

Dear Retailer:

Thank you for choosing to sell Iowa Lottery products. Lottery tickets have been sold in Iowa since 1985 and profits have been used in various ways throughout our history including funding for economic development, environmental and cultural programs, general fund revenues and veteran causes.

Selling lottery tickets will bring customers in your door and paying customers for winning tickets will put cash in their hands that can be spent while in your business. Studies have shown that customers who buy lottery tickets as part of their shopping experience spend more money in retail locations than non-lottery purchasing customers.

In this packet, we are providing you with guidelines for selling lottery tickets and information on how you can contact the lottery when needed. As any information provide in this packet changes, the updates will be delivered to your store and posted on our web page. Each week, a lottery representative will visit your store, deliver tickets and discuss the lottery topics for that week. Working together, we can make the sale of lottery tickets fun for your customers and profitable for you.

This information is effective August 2009. The official updated information can be found at: http://www.ialottery.com/Retailers/Guidebook_main.html

Thanks again for selling Iowa Lottery products.

CONTACTING THE LOTTERY

Iowa Lottery Locations

The Iowa Lottery has five locations statewide. Each Regional Office is responsible for the delivery of tickets and payment of prizes. Prizes up to and including \$250,000 may be claimed at the Regional Offices. Prizes over \$250,000 and occasional special prize packages must be claimed at the headquarters office in Des Moines. Office hours are Monday through Friday from 8:00 a.m. to 4:00 p.m.

Lottery Security

The Iowa Lottery Security Department is located in Lottery Headquarters listed below. Lottery Security investigators are available to help you with any lottery security issue you may encounter. If you need to contact an investigator call 515.725.7900 and ask for the Security Department.

Lottery Headquarters:

2323 Grand Avenue
Des Moines, IA 50312-5307
Telephone: 515.725.7900
For winning numbers call: 515.323.4633

Cedar Rapids Regional Office:

2345 Blairs Ferry Road NE
Cedar Rapids, IA 52402-1918
Telephone: 319.395.9313
For winning numbers call: 319.393.7884

Mason City Regional Office:

2900 4th Street SW
Mason City, IA 50401-1531
Telephone: 641.424.6011
For winning numbers call: 641.424.9111

Storm Lake Regional Office:

822 Flindt Drive
Storm Lake, IA 50588-3205
Telephone: 712.732.6662
For winning numbers call: 712.732.2558

Council Bluffs Regional Office:

Omni Centre Business Park Suite 8
300 West Broadway
Council Bluffs, IA 51503-9030
Telephone: 712.242.2161
For winning numbers, call: 712.242.2163

Additional Contact Information:

For help with Extrema terminals and SciScans: 800.858.4744
For help with Instant ticket vending machines: 800.235.7198
For help with Pull-tab vending machines: 800.235.7198
Lottery Help Line: 800.228.0010
Iowa Lottery Web site: www.ialottery.com

SELLING TICKETS

Purchasers must be 21 Iowa Lottery tickets shall not be sold to persons under the age of 21.

Who can sell lottery tickets Lottery tickets may be sold only on the licensed premises by a licensed retailer or an employee of a licensed retailer who is authorized to sell lottery tickets. If the retailer is a nonprofit organization, members of the organization may also sell lottery tickets if authorized by the organization. The retailer is responsible for the conduct of its employees and members that is within the scope of the retailer's lottery license. There is no age requirement for employees or members who sell tickets.

Prize payment to minors If the person entitled to a prize is under the age of 18, the payment of the prize may be made by delivery of cash or a check payable to the order of the minor or to a parent or legal guardian of the minor. Claim forms and tickets submitted by minors must also be signed by a parent or legal guardian of the minor.

Credit prohibited Lottery tickets shall not be charged to credit cards or purchased on credit.

Debit card Lottery tickets may be purchased with debit cards, as the funds used to pay for the transaction come directly out of the player's bank account.

Store gift cards Lottery tickets may be purchased with gift cards, which are a cash equivalent.

Checks Lottery tickets may be purchased with a check, as the funds come directly from a player's bank account. As with any other retail purchase, retailers are not required to accept checks for the purchase of lottery tickets.

Price Lottery tickets are to be sold only at such prices as are fixed by the Lottery and are not subject to sales tax. When entering lottery sales in your cash register, do so under a non-taxable key. Also remember that when filing your state sales tax, you do not have to report Lottery tickets as taxable.

System hours of operation The Lottery sales day begins on one calendar day and ends on the next calendar day. The start of the sales day is approximately 2:45 AM and the close of the sales day is approximately 1:30 AM. The start or close of the sales day may vary due to factors such as system maintenance being performed, high sales levels or software updates. Instant-scratch, pull-tab and lotto tickets may be redeemed and lotto tickets may be sold whenever the Lottery computer system is operational.

Sales requirements The Lottery may specify minimum sales quotas that must be met to sell products or possess a Lottery terminal or vending machine. If a minimum sales quota is established, the quota will be provided to the retailer in writing.

Maximize sales You can maximize sales by doing a few simple things:

- Locate your tickets in high-traffic areas. Ticket dispensers located next to the main cash register(s) and unobstructed from view by other merchandise will produce the highest sales.
- Instant Ticket Vending Machines (ITVM) and Pull-tab Vending Machines (PTVM) should be kept full of tickets.
- ITVMs and PTVMs must be placed in the view of a clerk.
- Lottery Point of Purchase (POP) materials should be placed to bring awareness of new games and promotions.
- Jackpot Alerts inform customers of the current jackpot and remind them to play.

Detailed information A copy of the Licensing Terms and Conditions is included in this guidebook.

CASHING TICKETS

General

1. All tickets must be signed before they can be checked or validated.
2. Instant-scratch, pull-tab and lotto tickets can be redeemed whenever the Lottery computer system is operational. The system is generally operational except between the hours of 1:30 to 2:45 AM.
3. If prizes are paid out through a cash register, the lottery suggests using a paid-out key to record this transaction.

Instant-scratch tickets

1. All instant-scratch tickets must be validated through the terminals so that credit is issued for the tickets you have paid.
2. Prizes up to \$100 may be redeemed at any retail location.
3. Prizes from \$101 to \$600 may be paid by the retailer if sufficient funds are available.
4. Prizes over \$600 must be redeemed at any Lottery office.
5. After the ticket has been paid, staple the cash receipt to the ticket and keep it to balance out your cash drawer and then mutilate the ticket so it cannot be presented again for payment.
6. When cashing a ticket that has a prize of free tickets, the free tickets given as a prize must be recorded as a sale so that daily sales totals will properly reflect that transaction.

Pull-tabs

1. When pull-tabs are scanned through the terminal, the message you receive identifies whether the ticket was sold by you or someone else.
 - a. "Sold Here" means that the ticket was sold by your location and you must pay the prize.
 - b. "Not Sold Here" means that the ticket was sold by another location and you should NOT pay the prize.
 - c. Prizes up to and including \$600 must be paid by the retailer that sold the ticket.

- d. Prizes over \$600 must be redeemed at any Lottery office.
2. After the ticket has been paid, keep the ticket to balance out your cash drawer and then mutilate the ticket so it cannot be presented again for payment.

On-line Lotto games (Lotto)

1. All lotto tickets must be validated through the terminals so that credit is issued for the tickets you have paid.
2. Prizes up to \$100 may be redeemed at any retail location.
3. Prizes from \$101 to \$600 may be paid by the retailer if sufficient funds are available.
4. Prizes over \$600 must be redeemed at any Lottery office.
5. After the ticket has been paid, staple the cash receipt to the ticket and keep it to balance out your cash drawer and then mutilate the ticket so it cannot be presented again for payment.
6. When cashing a ticket that has a prize of free tickets, the free tickets given as a prize must be recorded as a sale so that daily sales totals will properly reflect that transaction.

ACQUIRING INSTANT-SCRATCH AND PULL-TAB TICKETS

The Iowa Lottery has a sales team of District Sales Representatives (DSR). You will have a DSR assigned to your store. Your DSR will visit your store each week in most cases; however, delivery schedules may be altered due to holidays and weather conditions.

While in the store your DSR will:

- Work with you to determine how many packs of instant-scratch or pull-tab tickets you need that week and immediately deliver those tickets.
- Return any instant-scratch tickets you may need to send back.
- Adjust coupon credits.
- Inform you about lottery promotions and new games.
- Educate your employees on how to run the terminal or work with lottery products.
- Place advertising and promotional signage.

The Lottery utilizes a direct sales approach to delivering tickets to your store. After the order is established, the DSR will fill the order immediately. The DSR will utilize the lottery terminal in your store to transfer the tickets from lottery inventory to yours. This is accomplished by scanning the bar code on the tickets.

Retailers may also purchase tickets directly from a Lottery Regional Office during normal business hours.

Copy of Instant Ticket Activation Report

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PLAY MIDWESTMILLIONS! BETTER THAN
1 IN 3 ODDS OF WINNING A PRIZE!
For current drawing results call
Des Moines(515)323-4633 Cedar Rapids(319)393-7884

FRI NOV 07 08 05:28:00
NOT A TICKET
INSTANT ACTIVATION
Nov 7 2008 - Nov 7 2008
RETAILER 180782 (Goldstar? = N)

GAME-PACK   #TKTS   $AMT   %CM
612-207241   100    $300   5.50
612-100067   100    $300   5.50
612-194366   100    $300   5.50
TOTAL       3 PACKS $900
GRAND TOTAL          3 PACKS   $900

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REP SIGNATURE

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RETLR SIGNATURE (3 PKS. $900)
    
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Copy of Instant Ticket Return Report

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PLAY MIDWESTMILLIONS! BETTER THAN
1 IN 3 ODDS OF WINNING A PRIZE!
For current drawing results call
Des Moines(515)323-4633 Cedar Rapids(319)393-7884

FRI NOV 07 08 05:44:32
NOT A TICKET
INSTANT RETURN DETAIL
Nov 7 2008
RETAILER 180782 (Goldstar? = N)

612-100067           $ 300.00
SaleComm             $ 16.50C
Return               $ 300.00C
RtnComm              $ 16.50
612-194366           $ 300.00
SaleComm             $ 16.50C
RtnComm              $ 0.50
Return               $ 9.00C

TOTAL                $ 275.00

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REP SIGNATURE

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RETLR SIGNATURE (Ttl $275.00)
    
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PAYING FOR TICKETS

You are required to pay for Lottery tickets by means of an electronic funds transfer from your bank account. Each week, the Lottery will either credit or debit your account for the amount of the transactions for that billing cycle. The Lottery's accounting week runs from the start of sales on Sunday through end of sales on Saturday. (Please refer to System Hours of Operation for the definition of a sales day). You will pay for all of the instant-scratch and pull-tab tickets that are "settled" each week in addition to any lotto sales that were made that week. The total amount due will be transferred from your account by electronic funds transfer on the following Friday.

Instant-scratch tickets are sold by the pack. All packs of instant-scratch tickets have a \$300 retail value (the number of tickets per pack has been adjusted to equal the \$300 value). Packs of instant-scratch tickets are settled when the first of the following scenarios occurs:

1. 45 days have elapsed since delivery; OR
2. 70% of the winning tickets in a pack have been redeemed; OR
3. Other terms agreed to by the retailer and the Lottery – settled upon delivery, for example.

Pull-tabs are sold by the unit. Units of pull-tabs are settled immediately upon delivery.

The cost of all settled packs of instant-scratch tickets and delivered units of pull-tabs is added to the cost of all lotto tickets sold for the accounting week. All credits and adjustments are applied against the total amount due. A summary of the week's transactions, known as the Weekly Settlement Report, is available on your lottery terminal and is available on Sunday as the new accounting week begins.

Additionally, your DSR can deliver a detailed weekly statement. Your DSR will discuss this option with you. Also available are activation/return and adjustment reports if you have questions concerning any transaction. You can get these reports by contacting your regional office.

Copy of Weekly Settlement Report

PLAY MIDWESTMILLIONS! BETTER THAN 1 IN 3 ODDS OF WINNING A PRIZE! For current drawing results call Des Moines(515)323-4633 Cedar Rapids(319)393-7884	
FRI NOV 07 08 06:11:00 NOT A TICKET WEEKLY SETTLEMENT Nov 2 2008 - Nov 8 2008 RETAILER 180782	

FWD BALANCE	9027.85
PAYMENT	9027.85C
ON-LINE NET	5755.48
INSTANT NET	547.50
PULL-TAB NET	0.00
ADJUSTMENTS	0.00
COMM ADJ	0.00
SPECIAL COMM	0.00
TOTAL DUE	6302.98

ON-LINE	
38 \$100K	1908.00
FP REPLAY	0.00
52 PBALL	2679.00
75 PICK3	2196.00
55 PICK4	1889.00
IOWA RAFFLE	0.00
ROLL	0.00
47 HOT LOTTO	1519.00
GIFT	0.00
267 SALES	10191.00
CANCELS	0.00
36 CASHES	3866.00C
3 COUPONS	6.00C
PROMOS	0.00
3 FREE TKTS	3.00C
SALES COMM	560.52C
ON-LINE SVC CHRG	0.00
ON-LINE NET	5755.48

INSTANT	
3 PACKS SETTLED	900.00
2 RETURNS	309.00C
8 CASHES	11.00C
COUPONS	0.00
SALES COMM	32.50C
INSTANT NET	547.50

PULL-TAB	
PACKS SETTLED	0.00
RETURNS	0.00
COUPONS	0.00
SALES COMM	0.00
PULL-TAB NET	0.00
NOT FOR SALE	

WHEN LAST TOP PRIZE IS CLAIMED

Periodically the Lottery must notify retailers that an instant-scratch game's last top prize has been claimed and that they must pull the game from their dispensers.

The lottery's decision to pull an instant-scratch game is out of fairness to all players: if the last top prize in a game has been claimed, players no longer have a chance at a top prize if they buy a ticket.

We appreciate the effort retailers put forth when they must pull a game from their dispensers and get them to their DSR for pickup. Retailers have done an excellent job removing tickets over the years.

What happens when the last top prize is claimed?

Some retailers may not be familiar with what goes on behind the scenes at the lottery as we track sales of instant-scratch games through our computer system. When a particular instant-scratch game's last top prize is claimed, our computer automatically generates a message that's sent to all retailers' terminals telling them to pull the game from their dispensers. Our goal is to have all remaining tickets from that game collected by our DSRs within a week.

How to retrieve a message

Extrema Terminal: When a message comes through the lotto terminal, it makes a noise like a ringing telephone. Retailers should then touch the icon on the screen to retrieve and print the message.

SciScan Terminal: As soon as the terminal connects to the central system, the system will deliver the message and it will automatically print.

Tips for making the ticket retrieval process easier

- Make sure clerks are aware of what to do when a message is generated by the terminal about a last top prize being claimed.
- It's very helpful if a retailer has someone available to remove tickets from a safe if they store some there.
- It's also important to check the game number carefully so the proper tickets are removed from the dispensers. (For example, we have different versions of the Crossword game available. One version of the game may need to be removed from sale, while the other can remain. It is important that the correct game is removed.)

WHEN GAMES ARE ENDED FOR OTHER REASONS

The Lottery ends games for several reasons:

- The game has sold out.
- The game has a promotion associated with it and the game must end in enough time to allow people to enter their non-winning tickets.
- The game has stopped selling.
- The season is over for the game's theme (example: Holiday games).

Once the Lottery announces the end of a game, the DSRs begin returning those tickets. In general, those games will be returned within two weeks of the game ending announcement, but must be returned with five weeks of the announcement.

ADDITIONAL LOTTO GAME INFORMATION

Lotto games that can be cancelled

Tickets from the \$100,000 Cash Game, Pick 3 and Pick 4 games **CAN** be cancelled.

Tickets must:

- Be cancelled the same day in the same store where they were sold.
- Be cancelled before the sales cutoff time for the game

Lotto games that cannot be cancelled

Tickets from the Powerball and Hot Lotto games **CANNOT** be cancelled. However misprinted tickets or tickets made in error may still be eligible for credit if you follow the correct procedure. For details pertaining to how to receive credit for these kinds of tickets, refer to the enclosure labeled "New Procedure to Get Credit for Mistake Powerball, Hot Lotto Tickets."

Don't share ticket stock with other retailers

Each roll of ticket stock for the Extrema lotto terminal is assigned to a particular store by Scientific Games - it is individually numbered and tracked. If you use a roll of stock that isn't assigned to your terminal, it can cause problems.

You may order ticket stock through your lotto terminal's "Special Functions" menu by generating a supply request, or you may call Scientific Games at 1-800-858-4744.

How do I get supplies for my Lottery terminal?

Play slips for all lotto games and paper for the terminal are available from the vendor supplying the terminals. You can order these items on the terminal or by calling the retailer hotline.

Lotto pencils and play slip holders are available from the Lottery. You can get these from your sales representative when he/she is at your store.

STOLEN TICKETS

Lottery Security must be immediately notified if tickets are stolen from your business. Local law enforcement should also be contacted. The retailer should provide the Lottery with the game, pack and ticket numbers of the tickets that were stolen.

Lottery Security will enter the tickets into the Lottery computer system as stolen. After the tickets are marked as stolen, any attempt to cash those tickets will produce a security alert on the system.

When the tickets are marked as stolen on the system, the system will automatically settle the packs and they will appear on your weekly settlement report.

Lottery Security will review the circumstances surrounding the theft of tickets and credit may be issued for the value of the tickets stolen. This review will include, but is not limited to:

- Was the loss due to internal theft?
- Were the tickets kept in a safe or other secured area?
- Is insurance coverage available for the loss?
- Is restitution ordered by a court?

After the review has been completed, credit for stolen tickets may be made at the discretion of the Lottery.