



FY 2024 RETAILER INCENTIVE PROGRAM

GOALS AND OBJECTIVES

To develop a program to exceed the Kentucky Lottery's scratch-off quota for FY 2024.

To provide financial incentives beyond standard fees for retailers achieving outstanding sales performance.

To provide a compensation program that is fair and equitable for all retailers.

To provide an incentive for retailers to increase lottery presence and sales.

To provide an incentive system that will motivate retailers to promote and sell lottery games throughout the fiscal year.

SALES GOAL FOR FY '24

Scratch-off sales goal will be established and approved by the Board of Directors. Once established it shall be communicated to retailers and updated on this document.

FY 2024 period = July 1, 2023 – June 30, 2024

Quarterly scratch-off goals for retailers will be allocated based on prior year market share by price point.

INCENTIVE TIME PERIODS

Quarter 1: July 1, 2023 – September 30, 2023

Quarter 2: October 1, 2023 – December 31, 2023

Quarter 3: January 1, 2024 – March 31, 2024

Quarter 4: April 1, 2024 – June 30, 2024

SCRATCH OFF INCENTIVE FY 2024 ELIGIBILITY

- Retailers must have an active license status on the records of KLC at the beginning and end of the quarter they qualify for an incentive. To qualify for a specific quarter's incentive program, the retailer must have the capability to sell scratch-off products all days of that specific quarter. If not, they are ineligible for the incentive for that quarter.
- Retailers must carry a minimum of 24 scratch-off games. If a retailer sells 24 or more games from a vending machine, they must also carry a minimum of 12 games at the counter to be eligible for any incentive. If not, they are not eligible for an incentive that quarter.
- To earn an incentive from this section, retailers must average 5% or less Out of Stock in all Scratch Off vending equipment as measured by system reports.
- Only retailers who had no more than 1 NSF instance during the incentive period during which they are qualified for an incentive will be eligible to receive that incentive. Those retailers with 2 or more NSF instances during a specific incentive period are not eligible for the incentive for that period.
- At the sole discretion of the KLC, a retail location having joint ownership may retain its eligibility if one of the original owners sells their share of the business to the remaining partner(s) (which necessitates a Retailer Number change). These will be managed on a case-by-case basis. Sales from both retail numbers will be combined for comparison to the weekly incentive rates if eligible.
- Retailers not meeting the above criteria may still be eligible, at the sole discretion of the KLC, with written authorization of the President of the KLC.

Section 1 – Exceed Quarterly Scratch Off Goal

Retailers can earn a full incentive if they exceed their quarterly scratch-off sales goal. Each retailer's sales goal will be provided by the sales rep upon the start of Quarter 1 and before the start of Quarters 2-4.

Retailers must exceed their scratch-off sales goal each quarter to earn a full incentive. Qualifying retailers must have scratch-off sales all 52 weeks of the previous year July 1, 2022 to June 30, 2023 to be eligible. Retailers can earn partial incentives for exceeding scratch-off sales from the same quarter in the prior year. Qualifying retailers must have scratch-off sales all days of the comparable prior year period. The incentive rates are below.

Weekly Average	Bonus Earned by Exceeding Quarterly Sales Goal	Bonus Earned by Exceeding Same Quarter Sales Previous Year but not Quota
Sales below \$1,750 per Week	Does not Qualify for Incentive	Does not Qualify for Incentive
\$1,750 - \$3,499	Flat \$50	Flat \$25
\$3,500 - \$5,749	0.25%	0.125%
\$5,750 - \$7,499	0.40%	0.20%
\$7,500 - \$10,499	0.50%	0.25%
\$10,500 - \$13,999	0.60%	0.30%
\$14,000 - \$19,999	0.70%	0.35%
\$20,000 - 26,999	0.80%	0.40%
\$27,000 - \$34,999	0.90%	0.45%
\$35,000 - \$44,999	1.00%	0.50%
\$45,000 and more	1.50%	0.75%

Average weekly scratch-off sales will be used to determine the quarterly incentive percentage (%) rate for which a retailer qualifies. Average weekly sales refer to total Scratch-off sales during the quarter, divided by the number of days in that quarter, multiplied by seven (7).

The incentive rate above will be multiplied by quarterly scratch-off sales to calculate the incentive.

Section 2 - Excellence in Execution Program

Retailers can earn an Excellence in Execution incentive each quarter based on achieving or complying with significant success markers. Retailers must be active all days of the associated quarter to qualify for this section of the plan.

Two markers will be tracked by the Kentucky Lottery system.

- 100% activation of at least one pack of scratch-off tickets from every new game by the end of Launch Day 1.
- Games must be displayed immediately upon activation. Initially activated packs cannot be returned for credit until after the games are removed from the plan-of-program unless approved by management.

Four markers will be measured and recorded by Lottery Sales Staff a minimum of 4 times per quarter during store visits.

- Average 5% or less out of stock for all days of each quarter for dispensers based on condition upon arrival in store.
- If a retailer exceeds the allowed out of stock percentage upon lottery employee arrival, the store does not qualify for this success marker even if the sales rep or retailer loads games during visit.
- 100% compliance with current POG program
- Placement of at least one game specific POS item including but not necessarily limited to:

○ Pole Sleeve	○ Window Cling
○ Gemini/Dispenser topper	○ Pump Topper

To qualify for the Excellence in Execution incentive retailers must:

- Achieve 100% of the Activation Goal for all games launched each quarter
- Achieve all the above Success Markers at least 3 times each quarter
- Average 5% or Less Out of Stock for all days in each in all scratch-off vending equipment (vending and dispensers) as measured by system reports and recorded by Lottery sales staff

To qualify for 100% of eligible incentive in this section, retailers must exceed their sales goal for the assigned quarter. Otherwise, retailers will earn 50% of eligible incentive from this section. Retailers without sales all or part of FY 2023 shall be considered “new” retailers and are eligible to earn 100% of eligible incentive from this section.

The incentive categories are as follows:

SCRATCH OFF SALES PERFORMANCE CATEGORY	BONUS EARNED	BONUS EARNED IF QUOTA NOT ACHIEVED
Sales Below \$1,750 per Week	Does Not Qualify	Does Not Qualify
\$1,750 - \$3,499	\$50	\$25
\$3,500 - \$5,749	\$150	\$75
\$5,750 - \$7,499	\$300	\$150
\$7,500 - \$10,499	\$750	\$375
\$10,500 - \$13,999	\$1,000	\$500
\$14,000 - \$19,999	\$1,500	\$750
\$20,000 - 26,999	\$1,750	\$875
\$27,000 - \$34,999	\$2,000	\$1,000
\$35,000 - \$44,999	\$2,500	\$1,250
\$45,000 and more	\$3,000	\$1,500

Section 3 - Best of the Best Program

Retailers can qualify for an additional incentive each quarter above and beyond the scratch-off Sales Incentive and Excellence in Execution Incentive by carrying a minimum of 24 games at the counter and a scratch-off vending machine. Retailers must have also successfully achieved the other Excellence in Execution success markers (Launch Day Activations, 5% or less OOS at counter and vending, POG compliance and POS placement).

Retailer must exceed \$5,750 per week in scratch-off sales to qualify..

To qualify for 100% of eligible incentive in this section, retailers must exceed their sales goal for the assigned quarter. Otherwise, retailers will earn 50% of eligible incentive from this section. Retailers without sales all or part of FY 2023 shall be considered “new” retailers and are eligible to earn 100% of eligible incentive from this

section.

SCRATCH OFF SALES PERFORMANCE CATEGORY	BONUS EARNED	BONUS EARNED IF QUOTA NOT ACHIEVED
Sales below \$5,750 per Week	Does not Qualify	Does not Qualify
\$5,750 - \$7,499	\$100	\$50
\$7,500 - \$10,499	\$250	\$125
\$10,500 - \$13,999	\$500	\$250
\$14,000 - \$19,999	\$1,000	\$500
\$20,000 - \$26,999	\$1,250	\$625
\$27,000 - \$34,999	\$1,500	\$750
\$35,000 - \$44,999	\$2,000	\$1,000
\$45,000 and more	\$2,500	\$1,250

Section 4 - Bonus OOS Incentive

Retailers achieving quarterly vending machine out of stock averages at 4.5% and under based on system reports shall be eligible for a bonus incentive. To qualify for the incentive below, retailers must also achieve all EIE success markers as described above. The Bonus OOS incentive categories are as follows:

Quarterly OOS Average	Bonus Incentive
4.1% - 4.5%	\$200
3.6% - 4.0%	\$300
3.0% - 3.5%	\$400
2.9% or below	\$500

PROGRAM POINTS

- Incentives will only be awarded to those retailers meeting all eligibility requirements and who qualify by their sales.
- Each retailer will be considered as standing alone for purposes of this plan. (i.e., Each store in a chain account will be judged on the merit of its own sales, rather than the total of the chain account.)
- Unusual situations may arise that were not considered by this plan. Such situations will be brought to the attention of the President & CEO, who will determine how such situations shall be treated in conformance with the intent of this Incentive Plan.
- If an incentive is earned, the retailer will receive an account credit with written

notification by the Lottery. The credit will be given as soon as administratively possible in the month following the end of the respective quarter. At KLC's discretion, checks may be written and delivered to retailers earning incentives above a certain amount (i.e., \$1,000 or more). Each incentive period stands alone and represents a sales quarter as defined above.