law, in equity, or otherwise with respect to such Breaching Party.

3.3 Termination for Convenience. The Sublicensor may terminate this Agreement for its convenience at any time upon providing thirty (30) days written notice to the Sublicensee.

3.4 Effect of Termination. As between the Sublicensor and the Sublicensee, upon the expiration or termination of this Agreement, all rights set forth hereunder shall and hereby do automatically revert to the Sublicensor, and the Sublicensee shall immediately cease all use of the Licensed Patents and shall, at the Sublicensor's request, take all steps and actions as may be necessary to reflect or confirm the expiration or termination of the Sublicensee's rights to use the Licensed Patents.

3.5 Survival. Sections 3.4, 3.5, 4.1, 4.2 and 4.4 shall survive the termination or expiration of this Agreement.

## 4. MISCELLANEOUS

4.1 Third Party Beneficiary. The New England Lotteries as defined in the Participation Agreement are the direct, intended beneficiaries of this Agreement, with the right to enforce its provisions directly against both the Sublicensor and the Sublicensee.

4.2 **Notices.** All notices and other communications hereunder shall be in writing and shall be deemed given if delivered by e-mail or overnight courier to the parties at the following addresses:

**If to the Sublicensor, then to:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Attn: \_\_\_\_\_

E-mail: \_\_\_\_\_

**If to the Sublicensee, then to:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Attn: \_\_\_\_\_

E-mail: \_\_\_\_\_

Notice shall be deemed received in the case of (a) e-mail, upon delivery, or (b) overnight courier (signature required), one (1) business day following shipment. A party may change the notice recipient and address by written notice to the other party and without amendment to this Agreement.

4.3 **Modifications to Agreement.** This Agreement may be modified only by a writing signed by an authorized representative of each party.

4.4 **Law Governing the Agreement.** This Agreement shall be governed in all respects (including matters of construction, validity, and performance) by the internal laws of the [Insert Name of Lottery Jurisdiction] without giving effect to that jurisdiction's principles of conflicts of law. The parties irrevocably submit to the exclusive jurisdiction of the federal courts of the United States and the jurisdictional courts of [Insert Name of Lottery Jurisdiction], with regard to any action, suit, proceeding, claim or counterclaim initiated under this Agreement.

4.5 **Severability.** If any one or more of this Agreement's provisions shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been a part of it.

4.6 **Force Majeure.** No party shall be responsible to the other party for any loss or damage caused by delay in performance or failure to perform in whole or in part under this Agreement when such delay or failure is attributable to events beyond that party's control, including, without limitation, sabotage, failures or delays in transportation or communication, failures or substitutions of equipment, labor disputes, acts of terrorism, accidents, shortages of labor, fuel, raw materials or equipment, or technical failures.

4.7 Waiver. All waivers of any rights or breach under this Agreement must be in writing to be effective, and no failure to enforce any right or provision shall be deemed to be a waiver of the same or other right or provision on that or any other occasion.

4.8 Assignment. Neither party has the right to assign or transfer this Agreement (including by contract or operation of law), and any attempt to do so shall be void.

4.9 Succession. This Agreement will bind and inure to the benefit of the parties and their respective successors.

4.10 Entire Agreement. This Agreement constitutes the entire agreement of the parties and supersedes any prior or contemporaneous agreements between them with respect to its subject matter.

4.11 Counterparts. This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be an original, but all of the counterparts together shall constitute one and the same instrument. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to physically form the document. Facsimile and portable document format (pdf) copies of signatures shall be deemed original signatures.

IN WITNESS WHEREOF, the parties have duly executed, or caused their duly authorized representative, to execute this Agreement.

\_\_\_\_\_ ]

\_\_\_\_\_ ]

By: \_\_\_\_\_

Signature

Name \_\_\_\_\_

Print/Type

Title \_\_\_\_\_

Print/Type

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

By: \_\_\_\_\_

Signature

Name \_\_\_\_\_

Print/Type

Title \_\_\_\_\_

Print/Type

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

**Exhibit 1**

**Licensed Patents**

Title	U.S. Application Number	Filing Date	Issue Date
System and Method for Conducting a Lottery Game	14/179,449*	February 12, 2014	Pending application

\* This non-provision United States patent application claims the benefit of United States provisional patent application bearing serial number 61/788,499 filed on March 15, 2013.

**SECOND AMENDMENT TO LUCKY FOR LIFE LICENSEE  
LOTTERY PARTICIPATION AGREEMENT**

This Second Amendment (the "Second Amendment") to the Lucky for Life Licensee Lottery Participation Agreement (the agreement and its first amendment are collectively referred to as the "Agreement") is by and among the Participating Lotteries and the Kentucky Lottery Corporation ("KY Lottery"). All capitalized terms in this Second Amendment have the meanings given them in the Agreement.

**RECITALS**

WHEREAS, the Agreement establishes the terms and conditions for the sale and conduct of the Game, including the New England Lotteries' grant of certain licenses and rights that allow the Licensee Lotteries to offer the Game in their respective jurisdictions; and

WHEREAS, the KY Lottery, in order to offer the Game in its jurisdiction, wishes to become a Licensee Lottery under the Agreement; and

WHEREAS, the New England Lotteries are willing to grant certain licenses and rights to the KY Lottery so that it can join the Game on the same terms and conditions of the Agreement applicable to the Licensee Lotteries and, further, the Licensee Lotteries are amenable to expanding the Game to include that jurisdiction.

NOW, THEREFORE, in consideration of the mutual covenants contained in this Second Amendment and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, all parties to this Second Amendment agree as follows:

1. The KY Lottery is, and is hereafter considered to be, a Licensee Lottery with all of the rights and obligations set forth in the Agreement, as modified by this Second Amendment.
2. Notwithstanding the date set forth in Section 3.1 of the Agreement, the KY Lottery will provide the Massachusetts State Lottery Commission with a fully executed copy of the Sublicense Agreement (attached to the Agreement as Exhibit B) by December 3, 2014.
3. Section 16 of the Agreement is modified to add the following contact information for the KY Lottery:

Kentucky Lottery Corporation  
1011 West Main Street  
Louisville, KY 40202  
Attn: Arthur Gleason, President & CEO  
E-mail: arch.gleason@kylottery.com

4. This Second Amendment is effective for a Party Lottery as of the date it executes this Second Amendment.

## SUBLICENSE AGREEMENT

This Sublicense Agreement (the "**Agreement**") is made as of the Effective Date by and between \_\_\_\_\_ (the "**Sublicensor**") and Scientific Games International, Inc., 1500 Bluegrass Lakes Parkway, Alpharetta, GA 30004 (the "**Sublicensee**").

### **RECITALS**

WHEREAS, the Massachusetts State Lottery Commission (the "**Licensor**") and the Sublicensor, among others, entered into a Lucky for Life Licensee Lottery Participation Agreement (the "**Participation Agreement**") wherein the Licensor granted to the Sublicensee certain non-exclusive rights to the Licensed Patents (as defined below) in connection with the Sublicensor's operation of a Game (as defined below) in the Sublicensor's jurisdiction; and

WHEREAS, the Sublicensee will provide certain services to and on behalf of the Sublicensor in connection with the Sublicensor's operation of the Game in the Sublicensor's jurisdiction; and

WHEREAS, subject to the terms of this Agreement, the Sublicensor desires to grant, and the Sublicensee desires to obtain, a limited, non-exclusive sublicense as set forth under this Agreement to the Licensed Patents solely for the Sublicensee to provide such certain services to and on behalf of the Sublicensor in connection with the Sublicensor's operation of the Game in its jurisdiction.

NOW, THEREFORE, in consideration of the mutual covenants contained in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties agree as follows:

### **1. DEFINITIONS**

In addition to other terms that may be defined elsewhere in this Agreement, the following terms shall have the meanings set forth below (such meanings to be equally applicable to the singular as well as the plural forms of the terms defined):

"**Effective Date**" means the date of the Sublicensor's signature on this Agreement.

"**Game**" means the one lottery draw game that shall be called "Lucky for Life" and that is undertaken by the Sublicensor in its jurisdiction.

"**Licensed Methods**" means any method, the use or practice of which (a) is covered by one or more claims of a patent application included within the Licensed Patents and (b) would, if unlicensed, infringe one or more claims of an issued patent included within the Licensed Patents.

"**Licensed Patents**" means (a) the United States patent application listed on Exhibit 1 hereto; (b) any divisional, substitution or continuation United States patent applications that, directly or indirectly, claim priority to the United States patent application listed on Exhibit 1; (c) any United States patent issuing from any of the patent applications in (a) or (b); and (d) any United States renewals, extensions, reissues or reexaminations of any of the patents in (c).

"**Licensed Systems**" means any apparatus or system, the manufacture or use of which (a) is covered by one or more claims of a patent application included within the Licensed Patents

and (b) would, if unlicensed, infringe one or more claims of an issued patent included within the Licensed Patents.

## 2. GRANT OF LICENSE

Subject to the terms of this Agreement, the Sublicensor hereby grants to the Sublicensee a non-exclusive, non-transferable, non-assignable license (with no right to grant sublicenses) under the Licensed Patents to make, use and practice the Licensed Systems and Licensed Methods solely for and on behalf of the Sublicensor and solely for use in connection with the operation of the Game. Except as expressly provided in this Section 2, the Sublicensor does not grant to the Sublicensee a license, implied or otherwise, to the Licensed Patents.

## 3. TERM AND TERMINATION

3.1 Term. Unless terminated earlier hereunder, this Agreement shall commence on the Effective Date and will continue until the earliest occurrence of one of the following events, at which time this Agreement hereby automatically terminates: (a) the expiration or termination of the Participation Agreement; (b) the expiration or termination of the Sublicensor's license as to the Licensed Patents under the Participation Agreement; or (c) the Sublicensor ceasing to operate the Game in its jurisdiction for any reason, including but not limited to as a result of the Sublicensor's withdrawal or removal from the Participation Agreement. If one of the events in Section 3.1(a), (b) or (c) occurs thereby terminating this Agreement, the Sublicensor and/or the Licensor will provide written notice to the Sublicensee of such termination.

3.2 Termination for Cause. If a party breaches any of the terms of this Agreement (the "**Breaching Party**"), and such breach remains uncured for a period of thirty (30) calendar days after having received written notification of such violation, then the other party may thereafter immediately terminate this Agreement by so notifying the Breaching Party in writing, *provided, however*, such termination shall not prejudice the rights of the other party, and the other party retains all of the rights and remedies available to it in this Agreement, at law, in equity, or otherwise with respect to such Breaching Party.

3.3 Termination for Convenience. The Sublicensor may terminate this Agreement for its convenience at any time upon providing thirty (30) days written notice to the Sublicensee.

3.4 Effect of Termination. As between the Sublicensor and the Sublicensee, upon the expiration or termination of this Agreement, all rights set forth hereunder shall and hereby do automatically revert to the Sublicensor, and the Sublicensee shall immediately cease all use of the Licensed Patents and shall, at the Sublicensor's request, take all steps and actions as may be necessary to reflect or confirm the expiration or termination of the Sublicensee's rights to use the Licensed Patents.

3.5 Survival. Sections 3.4, 3.5, 4.1, 4.2 and 4.4 shall survive the termination or expiration of this Agreement.

## 4. MISCELLANEOUS

4.1 Third Party Beneficiary. The New England Lotteries as defined in the Participation Agreement are the direct, intended beneficiaries of this Agreement, with the right to enforce its provisions directly against both the Sublicensor and the Sublicensee.

4.2 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered by e-mail or overnight courier to the parties at the following addresses:

**If to the Sublicensor, then to:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Attn: \_\_\_\_\_

E-mail: \_\_\_\_\_

**If to the Sublicensee, then to:**

Scientific Games, International, Inc.

\_\_\_\_\_  
\_\_\_\_\_

Attn: \_\_\_\_\_

E-mail: \_\_\_\_\_

Notice shall be deemed received in the case of (a) e-mail, upon delivery, or (b) overnight courier (signature required), one (1) business day following shipment. A party may change the notice recipient and address by written notice to the other party and without amendment to this Agreement.

4.3 Modifications to Agreement. This Agreement may be modified only by a writing signed by an authorized representative of each party.

4.4 Law Governing the Agreement. This Agreement shall be governed in all respects (including matters of construction, validity, and performance) by the internal laws of the without giving effect to that jurisdiction's principles of conflicts of law. The parties irrevocably submit to the exclusive jurisdiction of the federal courts of the United States and the jurisdictional courts of \_\_\_\_\_, with regard to any action, suit, proceeding, claim or counterclaim initiated under this Agreement.

4.5 Severability. If any one or more of this Agreement's provisions shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been a part of it.

4.6 Force Majeure. No party shall be responsible to the other party for any loss or damage caused by delay in performance or failure to perform in whole or in part under this Agreement when such delay or failure is attributable to events beyond that party's control, including, without limitation, sabotage, failures or delays in transportation or communication, failures or substitutions of equipment, labor disputes, acts of terrorism, accidents, shortages of labor, fuel, raw materials or equipment, or technical failures.

4.7 Waiver. All waivers of any rights or breach under this Agreement must be in writing to be effective, and no failure to enforce any right or provision shall be deemed to be a waiver of the same or other right or provision on that or any other occasion.

4.8 Assignment. Neither party has the right to assign or transfer this Agreement (including by contract or operation of law), and any attempt to do so shall be void.

4.9 Succession. This Agreement will bind and inure to the benefit of the parties and their respective successors.

4.10 Entire Agreement. This Agreement constitutes the entire agreement of the parties and supersedes any prior or contemporaneous agreements between them with respect to its subject matter.

4.11 Counterparts. This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be an original, but all of the counterparts together shall constitute one and the same instrument. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to physically form the document. Facsimile and portable document format (pdf) copies of signatures shall be deemed original signatures.

IN WITNESS WHEREOF, the parties have duly executed, or caused their duly authorized representative, to execute this Agreement.

**SCIENTIFIC GAMES INTERNATIONAL,  
INC.**

By: \_\_\_\_\_

Signature

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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

By: \_\_\_\_\_

Signature

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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

**Exhibit 1**

**Licensed Patents**

<b>Title</b>	<b>U.S. Application Number</b>	<b>Filing Date</b>	<b>Issue Date</b>
System and Method for Conducting a Lottery Game	14/179,449*	February 12, 2014	Pending application

\* This non-provision United States patent application claims the benefit of United States provisional patent application bearing serial number 61/788,499 filed on March 15, 2013.



13001 University Avenue  
Clive · Iowa 50325-8225  
515-725-7900  
www.ialottery.com

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

Date: September 29, 2015

To: Iowa Lottery Board  
From: Larry L. Loss  
Re: Instant ticket printing contract extensions

The Iowa Lottery issued RFP IL 12-02, Request for Proposal, Instant Ticket Printing and Related Services on March 2, 2012.

The purpose of this Request for Proposal (RFP) was to solicit proposals from qualified firms or vendors interested in printing instant tickets and providing related services for the Iowa Lottery Authority (Lottery), pursuant to the authority of Iowa Code, Chapter 99G. The Lottery did not intend to grant any Vendor exclusive rights to print all or a majority of Lottery instant games. It was the intention of the Lottery to award game orders to more than one vendor, each of whom would be issued orders to produce games based upon the Lottery's determination of which vendor could best serve the Lottery's interests for a particular game.

On May 31, 2012, The Iowa Lottery Board approved the Iowa Lottery to issue a Notice of Intent to Award, subject to successful completion of DCI investigation, to the following vendors:

- GTECH Printing Corporation (GTECH), Lakeland, FL
- Pollard Banknote Limited (PBN), Winnipeg, MB
- Scientific Games International, Inc. (SGI), Alpharetta, GA

Subsequently, background investigations were completed and contracts negotiated with all three vendors. The initial term of the contract was for two years and the contract provided for four one-year extensions.

The initial contract term was January 1, 2013 through December 31, 2014.

On September 23, 2014, the Lottery Board approved the Iowa Lottery to exercise the first extension available; extending the term of the contracts to December 31, 2015. Due to the merger of GTECH S.p.A. and International Game Technology (IGT), the contract initially awarded to GTECH Printing Corporation is now with IGT.

There are three one-year extensions still available under this contract.

**Background Information**

The Lottery operates on a multiple game strategy and multiple price point strategy and plans to have at least 24 games available for sale at all times. New instant games will be introduced every month. As part of the monthly game introductions, the Lottery utilizes games with different ticket sizes, price points and prize structures.

One of the goals of the RFP was to contract with multiple instant ticket printing vendors so the Lottery had access to as many licensed products, proprietary games and printing techniques as possible. All three vendors possess unique offerings that aid the Lottery in growing instant ticket sales. When choosing games, the Lottery evaluates several factors when deciding which vendor to use to print a game, including, but not limited to, price, proprietary printing techniques, design and licensed properties. Ultimately, the Lottery determines which vendor can best serve the Lottery's interests for a particular game.

Since the inception of the current contract, the Iowa Lottery has grown sales from \$188.8 million in FY 2012 to \$212 million in FY 2015.

The Iowa Lottery printed 48 games in FY 2015:

<u>Vendor</u>	<u># of Games</u>	<u>Contract Value (Approx)</u>
IGT	3	\$ 102,000
PBN	16	\$1,300,000
SGI	29	\$1,100,000

**Recommendation**

Iowa Lottery staff is asking for Board approval to exercise the second extension of the Instant Ticket Printing and Related Services contracts with IGT, PBN and SGI, thus extending the contract through December 31, 2016.

**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 13001 University Avenue, Clive, Iowa 50325.

**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 second option period is hereby exercised extending the term through December 31, 2016.

**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 1/1/2016) which provides pricing for Gigantic ticket pricing (Big Ticket) 8" x 8", 8" x 10" and 8" x 12" (15/pack).

**Schedule B – Optional Pricing** – Schedule B Optional Pricing is revised to include price proposal changes for Appendix E part one and two.

**Schedule C – Licensed Properties** - Schedule C Licensed Properties has been revised to include all current licensed properties list and pricing grid available from MDI.

**SECTION 4. AGREEMENT OTHERWISE UNCHANGED**

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

**SECTION 5. EXECUTION.**

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

**Iowa Lottery Authority**

By: \_\_\_\_\_  
Name: Larry Loss  
Title: Executive Vice President

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

**Scientific Games International, Inc.**

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

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

**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 13001 University Avenue, Clive, Iowa 50325.

**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 second option period is hereby exercised extending the term through December 31, 2016.

**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 1/1/2016) which provides pricing for Gigantic ticket pricing (Big Ticket) 8" x 8", 8" x 10" and 8" x 12" (15/pack).

**Schedule C – Licensed Properties** – Schedule C Licensed Properties has been revised to include all current licensed properties list and pricing grid available from Pollard Banknote Ltd.

**SECTION 4. AGREEMENT OTHERWISE UNCHANGED**

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

**SECTION 5. EXECUTION.**

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

**Iowa Lottery Authority**

By: \_\_\_\_\_  
Name: Larry Loss  
Title: Executive Vice President

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

**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 **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 13001 University Avenue, Clive, Iowa 50325.

**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 second option period is hereby exercised by the Lottery extending the term of the Agreement through December 31, 2016.

**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, 2016) which provides pricing for Super Ticket pricing (Big Ticket) 8" x 8", 8" x 10" and 8" x 12" (15/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: \_\_\_\_\_  
Name: Larry Loss  
Title: Executive Vice President

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

**GTECH Corporation**

By: \_\_\_\_\_

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

Robin Drummond  
Regional Vice President – GTECH Americas

# Budget for Lottery Fund

	FY 2014 ACTUAL	FY 2015 ACTUAL	FY 2016 BOARD APPROVED FINAL BUDGET	FY 2017 ORIGINAL BOARD APPROVED BUDGET	FY 2017 PROPOSED BUDGET
<b>Resources</b>					
Lottery sales	314,055,429	324,767,416	321,150,000	312,700,000	321,020,000
Interest income	51,716	76,038	500,000	500,000	500,000
Application fees	4,375	3,800	5,000	5,000	5,000
Other	99,932	6,220	5,000	5,000	5,000
<b>Total Resources</b>	<b>314,211,452</b>	<b>324,853,474</b>	<b>321,660,000</b>	<b>313,210,000</b>	<b>321,530,000</b>
<b>Expenses and Change in Net Assets</b>					
Prizes	186,948,985	196,882,289	190,207,767	184,122,172	189,611,640
Retailer compensation	20,131,428	20,977,399	20,586,201	20,044,543	20,735,345
Advertising production and media purchases	6,933,352	6,766,994	12,846,000	12,508,000	12,840,800
Retailer Lottery system/Terminal Communications	6,453,429	6,733,505	7,643,516	7,311,608	7,503,301
Instant/Pull-tab ticket expense & machine maintenance	4,077,813	3,890,208	4,593,000	3,728,000	3,942,000
Vending machines/Ticket dispensers	81,787	177,000	1,723,333	2,018,000	2,018,000
Courier delivery of instant tickets	322,729	572,194	710,000	660,000	660,000
Interest expense	12,622	8,046	3,805	-	-
Lottery operating expense	12,073,776	12,408,648	14,161,362	13,264,328	14,559,330
Building (purchase and sale)	3,432,016	-	-	-	-
Increase (decrease) in net assets	(202,339)	1,920,125	25,400	(185,000)	(85,000)
<b>Total Expenses and Change in Net Assets</b>	<b>240,265,598</b>	<b>250,336,406</b>	<b>252,500,384</b>	<b>243,471,651</b>	<b>251,785,416</b>
<b>Proceeds</b>					
Proceeds Transfer to General Fund	72,141,420	72,365,900	66,659,616	67,538,349	67,244,584
Proceeds Transfer to Veterans Trust Fund	1,804,434	2,151,167	2,500,000	2,200,000	2,500,000
<b>Total Proceeds Transfers</b>	<b>73,945,854</b>	<b>74,517,068</b>	<b>69,159,616</b>	<b>69,738,349</b>	<b>69,744,584</b>
<b>Total Expenses and Proceeds</b>	<b>314,211,452</b>	<b>324,853,474</b>	<b>321,660,000</b>	<b>313,210,000</b>	<b>321,530,000</b>

## Lottery Operations - Budget Detail

	FY 2014 ACTUAL	FY 2015 ACTUAL	FY 2016 BOARD APPROVED FINAL BUDGET	FY 2017 ORIGINAL BOARD APPROVED BUDGET	FY 2017 PROPOSED BUDGET
Administrative payroll*	9,461,004	9,565,122	10,965,362	10,145,328	11,443,330
Travel	400,279	410,225	495,000	495,000	435,000
Supplies	88,328	99,454	125,000	125,000	105,000
Printing	20,435	6,291	20,000	20,000	20,000
Postage	6,993	6,118	7,000	7,000	7,000
Communications	178,880	227,509	180,000	180,000	180,000
Rentals	307,286	308,922	320,000	310,000	320,000
Utilities	120,101	126,902	101,000	84,000	101,000
Professional fees	123,287	157,782	260,000	260,000	220,000
Outside services and repair	256,838	289,302	246,000	246,000	315,000
Data processing	89,573	105,400	90,000	90,000	110,000
Equipment	220,684	329,016	370,000	320,000	386,000
Reimbursement to state agencies	424,834	418,625	495,000	495,000	480,000
Depreciation	287,356	278,004	400,000	400,000	350,000
Other expenses	87,898	79,976	87,000	87,000	87,000
<b>Total operating expenses</b>	<b>\$ 12,073,776 \$</b>	<b>\$ 12,408,648 \$</b>	<b>\$ 14,161,362 \$</b>	<b>\$ 13,264,328 \$</b>	<b>\$ 14,559,330</b>

\* FY 2017 Proposed Budget for "Administrative Payroll" includes salary and benefit cost increases per DOM projections (as a change from FY 2016 Final)