



STATE OF ARKANSAS  
**Department of Finance  
and Administration**

OFFICE OF THE ARKANSAS LOTTERY  
Post Office Box 3238  
Little Rock, Arkansas 72203-3238  
Phone: (501) 683-2000  
Fax: (501) 683-1878  
<http://myarkansaslottery.com>

July 17, 2017

The Honorable Keith Ingram, Chair  
The Honorable Chris Richey, Chair  
Arkansas Legislative Council Lottery Oversight Subcommittee  
One Capitol Mall, Room R-501  
Little Rock, AR 72201

RE: Request for Review of Major Procurement Contract Extension

Gentlemen:

The Department of Finance and Administration Office of the Arkansas Lottery (OAL) requests review by the Arkansas Legislative Council Lottery Oversight Subcommittee (ALC LOS) of Amendment No. 3 to the Agreement for Contractual Services for Online Lottery Game Services and Lottery Gaming System and Services, originally entered into on August 15, 2009, as amended and renewed by and between OAL and Intralot, Inc. I respectfully request that this matter be included on the agenda of the August 17, 2017, ALC LOS meeting. The following information provides background on this matter:

1. The Arkansas Lottery Commission (ALC) issued a Request for Proposal (RFP) for Contractual Services for Online Lottery Game Services and Lottery Gaming System and Services on June 19, 2009 (*Exhibit A*).
2. ALC passed a resolution to execute and award the contract to Intralot, Inc. on August 5, 2009 (Intralot redacted bid proposal and Aug. 5, 2009 ALC minutes are *Exhibits B and C*, respectively).
3. The Arkansas Lottery Commission Legislative Oversight Committee (ALC LOC) reviewed the contract and ALC executed the contract with an effective date of August 15, 2009 (*Exhibit D*).
4. The contract was for a seven-year term with an option to renew up to three additional times in one year increments or a portion thereof. Terms of compensation of the original agreement were set at 2.45% percent of net online and instant ticket sales.
5. ALC executed a no-cost First Amendment to the Agreement on August 12, 2012 (*Exhibit E*).
6. On January 8, 2015, Amendment No. 2 to the Agreement was made and entered into by and between ALC and Intralot, Inc. The amended Agreement exercised the remaining three one-year renewals and extended the contract to August 14, 2019. (*Exhibit F*).
7. Proposed Amendment No. 3 to the Agreement, between OAL and Intralot, is enclosed as Exhibit G.

The Honorable Keith Ingram  
The Honorable Chris Richey  
Page 2  
July 17, 2017


8. Term of Proposed Amendment No. 3: Intralot is granted by the OAL and accepts, for the consideration set forth below, a seven (7) year extension to the Contract, commencing on the expiration of the current Contract (the "Extension Effective Date") on August 14, 2019, thereby extending the Contract through and including August 14, 2026.
9. In consideration for the granting and acceptance of the 2019 Extension, Intralot and the OAL agree to the terms and conditions set forth in **Exhibit A** of Proposed Amendment No. 3 (*Exhibit G*) and as follows:

Intralot will provide and the OAL will accept the following:

- (a) 2,200 new PHOTON™ terminals and printers to accommodate the reasonable needs of the retailer base. Deployment of the terminals shall be on a mutually agreed upon staggered basis which will commence in August 2019.
  - (b) 1,600 new PADS (Player Advertising Displays), to be deployed upon a mutually agreed upon schedule commencing after January 2018.
  - (c) A new BOS (Back Office System), including necessary upgrades of central systems equipment, together with the most current version of ICS software and hardware implemented upon a mutually agreeable schedule during the 2019 calendar year.
  - (d) 400 new and unused Play Stations to include ongoing maintenance commencing in January 2018.
  - (e) Additional options are made available to the Lottery and are set forth in **Schedule 1** (*attached and incorporated as part of Exhibit G, Proposed Amendment No. 3*).
  - (f) Intralot will modify its compensation as follows to: A rate reduction from 2.165% to 2.11% on all instant and online sales commencing January 1, 2018
10. Amendment No. 3 sets forth the entire understanding between the Parties with respect to the matters set forth herein and supersedes all prior representations, understandings, or agreements. Unless otherwise modified herein, the Contract shall remain in full force and effect according to its terms.

Please call me if you have any questions or need additional information.

Respectfully submitted,

  
Bishop Woosley  
Director

Enclosures

cc: The Honorable Asa Hutchinson, Governor of Arkansas  
Mr. Larry Walther, Director, Arkansas Department of Finance and Administration