FY2026
RETAILER INCENTIVE PROGRAM

GOALS AND OBJECTIVES

To develop a program to meet and exceed the Kentucky Lottery's retailer sales quota for FY 2026.

To provide financial incentives beyond standard commissions and bonuses 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 motivate retailers to promote and sell lottery games throughout the fiscal year.

SALES GOAL FOR FY2026

Retail sales goal will be established and approved by the Board of Directors in the FY 2026 budget. Once established, it shall be communicated to retailers and updated within this document.

FY 2026 period = July 1, 2025 – June 30, 2026
Quarterly scratch-off and draw game goals for retailers will be allocated based on prior year market share by price point and game.

INCENTIVE TIME PERIODS

Quarter 1: July 1, 2025 – September 30, 2025
Quarter 2: October 1, 2025 – December 31, 2025
Quarter 3: January 1, 2026 – March 31, 2026
Quarter 4: April 1, 2026 – June 30, 2026

INCENTIVE ELIGIBILITY

- Retailers must have an active license status according to KLC records at the beginning and end of the quarter and must have the capability to sell lottery products all days of that specific quarter. If not, they are ineligible for the incentive for that quarter.
- Retailers must carry a minimum of twenty four (24)Scratch-off facings. If a retailer has 24 or more facings from a vending machine, they must also carry a minimum of twelve (12) facings at the counter. The counter must be free of clutter and other merchandise to be eligible for any incentive. If not, they are not eligible for an incentive that quarter.
- To earn an incentive under sections 1, 2, and 3, retailers with vending must average five percent (5%) or less Out of Stock in all Scratch-off vending equipment as measured by system reports.
- Retailers activating Scratch-offs that exceed two (2) times their weekly sales rate will not be eligible for an incentive and may not return those activated tickets.
- Only retailers who had no more than one (1) NSF (non-sufficient funds) instance during the incentive period during which they are qualified for an incentive will be eligible to receive that incentive. Those retailers with two (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. All other change in ownerships of a retailer during an incentive period will result in the retailer being ineligible for the incentive.
- 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 Sales Goal

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

Retailers must exceed their quarterly Scratch-off sales goal to earn quarterly incentive. Qualifying retailers must be active all 52 weeks of the previous year (July 1, 2024 to June 30, 2025) to be eligible. New retailers will qualify by exceeding the same quarter the previous year once active for at least 5 quarters. The incentive rates are below.

Weekly Average	Bonus Earned by Exceeding Quarterly Sales Goal
Sales below $1,750 per Week	Does not Qualify for Incentive
$1,750 - $3,499	Flat $75
$3,500 - $5,749	0.375%
$5,750 - $7,499	0.60%
$7,500 - $10,499	0.75%
$10,500 - $13,999	0.90%
$14,000 - $19,999	1.05%
$20,000 - 26,999	1.20%
$27,000 - $34,999	1.35%
$35,000 - $44,999	1.50%
$45,000 and more	2.25%

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 applicable incentive rate above will be multiplied by quarterly Scratch-off sales to calculate the incentive.

Section 2 - Excellence in Execution (EIE) 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.

- One hundred percent (100%) activation of at least one (1) pack of scratch-off tickets from every new game by the end of Launch Day 2. Games must be displayed and available for sale to the public immediately upon activation. Initially activated packs cannot be returned for credit until after the games are removed from the Plan-O-Gram (POG) unless approved by management.
- Average 5% or less out of stock for all vending machines combined.

Four (4) markers will be measured and recorded by Lottery Sales Staff four (4) times per quarter during store visits.

- Carry at least twenty four (24) facings. If a retailer has 24 or more facings from a vending machine, they must also carry a minimum of twelve (12) facings at the counter.
- Display must be fully visible and not blocked by merchandise or equipment. No retailer equipment or merchandise may be placed on counter displays and/or vending machine.
- Average five percent (5%) or less out of stock for all facings combined based on condition upon arrival in store.
    - If a retailer exceeds the allowed out of stock percentage upon lottery employee

arrival, the retailer does not qualify for this success marker even if the territory sales manager or retailer loads games during visit.

- Compliance with current Plan-O-Gram (POG) program or any other inventory and display program developed by the KLC. Up to 10% deviation from the program will be allowed if specified games are not available in backstock. To clarify, this deviation will allow for other games to be used at the same price point, but games from another price point should not be substituted and ALL price points must be carried. See chart below for allowed bin deviations.

10% Allowed POG Variance

#TOTAL BINS	#BIN VARIANCE ALLOWED
less than 12	0
13-19	1
20-29	2
30-39	3
40-49	4

<u>To qualify for the Excellence in Execution incentive retailers must:</u>

- Achieve one hundred percent (100%) of the Activation Goal for all games launched each quarter
- Achieve all the above Success Markers at least three (3) times each quarter

To qualify for 100% of the eligible incentive in this section based on average weekly sales, retailers must exceed their sales goal for the assigned quarter. Otherwise, retailers will earn 50% of the eligible incentive from this section. Retailers without sales all of FY2025 but with five full quarters of sales must exceed sales from the same quarter of the previous year to achieve the full bonus. Retailers without five quarters of sales 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 ACHEIVED
Sales Below $1,750 per Week	Does Not Qualify	Does Not Qualify
$1,750 - $3,499	$60	$30
$3,500 - $5,749	$180	$90
$5,750 - $7,499	$360	$180
$7,500 - $10,499	$900	$450
$10,500 - $13,999	$1,200	$600
$14,000 - $19,999	$1,800	$900
$20,000 - 26,999	$2,100	$1,050
$27,000 - $34,999	$2,400	$1,200
$35,000 - $44,999	$3,000	$1,500
$45,000 and more	$3,600	$1,800

Section 3 - Bonus OOS Incentive

Retailers achieving quarterly vending machine out of stock averages at four percent (4%) 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
3.6% - 4.0%	$100
3.5% or below	$200

Section 4 – Exceed Quarterly Draw Sales Goal (Kentucky games only)

Retailers can earn an incentive if they exceed their total quarterly draw sales goal, for Kentucky draw games only, which includes sales for the following games: Pick 3, Pick 4, KY Cash Ball, Keno, Cash Pop, and Fast Play. Each retailer's sales goal will be provided by the territory sales manager upon the start of Quarter 1 and before the start of Quarters 2-4.

Retailers must exceed their draw sales goal each quarter to earn an incentive. Qualifying retailers must be active all 52 weeks of the previous year (July 1, 2024 to June 30, 2025) to be eligible. New retailers will qualify by exceeding the same quarter the previous year once active for at least five quarters. Retailers without five quarters of sales will not be eligible for an incentive under this section.

Retailers that that exceed quarterly draw sales goal will be eligible for a one half percent (0.5%) incentive on total quarterly draw sales, for Kentucky draw games only.

PROGRAM POINTS

- Incentives will only be awarded to those retailers meeting all eligibility requirements.
- Each retailer location will be considered as standing alone for purposes of this plan. (i.e., Each store in a chain account will be judged on 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.

Signed by:
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6/3/2025

Pete Ramsey, VP Corporate Accounts & Business Development — Date

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Maggie Garrison, VP, Chief Financial Officer — Date

Signed by:
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6/16/2025

Mary Harville, President & CEO — Date