M I N U T E S

IOWA LOTTERY BOARD

March 25, 2009

The Iowa Lottery Board convened at 10:00 a.m. at Lottery headquarters in Des Moines, Chairperson Junge presiding. Board members present: Elaine Baxter, Mary Junge, Michael Klappholz, Thomas Rial, Brad Schroeder, Michael Fitzgerald.

Lottery staff present: Terry Rich, CEO; Kenneth Brickman, Executive Vice President; Brenda Loy, Acting Chief Financial Officer; Joe Hrdlicka, Vice President for Marketing; Larry Loss, Vice President for Sales; Mary Neubauer, Vice President for External Affairs; John Ellison, Security Investigator; Evelyn Halterman, IT Manager; Therese Spaulding, Validations Manager; Marci Tooman, Assistant Vice President for Legal Affairs; David Van Compernolle, Assistant Attorney General; Barbara DeHeck, secretary.

Others present: David Berger (Scientific Games), Bill Petroski (Des Moines Register).

Minutes

Schrader moved to approve the minutes of the December 2, 2008 meeting. The motion was seconded by Klappholz and carried unanimously.

Monthly Reports

Written security, financial, and marketing/sales reports were included in the agenda package. Staff members reviewed the information and responded to questions from Board members. Rich reported on plans for boosting sales, concentrating on Powerball as the game with the highest player recognition and best return to the state. He said Lottery staff members were working with the Department of Tourism to offer discounts for Iowa attractions through the Lottery's website and a Lottery presence at festivals throughout the state. Hrdlicka added that the campaign would present the Lottery as a real asset to the state, not only through providing revenue, but also as a catalyst to promote Iowa destinations.

Baxter moved to approve the monthly reports. The motion was seconded by Rial and carried unanimously.

Bottom-Line Challenge Contest

Loss announced that in keeping with the Lottery's emphasis on striving to provide the highest possible proceeds to the state, a proposed contest was developed, aimed at both increasing competition and boosting employee morale. In the "Bottom-line Challenge Contest," employees would compete over a 16-week period for credits toward the purchase of logoed clothing items by meeting cost reduction or product placement goals.

Baxter expressed concern about the investment involved, given current economic conditions.

Klappholz noted that similar items had been awarded at annual meetings in previous years and pointed out that logoed clothing worn by Lottery personnel would help to

promote and advertise the Lottery. Rial added that he thought it was a good idea, with a relatively low cost.

Rial moved to approve the Bottom Line Challenge Contest. Schroeder seconded the motion. Voting aye: Junge, Klappholz, Rial, Schroeder. Nay: Baxter. Motion carried 4-1.

Audit Firm RFP Award and Contract Approval

Loy reported that a request for proposals was issued on January 14, 2009, seeking independent certified public accountants to provide auditing services for the Lottery's drawing events and other special events. Two responses were received: from Faller & Kincheloe, PLC, and Larson, Watson, Bartling & Jeffer, LLP. She indicated the staff evaluation committee reviewing the proposals had found that both firms met all requirements of the RFP, and therefore recommended contracting with the lower bidder, Faller & Kincheloe. A draft contract was presented for Board approval, subject to any nonsubstantive adjustments to terms that might be negotiated between the parties or counsel prior to execution. The proposed contract would be effective from May 1, 2009 through April 30, 2011 with four one-year renewal options.

Baxter moved to award the auditing services contract to Faller & Kincheloe, and to approve the proposed contract document subject to non-substantive changes negotiated between the parties. The motion was seconded by Rial and carried unanimously.

Membership Dues

Board approval was requested for payment of the Lottery's annual membership dues to the Iowa Grocery Industry Association ($500), Petroleum Marketers & Convenience Stores of Iowa ($625), North American Association of State and Provincial Lotteries ($16,000) and the World Lottery Association (5600 Swiss Francs). Hrdlicka noted that membership in the grocery industry and petroleum marketers associations enabled the Lottery to stay up to date on industry trends, as well as facilitating greater cooperation between the Lottery and its retailers. He indicated all North American lotteries were members of NASPL, an organization which provided information and education on key trends, communication among its members, and a united voice for the lottery industry on critical issues; while membership in the World Lottery Association provided a valuable exchange of information with lotteries from other continents.

Rial moved to approve the 2009 membership dues as listed. The motion was seconded by Klappholz and carried unanimously.

Personnel

Rich recognized and commended Brickman for his 16 months of service as Acting CEO and thanked him for his invaluable assistance during the transition. He also expressed his appreciation to Brenda Loy, Acting Chief Financial Officer, and John Ellison, Acting Vice President Security. Junge thanked them on behalf of the Board for taking on additional duties to keep the Lottery running smoothly, without additional compensation.

Rich recommended that Brenda Loy be appointed Chief Financial Officer, noting that she was both very capable and highly recommended. For the position of Vice President

Security he recommended Joe Diaz, a former assistant director with the Division of Criminal Investigation who had been involved in gaming industry matters for many years.

Baxter moved to approve Brenda Loy as Chief Financial Officer and Joe Diaz as Vice President, Security. The motion was seconded by Rial and carried unanimously.

Management Line of Succession

Rich indicated the Lottery's management line of succession established by the CEO and the Board in January of 2004 needed to be update to reflect personnel changes. The new line of succession would be:

1. Chief Executive Officer (statutory)
2. Executive Vice President/Chief Operating Officer – Ken Brickman
3. Vice President Sales – Larry Loss
4. Vice President External Relations – Mary Neubauer
5. Vice President Marketing – Joe Hrdlicka
6. Vice President Finance/Chief Financial Officer – Brenda Loy
7. Vice President Security – Joe Diaz

Rial moved to approve the line of succession. The motion was seconded by Schroeder and carried unanimously.

Adjournment having been moved and carried, the meeting adjourned at 11:08 a.m.