



STATE OF ARKANSAS
**Department of Finance
Administration**

OFFICE OF THE ARKANSAS LOTTERY

Post Office Box 3238

Little Rock, Arkansas 72203-3238

Phone: (501) 683-2000

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<http://myarkansaslottery.com>

May 26, 2022

The Honorable Ronald Caldwell Co-Chair
The Honorable Gary Deffenbaugh Co-Chair
ALC – Lottery Oversight Subcommittee
One Capital Mall, 5th Floor
Little Rock, AR 72201

RE: Camelot Contract

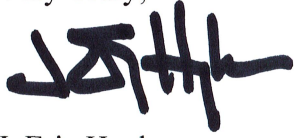
Dear Senator Caldwell and Representative Deffenbaugh,

The Department of Finance and Administration Office of the Arkansas Lottery (OAL) respectfully requests the Arkansas Legislative Council Lottery Oversight Subcommittee (ALC-LOS) to include in its agenda a review of the above contract during the June Lottery Oversight Subcommittee meeting. The following provides the basis and background for the Camelot contract:

1. CAMELOT Term Contract No 4600036646 was initial reviewed by this subcommittee on October 7, 2015, and the contract was executed on November 30, 2015. The original contract and all amendments are included in this document.
2. The last amendment (No. 003) was executed on July 1, 2021, and the terms of this contract will be the same as this amendment. The amendment is included in this document also.
3. The new contract will be a special procurement contract from July 1, 2022 – June 30, 2023. The justification letter from the Department of Transformation and Shared Services (“TSS”) is attached hereto. Please note that the TSS letter references the denial of a request for an option to renew for an additional term of one (1) year. Any request by OAL seeking a one (1) year option was made in error, as this procurement is of a special nature with the services being provided only intended to cover a one (1) year period.
4. This contract will have a dollar amount of \$1,500,000.

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

Very Truly,

A handwritten signature in black ink, appearing to read 'J. Eric Hagler', with a stylized, cursive script.

J. Eric Hagler

Director, Office of the Arkansas Lottery

Enclosures as stated

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



Department of Transformation and Shared Services

Governor Asa Hutchinson

Secretary Amy Fecher

Director Mitch Rouse

May 24, 2022

Mr. Eric Hagler
Executive Director
Office of the Arkansas Lottery
Post Office Box 3238
Little Rock, Arkansas 72203-3238

Re: Request for Special Procurement

Dear Mr. Hagler:

Thank you for your correspondence dated May 5, 2022, which was supplemented on May 20, 2022, by Brent Standridge of your office, to obtain authorization for a special procurement by the Office of the Arkansas Lottery (Lottery) for commercial consulting services by Camelot Global Services (North America) Inc. (Camelot) for one (1) year in the maximum amount of \$1.5 million dollars with an option to renew for an additional term of one (1) year.

The legal standard for granting special procurement authority is codified at Ark. Code Ann. §19-11-263, which provides, in pertinent part, as follows:

. . . the State Procurement Director or the head of a procurement agency may initiate a procurement above the competitive bid amount specified in § 19-11-234, when the officer determines that an *unusual or unique situation exists that makes the application of all requirements of competitive bidding, competitive sealed bidding, or competitive sealed proposals contrary to the public interest.*

Ark. Code Ann. §19-11-263 (emphasis added).

In support of its request to continue to have Camelot's expertise and contacts available during the launch of a new in-state draw game, Lottery emphasizes that Camelot has six (6) years of experience with Lottery and that during FY2022, "... Camelot has provided significant expert consultation regarding the launch of a new in-state draw game ..." and its contributions include "... the observation and evaluation of consumer focus groups, evaluating game features, modeling financial scenarios and matrices, research of similar games in other jurisdictions, [and] overall brand and image design."

Lottery also states:

Due to Camelot's deep knowledge and understanding of the ASL (Arkansas State Lottery) Game Portfolio, Lottery's internal operations and systems, and their hands-on involvement in assisting in the development of the new in-state draw game, it is in the best interest of the state to forego the competitive bidding process in this instance. "...[T]ime is of the essence

Office of State Procurement

501 Woodlane Street, Suite 220 * Little Rock, AR 72201 * 501.324.9316

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regarding date of game launch. Lottery is planning a 1Q23 (September) launch.... Second, the 'ramp time' for any other successful bidder will necessarily require Lottery to revise its launch deadline to a later date... .

Finally, Lottery conveys that, "[o]ur senior management team believes that for the new in-state draw game to launch at capacity, it is critical that Lottery have the expertise, contacts, and additional tools that are available through retaining a commercial consultancy for a period of one (1) year."

Given Lottery's assessment of its needs in the performance of its statutory mission of "maximizing net proceeds in a responsible manner", I am determining that the request is an unusual or unique situation that makes the application of all requirements of competitive bidding, competitive sealed bidding, or competitive sealed proposals contrary to the public interest, and the special procurement request to enter into a one (1) year contract with Camelot is granted; however, the request to include an option to renew the contract for an additional term of one (1) year is not supported by Lottery's rationale of launching a new in-state draw game in 1Q23, and it is not approved.

Respectfully,



Mitch Rouse
Director

cc: Amy Fecher, Secretary

AMENDMENT NO. 003
to
Agreement for Contractual Services for Business
Plan and Consultancy Services
Pursuant to Request for Qualifications SP-15-0097

THIS AMENDMENT NO. 003 to the Agreement for Contractual Services for Business Plan and Consultancy Services Pursuant to Request for Qualifications SP-15-0097 dated November 30, 2015 ("Original Agreement") is made effective as of July 1, 2021, ("Amendment Effective Date"), by and between the Department of Finance and Administration Office of the Arkansas Lottery ("OAL") and Camelot Global Services, (North America) Inc. ("Camelot"), individually known as "Party" and collectively known as "Parties" as follows:

RECITALS

WHEREAS, the State of Arkansas has, pursuant to Arkansas law, established OAL and authorized the Director of OAL ("Director") to enter into contracts for the operation and promotion of the Lottery; and

WHEREAS, the Parties entered into that certain First Amendment to Agreement for Contractual Services for Business Plan and Consultancy Services Pursuant to Request for Qualifications SP-15-0097 dated November 30, 2015; and

WHEREAS, the Parties entered into that certain Second Amendment to Agreement for Contractual Services for Business Plan and Consultancy Services Pursuant to Request for Qualifications SP-15-0097 dated July 1, 2020; and

WHEREAS the Parties now desire to further amend the Original Agreement ("Third Amendment") to provide for a change in pricing and to extend the term of the contract for 1 (one) additional year;

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which the Parties acknowledge, the Parties hereby agree to amend the Agreement as follows, effective as of the Effective Date of the Amendment:

AGREEMENTS

1. Camelot's address is "200 West Jackson Blvd., Suite 425, Chicago, IL 60606.

2. The term of this Third Amendment shall commence on the Effective Date and continue uninterrupted until June 30, 2022, unless earlier terminated as set forth herein. The Parties further agree that this Third Amendment may be terminated without penalty by either Party with thirty (30) days written notice to the other Party. Compensation may be incurred through the thirtieth (30th) day after notice of termination has been provided by either Party. Invoicing and payment for all compensation incurred shall be in accordance with the Third Amendment. These compensation payments shall not constitute penalties under this Amendment.

3. Section 4 of the Original Agreement is replaced in its entirety by the following:

“a. Base Compensation. Beginning July 1, 2021, and throughout the term of this extension, OAL shall pay Camelot a compensation not to exceed Five Hundred Thousand Dollars (\$500,000.00)(“Base Compensation” and collectively, with other forms of compensation, “Compensation”). Camelot shall provide a minimum of 500 (five hundred) dedicated days to the services provided pursuant to this Amendment. In the event OAL does not utilize any of its allocated 500 days during the term of this Amendment, the Compensation shall be reduced by One Thousand Dollars (\$1,000.00) for each day not utilized by OAL up to the allocated 500 days. The OAL shall pay the Base Compensation in 12 equal monthly installments totaling \$500,000.00 for the year term of this Amendment within fifteen (15) days of receiving an invoice each month from Camelot. In the event more funding becomes available, the Parties may agree to pay Camelot a compensation not to exceed a total Six Hundred Fifty Thousand Dollars (\$650,000).

b. Incentive Compensation. Camelot shall also be entitled to additional “Incentive Compensation” calculated as follows:

i. For the period of July 1, 2021, to June 30, 2022, the term of this Amendment, Camelot shall receive:

a. Ten percent (10.00%) of all Net Operating Income or Adjusted Net Operating Income, as applicable, that exceeds \$88,600,000.00 (for the avoidance of doubt, all ticket sales are included in the Net Operating Income) and the maximum

Incentive Compensation shall not exceed One Million Dollars (\$1,000,000.00);

b. In the event all current games of Powerball or Mega Millions Jackpots exceed \$400,000,000.00, then the parties agree that revenue directly earned from ticket sales of the Powerball or Mega Millions Jackpots games that exceed \$400,000,000.00 shall be deducted from the Net Operating Income ("Adjusted Net Operating Income") for Incentive Compensation purposes. Camelot shall receive four percent (4%) of Gross Profits for each draw of Powerball and Mega Millions Jackpots games that exceed \$400,000,000.00. For the avoidance of doubt, Camelot is entitled to receive Incentive Compensation as set forth in Section 4(b)(i)(a) and (b) regardless of whether payment is based on Net Operating Income or Adjusted Net Operating Income.

c. For the purposes of this Section 4.b.i.:

1. "Net Operating Income" means Operating Income minus proceeds from Instant games and In-State Draw games as set forth in Sections 4(b)(iii) and (iv) below before charging any expenses related to 1) Services provided by the Arkansas Department of Higher Education, 2) Services provided by the Legislative Audit Agency, 3) Legal and professional services and 4) Depreciation;

2. "Gross Profit" means the thirty-nine and forty-three hundredths percent (39.43%) of all ticket sales for Powerball Jackpot exceeding \$400,000,000.00 and forty percent (40%) of all ticket sales for Mega Millions Jackpot exceeding \$400,000,000.00; and

ii. Instant games: Camelot shall receive proceeds from any Instant game in which any Instant ticket price point exceeds twenty dollars (\$20.00). OAL and Camelot shall agree upon an incentive compensation amount for such

game prior to the commencement or launch of such game. For the avoidance of doubt, Camelot is entitled to receive Incentive Compensation as set forth in Section 4(b)(i)(a) and (b) for any Instant game in which the Instant ticket price point does not exceed twenty dollars (\$20.00).

iii. In-State Draw games: Camelot shall receive proceeds from any in-state draw game. OAL and Camelot shall agree upon an incentive compensation amount for such game launched after July 1, 2021 prior to the commencement or launch of such game. For the avoidance of doubt, Camelot is entitled to receive Incentive Compensation as set forth in Section 4(b)(i)(a) and (b) for any in-state draw game launched prior to July 1, 2021.

c. Accounting Policies and Preparation. In the event of a material change in OAL's accounting policies and/or the basis of preparation of the Statement (e.g. a migration to a new set of accounting standards), the Parties agree to restate the Adjusted Operating Income so that it is consistent with the accounting policies or basis of preparation of the Statement as at the date of this Agreement. A "material change" means any change which impacts the calculation of Adjusted Operating Income by greater than one percent (1%) on an annual basis.

d. Quarterly Invoicing. Following the end of each OAL quarter (ending on either September 30, December 31, March 31 or June 30), Camelot will invoice the OAL for Incentive Compensation payable in respect of the previous quarter. OAL will pay Compensation within thirty (30) days from receipt of invoice, it again being noted that any Incentive Compensation shall not exceed the sum of One Million Dollars (\$1,000,000.00).

e. Quarterly Compensation Payments. The quarterly payments of Compensation will be pro-rated as necessary and calculated as follows (which Parties agree is a method of calculation only):

Compensation in respect of a quarter = Y less Z

Y is the cumulative Compensation chargeable at the end of the OAL quarter in respect of a Fiscal year and

Z is the aggregate amount already invoiced to the OAL by Camelot in respect of that Fiscal Year.

Unless determined to be in violation of public policy, all Compensation due and payable to Camelot by OAL shall be transmitted in gross amounts without deductions or withholdings therefrom.

f. Recalculations. The Parties recognize that the Statement is unaudited, and the OAL typically does not receive audited figures until four (4) to six(6) months after the end of a Fiscal Year. OAL shall provide audited figures to Camelot within ten (10) business days of the official release of the prior Fiscal Year's audit report. If following an audit, Adjusted Operating Income differs from that used as the basis for the calculation of Compensation, the Parties will recalculate Compensation payable for the prior Fiscal Year.

g. Resource Reconciliation. During the term of this Third Amendment, Camelot shall provide to OAL bi-annual written accountings of used resources. Such accountings shall be provided within thirty (30) days of the end of the prior six-month period.

h. Credits. In the event that: 1) Compensation already invoiced at the end of March 31 each year exceeds that amount due at the end of the Fiscal Year, or 2) if there is a recalculation of Compensation as described In Section 4(e) above, then Camelot shall issue a credit for such overpayment to OAL. In the event of an issuance of a credit due to a recalculation, Camelot shall issue such credit within ten (10) business days of receipt of the audit report described in Section 4(e) above."

4. The following is added as new Section 6 to the Agreement:

"6. Additional Services for Enhanced Data Analytics and Digital Marketing: Subject to the terms of this Agreement, including but not limited to fee and payment terms, Camelot may provide additional enhanced data analytics and digital marketing services ("Digital Services") to OAL. Such Digital Services shall be delivered in accordance with a final schedule as developed by the Lottery Director and his Senior Management Team and evidenced in writing signed by Camelot and OAL."


5. Key Deliverables: During the term of this extension Camelot will assist

OAL in all areas of its commercial operations as directed by the Director of members of his Executive Management Committee. In addition to commercial and digital expertise offered by Camelot, Camelot will assist in a review of the existing Players' Club, a review of the existing cost model and profitability by game, opportunities to increase the percentage of sales returned as net proceeds, a review of prize validation processes and procedures, and a review of reporting structures in place.

6. Except as otherwise provided herein, the terms of the Original Agreement shall remain in effect as first set forth therein.

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment Three to Original Agreement to be executed by their duly authorized representatives as of the date(s) last set forth below.

DEPARTMENT OF FINANCE AND ADMINISTRATION


Larry Walther, Secretary

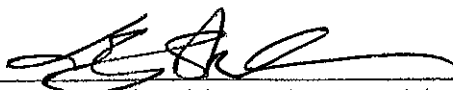
06/23/2021
Date

DEPARTMENT OF FINANCE AND ADMINISTRATION OFFICE OF THE
ARKANSAS LOTTERY


J. Eric Hagler, Executive Director

06-22-2021
Date

CAMELOT GLOBAL SERVICES (NORTH AMERICA) INC.


John Skrimshire, Vice President,
Commercial Operations, Camelot
Lottery Solutions

JUNE 22 2021
Date



STATE OF ARKANSAS
AMENDED AWARD
Term Contract

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Vendor No. 100212900
Contact
Your reference SP-15-0097

CAMELOT GLOBAL
200 W JACKSON BLVD STE 425
CHICAGO IL 60606

Contract No. 4600036646
Date 01/29/2016

Contact Jacob A Saugey
Telephone 501-371-6182
Fax 501-324-9212

Our ref. ST
Incoterms FOB
DESTINATION

Send Invoice To:

DFA-Office of the Arkansas Lottery
PO Box 3238
Little Rock, AR 72203

Ship To:

DEPARTMENT OF FINANCE AND ADMINISTRAT
OFFICE OF THE ARKANSAS LOTTERY
124 W CAPITOL STE 1400
LITTLE ROCK AR 72201

Valid from: 11/30/2015
Valid to: 06/30/2022

Target value 18,950,000.00 USD
*** Validity period changed ***

GENERAL CONDITIONS AND INSTRUCTIONS TO VENDOR:

All purchasing rules and regulations defined by the State of Arkansas apply to this document.

Melanie M. Hayslip

Purchasing Official/Fiscal Officer

06/25/2020



STATE OF ARKANSAS

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Term Contract

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Contact

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Contact Jacob A Saugey

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OFFICE OF THE ARKANSAS LOTTERY
124 W CAPITOL STE 1400
LITTLE ROCK AR 72201

Valid from: 11/30/2015

Valid to: 06/30/2022

Target value 18,950,000.00 USD

State Contract SP-15-0097

Business Area: 0613

Cost Center: 390502

Fund Center: 700613

TO INSURE PROMPT PAYMENT USE THE CONTRACT NUMBER NOTED ABOVE ON ALL INVOICES AND
INQUIRES.

PLEASE SEND INVOICES TO THE BILL TO ADDRESS ABOVE.

TERM of Contract:

The Initial term of this Agreement shall be effective as of November 30th, 2015 and terminate on June 30th, 2020,
with two (2) additional optional extension periods of twelve (12) months each.

Item	Material/Description	Target Qty	UM	Unit Price	Amount
0001	10090178 PRO SERVICE,CONSULTANT,MANAGEMENT Base Compensation: (Business Plan): Base rate of \$650,000.00 Term: FY16 Only.	650,000.00	Lump Sum	1.00	\$ 650,000.00
0002	10090178 PRO SERVICE,CONSULTANT,MANAGEMENT Base Compensation: (Consultancy Services): Base value: \$600,000.00 per year.	2,400,000.00	Lump Sum	1.00	\$ 2,400,000.00

GENERAL CONDITIONS AND INSTRUCTIONS TO VENDOR:

All purchasing rules and regulations defined by the State of Arkansas apply to this document.

Melanie M Hayslip

Purchasing Official/Fiscal Officer

06/25/2020



STATE OF ARKANSAS
Term Contract

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Vendor No. 100212900
Contact
Your reference SP-15-0097

Contract No. 4600036646
Date 01/29/2016
Our reference ST

Item	Material/Description	Target Qty	UM	Unit Price	Amount
	Projected Value: \$2,400,000.00 for four (4) years. Term: FY17 thru FY20 (July 1, 2016 to June 30th, 2020). Potential value of two (2) optional one (1) year extensions: \$1,200,000.00 or \$600,000.00 each year.				
0003	10090178 PRO SERVICE,CONSULTANT,MANAGEMENT Incentive Compensation: Estimated Value: \$3,100,000 per year.	15,500,000.00	Lump Sum	1.00	\$ 15,500,000.00
0004	10090178 PRO SERVICE,CONSULTANT,MANAGEMENT Expenses: Estimated value \$80,000.00 per year for the duration of contract and potential extensions.	400,000.00	Lump Sum	1.00	\$ 400,000.00
Estimated Net Value					18,950,000.00
If you have questions regarding this Term Contract; please contact Alan Saugey at 501-371-6182 or Marnie Davidson at 501-324-9068.					

GENERAL CONDITIONS AND INSTRUCTIONS TO VENDOR:

All purchasing rules and regulations defined by the State of Arkansas apply to this document.

DFA - Office of the Arkansas Lottery