

July 29, 2009



# Arkansas Lottery Commission

## RFP #: ALC-090001

### Instant Ticket Lottery Game Services Technical Proposal

#### Submitted to:

Arkansas Lottery Commission  
500 President Clinton Ave., #215  
Little Rock, Arkansas 72201  
Phone: (501) 683-2000

#### Submitted by:

Scientific Games International, Inc.  
1500 Bluegrass Lakes Parkway  
Alpharetta, Georgia 30004

#### Contact Person

James C. Kennedy  
Senior Vice President  
Sales and Global Marketing  
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July 29, 2009

Mr. Ernie Passailaigue, Executive Director  
Arkansas Lottery Commission  
500 President Clinton Avenue, #215  
Little Rock, AR 72201

Re: Arkansas Lottery Commission Request for Proposal #ALC-090001 Instant Ticket Lottery Game Services

Dear Mr. Ernie Passailaigue:

Scientific Games International, Inc. (Scientific Games) presents this proposal for your consideration and evaluation. The Arkansas Lottery Commission's (ALC) list of start-up responsibilities and objectives is clear. Your instant ticket game start-up date is near the top of the list. We at Scientific Games will apply our extensive start-up experience, company resources and game production capacity to start instant game sales in a manner that is secure, precise and well planned. In fact, we propose to start up your instant games on October 1, 2009, (assuming installation of the instant system infrastructure and retailer terminals is complete) nearly four weeks ahead of your targeted October 29, 2009 start-up date.

Our proven experience with lottery start-ups allows us to make this commitment with confidence.

Over our 36 year history, Scientific Games has helped start-up 71 lotteries around the world. We have the experience, professional staff and dedication to help launch the ALC's games with the highest integrity and sophistication to meet the needs of Arkansas' retailers and players. Experience matters:

- Scientific Games has more start-up experience than any other lottery vendor. We have started services for 33 of 43 U.S. lotteries to date. Arkansas will be our 44<sup>th</sup> lottery start-up.
- We have provided products and services for four of the last five U.S. start-ups in the last ten years across all three segments of the lottery industry: the Cooperative Services Program (CSP) for South Carolina Education Lottery, and on-line gaming system for South Carolina Education Lottery in 2002; the CSP for the Tennessee Education Lottery Corporation in 2004; the North Dakota Lottery on-line system in 2005; and, the CSP for the Oklahoma



Lottery Commission and on-line gaming system for the Oklahoma Lottery Commission in 2005.

- We have the most experience in instant game delivery with 11 CSP customers currently under contract: Arizona, District of Columbia, Delaware, Florida, Georgia, Maine, Pennsylvania, Oklahoma, South Carolina, Tennessee, and Virginia.
- Scientific Games leads the industry in the complex areas of instant game operations services, instant ticket production and instant game marketing.

Coupled with our plan to launch the instant games early in Arkansas, Scientific Games also commits to incorporating Arkansas certified minority and woman-owned enterprises into our operation. Participation from these firms is included across many aspects of the project, and is part of our business plan for our local operations in Little Rock. We understand the importance of local economic development, and fostering business development for minority and woman-owned firms.

Not only do we have the expertise, the professional personnel, and the industry-leading games to help Arkansas Lottery startup with success, we also are dedicated to assisting you as you move forward in this important endeavor. We are confident that the enclosed technical and price proposal will clearly show that Scientific Games is the right partner to help you successfully launch your lottery and maximize your revenue for the Arkansas Scholarship Fund, your beneficiary in the years going forward.

This proposal remains firm and valid for 180 calendar days from the date of proposal deadline, July 29, 2009.

Should you have questions concerning this proposal, please do not hesitate to contact me directly at 770-663-6735.

Sincerely,



James C. Kennedy  
Senior Vice President, Sales and Global Marketing  
Scientific Games International  
Phone: 770-663-6735  
Fax: 678-624-4115





**State of Arkansas  
ARKANSAS LOTTERY COMMISSION**

**Little Rock, Arkansas**

**ADDENDUM**

TO: Vendors  
FROM: Arkansas Lottery Commission  
DATE: 06/30/09  
SUBJECT: SP-09XXXX Instant Ticket Lottery Game Services

The following change(s) to the above referenced Request for Proposal have been made as designated below:

- ☒ Change of specification(s)
- ☒ Additional specification(s)
- ☐ Change of bid opening time and date
- ☐ Other

**CHANGE OF SPECIFICATIONS**

- **PAGE 1, RFP NUMBER:** Delete "SP-09XXXX" and substitute "ALC-090001"
- **THROUGHOUT THE RFP:** The mailing address and phone number for the Arkansas Lottery Commission offices and for delivery of proposal documents and written questions is changed to:

**Arkansas Lottery Commission  
500 President Clinton Ave., #215  
Little Rock, Arkansas 72201**

**(501) 683-2000**

- **PAGE 8, SECTION 1.17:** This section should read as follows: "In accordance with Arkansas Code Annotated § 23-115-503(b), the ALC may cancel the Contract after notice and a right to a hearing if:
  - The Vendor commits a violation of this Arkansas Code Annotated § 23-115-501 et seq. or a rule of the Commission;
  - The Vendor commits any fraud, deceit, or misrepresentation;
  - The Vendor files for or is placed in bankruptcy or receivership; or
  - In its sole discretion, the ALC finds a material change in any matter considered by the ALC in executing the Contract with the Vendor."

**ADDITIONAL SPECIFICATIONS**

- **PAGE 2, MINORITY-OWNED AND FEMALE-OWNED BUSINESS POLICY:** Insert the following as a new second paragraph:



"Female-owned business' is defined at Arkansas Code Annotated § 23-115-103(5) as 'a business: (A) Whose management and daily business operations are under the control of one (1) or more females; and (B) Either: (i) Individually owned by a female who reports as her personal income for Arkansas income tax purposes the income of the business; (ii) Which is a partnership in which a majority of the ownership interest is owned by one (1) or more females who report as their personal income for Arkansas income tax purposes more than fifty percent (50%) of the income of the partnership; or (iii) Which is a corporation organized under the laws of this state in which a majority of the common stock is owned by one (1) or more females who report as their personal income for Arkansas income tax purposes more than fifty percent (50%) of the distributed earnings of the corporation'."

- **PAGE 2:** Insert the following new paragraph after the paragraph entitled "Equal Opportunity Policy" and before the paragraph entitled "Act 157 of 2007 Employment of Illegal Immigrants":

**"TECHNOLOGY ACCESS FOR THE BLIND**

Please reference Section 508 of the federal Rehabilitation Act, 29 U.S.C. 794d and Arkansas Code Annotate § 25-26-201 et seq. The Vendor expressly acknowledges that State funds may not be expended in connection with the purchase of information technology unless that system meets certain statutory requirements, in accordance with the State of Arkansas technology policy standards, relating to accessibility by persons with visual impairments.

Accordingly, the Vendor represents and warrants to the Arkansas Lottery Commission that the technology provided to the Arkansas Lottery Commission for purchase is capable either by virtue of features included within the technology or because it is readily adaptable by use with other technology of:

- Providing equivalent access for effective use by both visual and non-visual means;
- Presenting information, including prompts used for interactive communications, in formats intended for non-visual use; and
- After being made accessible, it can be integrated into networks for obtaining, retrieving, and disseminating information used by individuals who are not blind or visually impaired.

For purposes of this paragraph, the phrase "equivalent access" means a substantially similar ability to communicate with or make use of the technology, either directly by features incorporated within technology or by other reasonable means such as assistive devices or services which would constitute reasonable accommodations under the Americans with Disabilities Act or similar state or federal laws. Examples of methods by which equivalent access may be provided include, but are not limited to, keyboard alternatives to mouse commands and other means of navigating graphical displays, and customizable display appearance."

- **PAGE 4, SECTION 1.3, PARAGRAPH 4:** Paragraph 4. should read as follows: "For a proposal to be considered, an official authorized to bind the Vendor to a resultant contract must have signed the proposal and the Official Proposal Price Sheet."
- **PAGE 4, SECTION 1.3:** Insert an additional paragraph 7. to read as follows:

"The Official Price Proposal Sheet is posted and may be downloaded at [www.lotterycommission.arkansas.gov/](http://www.lotterycommission.arkansas.gov/) .



**Bid opening date and time will remain the same.**

The specifications by virtue of this addendum become a permanent addition to the above-referenced Request for Proposal. FAILURE TO RETURN THIS SIGNED ADDENDUM MAY RESULT IN REJECTION OF YOUR BID. BIDS WILL BE ACCEPTED UNTIL THE TIME AND DATE SPECIFIED. THE BID ENVELOPE MUST BE SEALED AND SHOULD BE PROPERLY MARKED WITH THE BID NUMBER, DATE, AND HOUR OF BID OPENING AND BIDDER'S RETURN ADDRESS. IT IS NOT NECESSARY TO RETURN "NO BIDS" TO THE ARKANSAS LOTTERY COMMISSION.

Company: Scientific Games International, Inc.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

7-27-09





**State of Arkansas  
ARKANSAS LOTTERY COMMISSION**

**Little Rock, Arkansas**

**SECOND ADDENDUM**

TO: Vendors  
FROM: Arkansas Lottery Commission  
DATE: 07/15/09  
SUBJECT: "ALC-090001 Instant Ticket Lottery Game Services"

The following change(s) to the above referenced Request for Proposal have been made as designated below:

- ☒ Change of specification(s)
- ☒ Additional specification(s)
- ☐ Change of bid opening time and date
- ☐ Other

**CHANGE OF SPECIFICATIONS**

- **PAGE 3, PAST PERFORMANCE:** Delete "In accordance with provisions of Arkansas Lottery Commission Major Procurement Rules Section (7)(C)(iii)(g)" and substitute "In accordance with provisions of Arkansas Lottery Commission Major Procurement Rules Section (7)(C)(x)(g)".
- **PAGE 6, SECTION 1.8:** Delete "Untimely vending machine repair" and "Unavailability of the telemarketing and Inventory Control System" from the bullet points of this Section.
- **PAGE 7, SECTION 1.13, PARAGRAPH 1:** Delete "performance security in an amount of at least two percent (2%) of the total proposal price submitted by the Vendor" and substitute "performance security in an amount of Five million dollars (\$5,000,000.00)".
- **PAGE 7, SECTION 1.13, PARAGRAPH 1:** Insert the following sentence at the end of Paragraph 1:  
  
"The performance security may be renewed on an annual basis"
- **PAGE 8, SECTION 1.14, PARAGRAPH 4:** Delete "descriptive information concerning subcontractor's organizational activities" and substitute "descriptive information concerning subcontractor's business organization".
- **PAGE 8, SECTION 1.18, PARAGRAPH 2:** Delete "article, or appliance furnished or used in the performance of the Contract." and substitute "article, or appliance furnished by vendor or used in the performance of the Contract."
- **PAGE 8, SECTION 1.19, PARAGRAPH 1:** Insert the words "and that are developed solely for use by the ALC" at the end of the first sentence of Paragraph 1.



- **PAGE 8, SECTION 1.19, PARAGRAPH 3:** Delete "The Successful Vendor grants to the ALC a perpetual, royalty free license" and substitute "The Successful Vendor grants to the ALC an annual, royalty free license".
- **PAGE 9, SECTION 1.19, PARAGRAPH 4:** Delete "The Successful Vendor agrees to grant the ALC non-exclusive intellectual property usage rights for games and properties owned by the Vendor at no cost during the term of the Contract period of this Proposal." and substitute "The Successful Vendor agrees to grant the ALC non-exclusive intellectual property usage rights for online games and properties owned by the Vendor at no cost during the term of the Contract period of this Proposal."
- **PAGE 9, SECTION 1.24, PARAGRAPH 1:** Delete "The Vendor shall be bound to confidentiality of any information" and substitute "The Vendor shall be bound to confidentiality of any confidential information".
- **PAGE 11, SECTION 1.28, PARAGRAPH 1:** Delete: "in the ALC's sole judgment" and substitute "in the ALC's reasonable judgment".
- **PAGE 11, SECTION 2.0, PARAGRAPH 2:** Delete the sentence "It plans to employ up to ninety (90) people statewide and have two (2) district and prize payment center offices across the state as well as a headquarters and prize payment center in Little Rock, Arkansas by the start-up of instant ticket sales on or before October 29, 2009." And substitute "It plans to employ approximately ninety (90) people statewide and plans to staff and operate four (4) prize payment centers, including a headquarters located in the Little Rock and three (3) district offices outside of Little Rock by the start-up of instant ticket sales on or before October 29, 2009"
- **PAGE 11, SECTION 2.0, PARAGRAPH 4:** Delete "two thousand five hundred (2,500) and its retailer base may be expanded to up to five thousand (5,000)" and substitute "two thousand five hundred (2,500) and its retailer base may be expanded to up to three thousand two-hundred (3,200)".
- **PAGE 15 & 16, SECTION 3.5, PARAGRAPH 3:** Insert the following sentence to the end of Paragraph 3:  
  
"The minimum requirement of four thousand square feet (4,000 sq. ft.) of secured, segregated space for ALC described in this Paragraph shall be in addition to the requirement of nine thousand square feet (9,000 sq. ft.) of secured warehouse space for use by ALC."
- **PAGE 16, SECTION 3.5, PARAGRAPH 4:** Insert the following sentence to the end of Paragraph 4:  
  
"The minimum requirement space for the three (3) lockable offices described in this paragraph shall be in addition to the minimum square footage listed in Paragraph 3 of this Section."
- **PAGE 17, SECTION 3.9, PARAGRAPH 2:** Delete "online game supplies" and substitute "game supplies" in the parentheses in Paragraph 2 of this Section.
- **PAGE 18, SECTION 3.14:** Delete the sentence "At least twenty thousand (20,000) single unit instant ticket dispensers or their equivalent must be provided each year during the Contract term." and substitute "At least six thousand (6,000) twelve (12) game unit instant ticket dispensers at start-up, or their equivalent, with up to fifteen

percent (15%) replacement units or their equivalent provided each year during the Contract term."

- **PAGE 20, SECTION 4.1:** Delete the words "Crime insurance in the amount of at least \$5,000,000.00" from the bullet points in this Section.
- **ALC-090001 INSTANT TICKET LOTTERY GAME SERVICES REQUEST FOR PROPOSAL DATED JUNE 19, 2009 AND ADDENDUM TO ALC-090001 INSTANT TICKET LOTTERY GAME SERVICES REQUEST FOR PROPOSAL JUNE 30, 2009:** Delete all references to "Official Price Proposal Sheet" and substitute "Official Instant Ticket Lottery game Services Proposal Price Sheet".

#### **ADDITIONAL SPECIFICATIONS**

- **SECTION 5. EVALUATION CRITERIA FOR SELECTION:** Add the following after paragraph five (5):

**EVALUATION CRITERIA:** Lowest Overall Cost Proposal(s) and Earliest Start Date Proposal(s):

The Lowest Overall Cost Proposal will receive the maximum allocated points (Fifty – 50 points). All other proposals will receive a percentage (%) of the points available based on the following formula: The base cost relationship to the lowest overall costs proposal submitted will be allocated according to the following formula:  $\text{Lowest Overall Costs Proposed} / \text{Other Overall Proposed Costs Response(s)} \times \text{Fifty (50) Evaluation Criteria Points} = \text{Points Awarded}$ .

The Earliest Start Date Proposal asks the Vendor to place such a proposed start date on which they will offer a fully functional system in the appropriate column and comply with all other aspects of the Request for Proposal. The formula will be as follows:  $\text{Other Proposed Instant Game Start Date Response(s)} / \text{Earliest Proposed Instant Games Start Date Response(s)} \times 5 \text{ Evaluation Criteria Points} = \text{Points Awarded}$ .

A start date of 10/29/09 or beyond will receive zero (0) evaluation criteria points for the Instant Ticket Lottery Game Services Contract.

**Bid opening date and time will remain the same.**

The specifications by virtue of this addendum become a permanent addition to the above-referenced Request for Proposal. FAILURE TO RETURN THIS SIGNED ADDENDUM MAY RESULT IN REJECTION OF YOUR BID. BIDS WILL BE ACCEPTED UNTIL THE TIME AND DATE SPECIFIED. THE BID ENVELOPE MUST BE SEALED AND SHOULD BE PROPERLY MARKED WITH THE BID NUMBER, DATE, AND HOUR OF BID OPENING AND BIDDER'S RETURN ADDRESS. IT IS NOT NECESSARY TO RETURN "NO BIDS" TO THE ARKANSAS LOTTERY COMMISSION.

Company: Scientific Games International, Inc.

Signature: 

Date: 7-27-09

State of Arkansas  
ARKANSAS LOTTERY COMMISSION

REQUEST FOR PROPOSAL

RFP Number: ALC-090001	Buyer:
Commodity: Instant Ticket Lottery Game Services	Proposal Opening Date: July 29, 2009
Date: June 19, 2009	Proposal Opening Time: 2: 30 P.M. CDT

PROPOSALS WILL BE ACCEPTED UNTIL THE TIME AND DATE SPECIFIED ABOVE. THE PROPOSAL ENVELOPE MUST BE SEALED AND SHOULD BE PROPERLY MARKED WITH THE PROPOSAL NUMBER, DATE AND HOUR OF PROPOSAL OPENING AND VENDOR'S RETURN ADDRESS. IT IS NOT NECESSARY TO RETURN "NO BIDS" TO THE ARKANSAS LOTTERY COMMISSION.

**Vendors are responsible for delivery of their proposal documents to the Arkansas Lottery Commission prior to the scheduled time for opening of the particular proposal. When appropriate, vendors should consult with delivery providers to determine whether the proposal documents will be delivered to the Arkansas Lottery Commission office street address prior to the scheduled time for proposal opening. Delivery providers, USPS, UPS, FedEx, and DHL deliver mail to our street address, State Capitol Bldg., Rm. 315, Little Rock, AR 72201, on a schedule determined by each individual provider. These providers will deliver to our offices based solely on our street address.**

MAILING ADDRESSES: Arkansas Lottery Commission 500 President Clinton Ave., #215 Little Rock, Arkansas 72201	PROPOSAL OPENING LOCATION: Arkansas Lottery Commission Offices
TELEPHONE NUMBER: (501) 683-2000	

Company Name:      Scientific Games International, Inc.

Name (type or print):    James C. Kennedy

Title:    Senior Vice President, Sales & Global Marketing

Address:      1500 Bluegrass Lakes Parkway, Alpharetta, Georgia 30004

Telephone Number:    770-664-3700

Fax Number: 678-624-4115

E-Mail Address:      jim.kennedy@scientificgames.com

Signature: 

USE INK ONLY: UNSIGNED PROPOSALS WILL NOT BE CONSIDERED

Identification

58-1943521

N/A

Federal Employer ID Number

Social Security Number

FAILURE TO PROVIDE TAXPAYER IDENTIFICATION NUMBER MAY RESULT IN PROPOSAL REJECTION

---

Business Designation	Individual	Sole Proprietorship	Public Service Corp
(Check one)	Partnership	<b>Corporation</b>	<b>X</b> Government/Nonprofit

GENERAL DESCRIPTION:	Instant Ticket Lottery Game Services
TYPE OF CONTRACT:	Term
BUYER:	
AGENCY P.R. Number:	

INVOICE TO:

F.O.B:

**MINORITY-OWNED AND FEMALE-OWNED BUSINESS POLICY**

Scientific Games understands that participation by minority-owned and female-owned businesses is encouraged in this and all other procurements by state agencies. "Member of a minority" is defined at Arkansas Code Annotated § 23-115-103(15) as "a lawful permanent resident of this state who is: (A) African American; (B) Hispanic American; (C) American Indian; (D) Asian American; or (E) Pacific Islander American". "Minority-owned business" is defined at Arkansas Code Annotated § 23-115-103(16) as "a business that is owned by: (A) An individual who is a member of a minority who reports as his or her personal income for Arkansas income tax purposes the income of the business; (B) A partnership in which a majority of the ownership interest is owned by one (1) or more members of a minority who report as their personal income for Arkansas income tax purposes more than fifty percent (50%) of the income of the partnership; or (C) A corporation organized under the laws of this state in which a majority of the common stock is owned by one (1) or more members of a minority who report as their personal income for Arkansas income tax purposes more than fifty percent (50%) of the distributed earnings of the corporation". The Arkansas Economic Development Commission conducts a certification process for minority businesses.

"Female-owned business" is defined at Arkansas Code Annotated § 23-115-103(5) as "a business: (A) Whose management and daily business operations are under the control of one (1) or more females; and (B) Either: (i) Individually owned by a female who reports as her personal income for Arkansas income tax purposes the income of the business; (ii) Which is a partnership in which a majority of the ownership interest is owned by one (1) or more females who report as their personal income for Arkansas income tax purposes more than fifty percent (50%) of the income of the partnership; or (iii) Which is a corporation organized under the laws of this state in which a majority of the common stock is owned by one (1) or more females who report as their personal income for Arkansas income tax purposes more than fifty percent (50%) of the distributed earnings of the corporation".



## SCIENTIFIC GAMES' MINORITY COMMITMENT

As part of our company foundation, Scientific Games wholeheartedly concurs with the Arkansas Lottery Commission's commitment to creating opportunities for minority and female-owned business enterprises. This is why we have aggressively developed and maintained a diverse supplier base to maximize these vendors core competencies and also encourage economic development within the state of Arkansas.

We are proud of our long history of nurturing and sustaining relationships with minority and women-owned business enterprises. Like the Arkansas Lottery, Scientific Games encourages participation by these businesses and will continue to do so throughout the life of the contract with the Arkansas Lottery Commission. For 36 years, we have been a lottery industry leader in the development of innovative ideas to foster growth and diverse business development, which is just another area we will maximize opportunities with our partnership.

We are committed to strengthening Arkansas's economy through the creation of jobs by actively identifying certified minority and women-owned businesses to provide support with the goods and services they provide. Scientific Games' preparation for this proposal included researching the Arkansas Economic Development Commission and forming an alliance with the Arkansas Minority Supplier Development Council, where our new membership is pending.

Our through due-diligence in researching qualified minority and women-owned firms has been quite intensive. Each firm identified in our proposal must pass our stringent compliance and background check to ensure they meet the security and work standards that the Arkansas Lottery Commission mandates. Upon successful completion of this screening process, the following firms have been identified to provide Scientific Games goods and services in support of our partnership with the Arkansas Lottery Commission:

1. Creative Graphics, Inc  
1314 South Main Street  
Little Rock, Arkansas 72202  
(P) 501-374-0563  
Contact: Mitchell Perry  
Goods or Services: Printing Services
2. M & N Pest & Sanitation Systems  
PO Box 2695  
Little Rock, Arkansas 72203  
(P) 501-565-5607  
Contact: Thomas Rasul  
Good or Services: Pest Control, Janitorial and Sanitation Services
3. Xpress Courier Services, Inc  
PO Box 22044  
Little Rock, Arkansas 72211  
(P) 501-217-4090  
Contact: John Yarbrough  
Goods or Service: Courier Services
4. Goddess Products Inc.  
204 East 13<sup>th</sup> Street  
North Little Rock, Arkansas 72114  
(P) 501-372-4002  
Contact: Leanna Godley  
Goods or Service: Office Supplies

5. Endless Power Corporation  
PO Box 56158  
Little Rock, Arkansas 72215  
(P) 501-663-3402  
Good or Service: Power Management services

**EQUAL OPPORTUNITY POLICY:**

Scientific Games understands that in compliance with Section 5 of the Arkansas Lottery Commission Major Procurement Rules, the Office of State Procurement of the Department of Finance and Administration is required to have a copy of the Vendor's Equal Opportunity Policy prior to issuing a contract award. Scientific Games has included our EO Policy below. We acknowledge that the Office of State Procurement and the Arkansas Lottery Commission will maintain a file of all Vendor EO policies submitted in response to solicitations issued by this office. We further understand that the submission is a one time requirement but Vendors are responsible for providing updates or changes to their respective policies and of supplying EO policies upon request to other state agencies that must also comply with this statute.

*Scientific Games Equal Opportunity Policy*

*Scientific Games treats employees equally, regardless of race, color, creed, religion, gender, sexual orientation, age, disability or other protected classification. We make all employment decisions such as hiring and promotion based solely on the employee's qualifications and performance. We treat each other with the same respect and fairness that we expect to receive. This is true inside and outside the workplace. It includes all forms of communication - verbal, symbolic and written. These policies are not only based on laws we are required to obey but also upon principles of respect and loyalty that are part of our basic corporate culture.*

**"TECHNOLOGY ACCESS FOR THE BLIND**

Please reference Section 508 of the federal Rehabilitation Act, 29 U.S.C. 794d and Arkansas Code Annotate § 25-26-201 et seq. Scientific Games expressly acknowledges that State funds may not be expended in connection with the purchase of information technology unless that system meets certain statutory requirements, in accordance with the State of Arkansas technology policy standards, relating to accessibility by persons with visual impairments. Accordingly, Scientific Games represents and warrants to the Arkansas Lottery Commission that the technology provided to the Arkansas Lottery Commission for purchase is capable either by virtue of features included within the technology or because it is readily adaptable by use with other technology of:

- Providing equivalent access for effective use by both visual and non-visual means;
- Presenting information, including prompts used for interactive communications, in formats intended for non-visual use; and
- After being made accessible, it can be integrated into networks for obtaining, retrieving, and disseminating information used by individuals who are not blind or visually impaired.

For purposes of this paragraph, the phrase "equivalent access" means a substantially similar ability to communicate with or make use of the technology, either directly by features incorporated within technology or by other reasonable means such as assistive devices or services which would constitute reasonable accommodations under the Americans with Disabilities Act or similar state or federal laws. Examples of methods by which equivalent access may be provided include, but are not limited to, keyboard alternatives to mouse commands and other means of navigating graphical displays, and customizable display appearance."

**ACT 157 of 2007 EMPLOYMENT OF ILLEGAL IMMIGRANTS**

Scientific Games understands that pursuant to Act 157 of 2007 (Arkansas Code Annotated § 19-11-105), all Vendors must certify prior to award of the contract that they do not employ or contract with any illegal immigrants in its contract with the State. If selected as the successful vendor, Scientific Games will certify online at: [http://www.arkansas.gov/dfa/procurement/pro\\_index.html](http://www.arkansas.gov/dfa/procurement/pro_index.html) Any subcontractors used by the Scientific Games at the time of Scientific Games' certification will also certify that they do not employ or contract with any illegal immigrant. Furthermore, Scientific Games understands that certification by the subcontractors will be submitted within thirty (30) days after contract execution.

**ARKANSAS LOTTERY COMMISSION MAJOR PROCUREMENT RULES**

Scientific Games understands that it is subject to all requirements of the Arkansas Lottery Commission Major Procurement Rules (Attachment A), whether such requirements are specifically set forth in the RFP or not.

**ALTERATION OF ORIGINAL RFP DOCUMENTS**

Scientific Games understands that the original written or electronic language of the RFP will not be changed or altered except by approved written addendum issued by the Arkansas Lottery Commission. We agree that this does not eliminate a Vendor from taking exception(s) to these documents, but does clarify that the Vendor cannot change the original document's written or electronic language. Scientific Games understands that it wishes to make exception(s) to any of the original language, it must be submitted in separate written or electronic language in a manner that clearly explains the exception(s). Scientific Games agrees that if our submittal is discovered to contain alterations/changes to the original written or electronic documents, our response may be declared as "non-responsive" and the response will not be considered.

**REQUIREMENT OF AMENDMENT**

Scientific Games acknowledges that THIS RFP MAY BE MODIFIED ONLY BY AMENDMENTS WRITTEN AND AUTHORIZED BY THE ARKANSAS LOTTERY COMMISSION. Vendors are cautioned to ensure that they have received or obtained and responded to any and all amendments to the RFP prior to submission.

**DELIVERY OF RESPONSE DOCUMENTS**

Scientific Games agrees that in accordance with the Arkansas Lottery Commission Major Procurement Rules, it is the responsibility of vendors to submit proposals at the place and on or before the date and time set in the RFP solicitation documents. Proposal documents received at the Arkansas Lottery Commission Offices after the date and time designated for proposal opening are considered late proposals and shall not be considered. Proposal documents that are to be returned may be opened to verify which RFP the submission is for.

**INTENT TO AWARD**

Scientific Games acknowledges that after complete evaluation of the proposal, the intent to award will be posted on the Arkansas Lottery Commission website ([www.lotterycommission.arkansas.gov/](http://www.lotterycommission.arkansas.gov/)) and/or the legal section of a newspaper of statewide circulation. The purpose of the posting is to establish a specific time in which vendors and agencies are aware of the anticipated award. The RFP results will be posted for a period of at least five (5) business days prior to the issuance of any award. Vendors and agencies are cautioned that these are preliminary results only, and no official award will be issued prior to the end of the five (5) day posting period. Accordingly, any reliance on these preliminary results is at the agency's/vendor's own risk. The Arkansas Lottery Commission reserves the right to waive this policy, The Intent to Award, when it is in the best interest of the State. Vendors are responsible for viewing the Intent to Award section of the Arkansas Lottery commission Major Procurement Rules.

**PAST PERFORMANCE:**

Scientific Games understands that the past performance should not be greater than three (3) years old and must be supported by written documentation on file in the Arkansas Lottery Commission at the time of the proposal opening. Within our proposal we clearly state and document our current performance.

**EO-98-04 GOVERNOR'S EXECUTIVE ORDER:**

Completion of Disclosure Forms located at [www.state.ar.us/dfa/procurement/pro\\_eo9804.html](http://www.state.ar.us/dfa/procurement/pro_eo9804.html) is required by Governor's Executive Order EO-98-04 as a condition of obtaining, extending, amending, or renewing a contract, lease, purchase agreement, or grant award with any Arkansas state agency.



# SECTION 1: General Information

## 1.0 INTRODUCTION

**RFP Requirement:** *The purpose of this Request For Proposal (RFP) is to invite responses (Proposals) from vendors in the lottery industry (Vendors) for the provision of instant ticket lottery game services for the Arkansas Lottery Commission (ALC). It is the ALC's desire to select a single Vendor that is able to provide a comprehensive solution to its instant ticket operations, to include the manufacture of instant tickets, warehousing and distribution, and marketing support services. An RFP is being used by the ALC to take maximum advantage of the design capabilities, implementation knowledge, and operational knowledge of the marketplace for the design implementation and operation of the ALC's statewide instant ticket sales and related activities. All Vendors must fully acquaint themselves with the ALC's needs and requirements and obtain all necessary information to develop an appropriate solution and to submit responsive and effective Proposals. Vendors must also acquaint themselves with the ALC's Major Procurement Rules (Attachment A), and adhere to the requirements of those rules throughout this process.*

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Scientific Games understands that the purpose of this Request For Proposal (RFP) is to invite responses (proposals) from vendors in the lottery industry (vendors) for the provision of instant ticket lottery game services for the Arkansas Lottery Commission (ALC). Furthermore, we acknowledge that it is the ALC's desire to select a single vendor that is able to provide a comprehensive solution to its instant ticket operations, to include the manufacture of instant tickets, warehousing and distribution, and marketing support services. An RFP is being used by the ALC to take maximum advantage of the design capabilities, implementation knowledge, and operational knowledge of the marketplace for the design implementation and operation of the ALC's statewide instant ticket sales and related activities. Scientific Games has fully acquainted itself with the ALC's needs and requirements and obtained all necessary information to develop an appropriate solution and an effective and responsive proposal. We are also acquainted with the ALC's Major Procurement Rules (Attachment A), and have adhered to the requirements of those rules throughout this process.



## 1.1 ISSUING AGENCY

**RFP Requirement:** The Arkansas Lottery Commission (ALC) issues this RFP. The issuing office is the sole point of contact in the State for the selection process. Vendor questions regarding RFP related matters should be made through the mailing address to the Director of the ALC. Questions regarding technical information or clarification should be addressed to the Director of the ALC.

Scientific Games acknowledges that the ALC issues this RFP. The issuing office is the sole point of contact in the State for the selection process. Scientific Games submitted questions regarding RFP related matters through the mailing address to the Director of the ALC. Questions regarding technical information or clarification were addressed to the Director of the ALC.

## 1.2 SCHEDULE OF EVENTS

**RFP Requirement:**

Release RFP	June 19, 2009
Written vendor questions due	July 8, 2009
Answers to vendor questions	July 15, 2009
Evaluation of proposals	Approximately 7 days after proposal opening
Anticipation to Award	Approximately 1 days after evaluation
ASLLOC review	Approximately 6 days
Contract Execution	Approximately 3 days after ASLLOC review

*Proposals are due no later than the date and time listed on Page 1 of the RFP.*

Scientific Games understands and agrees to the schedule of events as follows:

- |                                |   |
|--------------------------------|---|
| ■ Release RFP                  | June 19, 2009                               |
| ■ Written vendor questions due | July 8, 2009                                |
| ■ Answers to vendor questions  | July 15, 2009                               |
| ■ Evaluation of proposals      | Approximately 7 days after proposal opening |
| ■ Anticipation to Award        | Approximately 1 days after evaluation       |
| ■ ASLLOC review                | Approximately 6 days                        |
| ■ Contract Execution           | Approximately 3 days after ASLLOC review    |

Furthermore, we acknowledge that proposals are due no later than the date and time listed on Page 1 of the RFP.

## 1.3 CAUTION TO VENDORS

### **RFP Requirement:**

1. *During the time between the proposal opening and contract award, any contact concerning this RFP will be initiated by the issuing office or requesting entity and not the vendor. Specifically, the person(s) named herein will initiate all contact.*
2. *Vendors are requested to respond to each numbered paragraph of the RFP.*
3. *Vendors must submit one (1) signed original proposal on or before the date specified on page one of this RFP. The Vendor should submit seven (7) complete copies (marked copy) of the signed RFP response, and two (2) electronic versions (one (1) redacted electronic version and one (1) unredacted electronic version), preferably in MS Word/Excel format, on CD. Do NOT include any pricing from the Official Proposal Price Sheet on the copies, including the CD. Pricing from the Official Proposal Price Sheet must be separately sealed from the proposal response and clearly marked as pricing information. The electronic version of the Official Proposal Price Sheet must also be sealed separately from the electronic version of the proposal. Failure to submit the required number of copies with the proposal may be cause for rejection. If the Arkansas Lottery Commission (ALC) requests additional copies of the proposal, they must be delivered within twenty-four (24) hours of request.*
4. *For a proposal to be considered, an official authorized to bind the Vendor to a resultant contract must have signed the proposal, and the Official Proposal Price Sheet.*
5. *All official documents and correspondence shall be included as part of the resultant contract.||*
6. *The ALC reserves the right to award a contract or reject a proposal for any or all line items of a proposal received as a result of this RFP, if it is in the best interest of the State to do so. Proposals will be rejected for one or more reasons not limited to the following:*
  - a. *Failure of the Vendor to submit his or her proposal(s) on or before the deadline established by the issuing office;*
  - b. *Failure of the Vendor to respond to a requirement for oral/written clarification, presentation, or demonstration;*
  - c. *Failure to supply Vendor references.*
  - d. *Failure to sign an Official RFP Document;*
  - e. *Failure to complete the Official Proposal Price Sheet(s) and include them sealed separately from the rest of the proposal;*
  - f. *Any wording by the Vendor in their response to this RFP, or in subsequent correspondence, which conflicts with or takes exception to a requirement in the RFP; or*
  - g. *Failure of any proposed services to meet or exceed the specifications.*
7. *The Official Price Proposal Sheet is posted and may be downloaded at [www.lotterycommission.arkansas.gov/](http://www.lotterycommission.arkansas.gov/).*

1. Scientific Games understands that during the time between the proposal opening and contract award, any contact concerning the RFP will be initiated by the issuing office or requesting entity and not the vendor. Specifically, the person(s) named in the RFP will initiate all contact.
2. Scientific Games has responded to each numbered paragraph of the RFP.
3. Scientific Games has submitted one signed original proposal on or before the date specified on page one of the RFP. Scientific Games has also submitted seven complete copies (marked copy) of the signed RFP response, and two electronic versions (one redacted electronic version and one unredacted electronic version), in PDF format, on CD. **We have NOT included any pricing from the Official Proposal Price Sheet on the copies, including the CD. Pricing from the Official Proposal Price Sheet has been separately sealed from the proposal response and clearly marked as pricing information. The electronic version of the Official Proposal Price Sheet is also be sealed separately from the electronic version of the proposal.** Scientific Games acknowledges that failure to submit the required number of

copies with the proposal may be cause for rejection. If the ALC requests additional copies of the proposal, we will deliver within 24 hours of request.

4. An official authorized to bind Scientific Games to a resultant contract has signed our proposal and the Official Proposal Price Sheet.
5. Scientific Games understands that all official documents and correspondence is included as part of the resultant contract.
6. Scientific Games understands that the ALC reserves the right to award a contract or reject a proposal for any or all line items of a proposal received as a result of this RFP, if it is in the best interest of the State to do so. We acknowledge that proposals will be rejected for one or more reasons not limited to the following:
  - a. Failure of Scientific Games to submit their proposal on or before the deadline established by the issuing office
  - b. Failure of Scientific Games to respond to a requirement for oral/written clarification, presentation, or demonstration
  - c. Failure to supply vendor references
  - d. Failure to sign an Official RFP Document
  - e. **Failure to complete the Official Proposal Price Sheet(s) and include them sealed separately from the rest of the proposal**
  - f. Any wording by Scientific Games in our response to the RFP, or in subsequent correspondence, which conflicts with or takes exception to a requirement in the RFP
  - g. Failure of any proposed services to meet or exceed the specifications

## 1.4 RFP FORMAT

**RFP Requirement:** Any statement in this document that contains the word “must” or “shall” means that compliance with the intent of the statement is mandatory, and failure by the bidder to satisfy that intent will cause the proposal to be rejected. It is recommended that bidders respond to each item or paragraph of the RFP in sequence. Items not needing a specific vendor statement may be responded to by concurrence or acknowledgement; no response will be interpreted as an affirmative response or agreement to the ALC conditions. Reference to handbooks or other technical materials as part of a response must not constitute the entire response and vendor must identify the specific page and paragraph being referenced.

Scientific Games acknowledges that any statement in this document that contains the word “**must**” or “**shall**” means that compliance with the intent of the statement is mandatory, and failure by the bidder to satisfy that intent will cause the proposal to be rejected. Within our



response, Scientific Games has responded to each item or paragraph of the RFP in sequence. Items not needing a specific vendor statement have been responded to by concurrence or acknowledgement; we agree that no response will be interpreted as an affirmative response or agreement to the ALC conditions. Reference to handbooks or other technical materials as part of a response do not constitute the entire response and Scientific Games has identified the specific page and paragraph being referenced.

## 1.5 SEALED PRICES

**RFP Requirement:** *The Official Proposal Price Sheet submitted in response to this RFP must be submitted separately sealed from the proposal response. Bidders must include all pricing information on the Official Price Proposal Sheet and must clearly mark said page(s) as pricing information. The electronic version of the Official Proposal Price Sheet must also be sealed separately from the electronic version of the proposal.*

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Scientific Games has submitted the Official Proposal Price Sheet in response to the RFP in a separately sealed envelope from the proposal response. Scientific Games has included all pricing information on the Official Price Proposal Sheet and has clearly marked said page(s) as pricing information. The electronic version of the Official Proposal Price Sheet is also sealed separately from the electronic version of the proposal.

## 1.6 TYPE OF CONTRACT

**RFP Requirement:** *This will be a term contract for a term of seven (7) years from date of award, with an option for renewal up to three (3) additional times in one (1) year increments or a portion thereof.*

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Scientific Games understands that this will be a term contract for a term of seven years from date of award, with an option for renewal up to three additional times in one year increments or a portion thereof.

The ALC will have the option to renegotiate at time of renewal.

## 1.7 PAYMENT AND INVOICE PROVISIONS

**RFP Requirement:**

*All invoices shall be delivered to the ALC.*

*The Invoice, Invoice Remit, and Summary must be delivered via paper at no cost to the ALC.*

*The ALC shall have no responsibility whatsoever for the payment of any federal, state, or local taxes which become payable by the Successful Vendor or its subcontractors, agents, officers, or employees. The Successful Vendor shall pay and discharge all such taxes when due.*

*Payment will be made in accordance with applicable State of Arkansas accounting procedures upon acceptance by the ALC. The ALC may not be invoiced in advance of delivery and acceptance of any services. Payment will be made only after the contractor has successfully satisfied the requesting agency as to the reliability and effectiveness of the services as a whole. Purchase Order Number and/or Contract Number should be referenced on each invoice.*

*The Contractor shall be required to maintain all pertinent financial and accounting records and evidence pertaining to the contract in accordance with generally accepted principles of accounting and other procedures specified by the State of Arkansas. Access will be granted upon request, to State or Federal Government entities or any of their duly authorized representatives.*

*Financial and accounting records shall be made available, upon request, to the ALC's designee(s) at any time during the contract period and any extension thereof, and for five (5) years from expiration date and final payment on the contract or extension thereof.*

Scientific Games understands and agrees to the following:

- All invoices will be delivered to the ALC.
- The Invoice, Invoice Remit, and Summary will be delivered via paper at no cost to the ALC.
- The ALC will have no responsibility whatsoever for the payment of any federal, state, or local taxes which become payable by the successful vendor or its subcontractors, agents, officers, or employees. The successful vendor shall pay and discharge all such taxes when due.
- Payment will be made in accordance with applicable State of Arkansas accounting procedures upon acceptance by the ALC. The ALC may not be invoiced in advance of delivery and acceptance of any services. Payment will be made only after the contractor has successfully satisfied the requesting agency as to the reliability and effectiveness of the services as a whole. Purchase Order Number and/or Contract Number should be referenced on each invoice.
- The contractor will be required to maintain all pertinent financial and accounting records and evidence pertaining to the contract in accordance with generally accepted principles of accounting and other procedures specified by the State of Arkansas. Access will be granted upon request, to state or federal government entities or any of their duly authorized representatives.

- Financial and accounting records will be made available, upon request, to the ALC's designee(s) at any time during the contract period and any extension thereof, and for five years from expiration date and final payment on the contract or extension thereof.

## 1.8 LIQUIDATED DAMAGES

**RFP Requirement:** *The Contract will contain provisions for the following types of liquidated damages:*

- *Delay in the start of the lottery;*
- *Delay in the start of a new game;*
- *Shortage of tickets;*
- *Failure to distribute tickets within two (2) business days of ordering;*
- *Security violations;*
- *Untimely reports;*
- *Working Papers –untimely or unauthorized modifications;*
- *Claimed prize tickets not approved by the ALC;*
- *Defective or nonconforming tickets;*
- *Incomplete or incorrect game validation files.*

*The Successful Vendor will remit damages directly to the ALC, or at the option of the ALC, the ALC may withhold amounts otherwise due to the Successful Vendor.*

*For purposes of the RFP, "Working Papers" means the documents, including without limitation specifications for each instant ticket game, supplied by the Vendor including the following:*

- *Ticket stock;*
- *Ticket size*
- *Retailer winner codes;*
- *Colors;*
- *Pack size;*
- *Benday patterns or other security measures;*
- *Prize fund;*
- *Instant ticket game instructions;*
- *Ink and coatings;*
- *Characteristics; and*
- *Instant ticket game data fonts and sizes.*

Scientific Games acknowledges that the contract will contain provisions for the following types of liquidated damages:

- Delay in the start of the lottery
- Delay in the start of a new game
- Shortage of tickets
- Failure to distribute tickets within two business days of ordering
- Security violations
- Untimely reports
- Working Papers –untimely or unauthorized modifications
- Claimed prize tickets not approved by the ALC

- Defective or nonconforming tickets
- Incomplete or incorrect game validation files

If selected as the successful vendor, Scientific Games will remit damages directly to the ALC, or at the option of the ALC, the ALC may withhold amounts otherwise due to Scientific Games.

Scientific Games understands that for purposes of the RFP, “working papers” means the documents, including without limitation specifications for each instant ticket game, supplied by Scientific Games including the following:

- Ticket stock
- Ticket size
- Retailer winner codes
- Colors
- Pack size
- Benday patterns or other security measures
- Prize fund
- Instant ticket game instructions
- Ink and coatings
- Characteristics
- Instant ticket game data fonts and sizes

## 1.9 PROPRIETARY INFORMATION

**RFP Requirement:** *Proprietary information submitted in response to this RFP will be processed in accordance with applicable major procurement procedures. Proposals and documents pertaining to the RFP become the property of the ALC and shall be open to public inspection subsequent to proposal opening subject to exemptions as outlined in § 23-115-404(a)(1)(A) and (B). It is the responsibility of the Vendor to identify all proprietary information and to seal such information in a separate envelope marked as confidential and proprietary.*

*The vendor must submit one complete copy of the proposal from which any proprietary information has been removed, i.e., a redacted copy. The redacted copy should reflect the same pagination as the original, show the empty space from which information was redacted, and be submitted on a CD. Except for the redacted information, the CD must be identical to the original hard copy. The vendor is responsible for ensuring the redacted copy on CD is protected against restoration of redacted data.*

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Scientific Games understands that proprietary information submitted in response to this RFP will be processed in accordance with applicable major procurement procedures.

Proposals and documents pertaining to the RFP become the property of the ALC and will be open to public inspection subsequent to proposal opening subject to exemptions as outlined in § 23-115-404(a)(1)(A) and (B). We acknowledge that it is the responsibility of Scientific Games to identify all proprietary information and to seal such information in a separate envelope marked as confidential and proprietary.

Scientific Games has submitted one complete copy of the proposal from which any proprietary information has been removed, i.e., a redacted copy. The redacted copy reflects the same pagination as the original, show the empty space from which information was redacted, and has been submitted on a CD. Except for the redacted information, the CD is identical to the original hard copy. Scientific Games has ensured the redacted copy on CD is protected against restoration of redacted data.

## 1.10 CLARIFICATION OF RFP AND QUESTIONS

**RFP Requirement:** *If additional information is necessary to enable Vendors to better interpret the information contained in the RFP, written questions will be accepted until the close of business (5:00 PM CDT) on July 8, 2009. Vendor questions submitted in writing will be consolidated and responded to by the ALC. The questions and the consolidated written ALC response will be posted on the ALC website on or before the close of business (5:00 PM CDT) on July 15, 2009. Written questions should be sent to the ALC.*

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Scientific Games understands that if additional information is necessary to enable vendors to better interpret the information contained in the RFP, written questions will be accepted until the close of business (5:00 PM CDT) on July 8, 2009.

Vendor questions submitted in writing will be consolidated and responded to by the ALC. The questions and the consolidated written ALC response will be posted on the ALC web site on or before the close of business (5:00 PM CDT) on July 15, 2009. Written questions should be sent to the ALC.

## 1.11 BID EVALUATION

**RFP Requirement:** *The ALC will evaluate all proposals to ensure all requirements are met. The contract will be awarded on the basis of the proposal that receives the highest cumulative point total as defined in the evaluation criteria.*

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Scientific Games understands that the ALC will evaluate all proposals to ensure all requirements are met. The contract will be awarded on the basis of the proposal that receives the highest cumulative point total as defined in the evaluation criteria.

## 1.12 ORAL AND/OR WRITTEN PRESENTATIONS/ DEMONSTRATIONS

**RFP Requirement:** *The Vendor may be required to make oral and/or written presentations to comply with the requirement.*

*The RFP evaluation committee chairperson will schedule the time and location for each demonstration or presentation. All presentations are subject to be recorded.*

*All expenses associated with the initial demonstration except travel, meals, and lodging for ALC personnel, will be borne by the Vendor.*

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Scientific Games acknowledges that it may be required to make oral and/or written presentations to comply with the requirement.

The RFP evaluation committee chairperson will schedule the time and location for each demonstration or presentation. All presentations are subject to be recorded.

All expenses associated with the initial demonstration except travel, meals, and lodging for ALC personnel, will be borne by Scientific Games.

## 1.13 PERFORMANCE SECURITY

**RFP Requirement:** *In order to assure full performance of all obligations imposed on a Vendor by contracting with the ALC, the Vendor will be required to provide a performance security in an amount of \$5,000,000.00 submitted by the Vendor within ten (10) working days from date of receipt of the ALC's written notification by mail of its anticipation to award a proposal. The form of security required shall be a performance bond such as is usually and customarily written and issued by surety companies licensed and authorized to do business in Arkansas or a cashier's/certified check. An irrevocable letter of credit from an Arkansas bank is also acceptable. The ALC shall award the contract upon acceptance of the performance security. The performance security should be made out to the Arkansas Lottery Commission and will be on file at the ALC. The performance security may be renewed on an annual basis.*

*If a Vendor fails to deliver the required performance security, the proposal shall be rejected and the contract shall be awarded to the provider of the next ranked proposal. In the event of a breach of contract, either through quality problems, late delivery, substitutions, non-performance, or other areas within the control of the Vendor, the ALC will notify the Vendor in writing of the default and may assess reasonable charges against the Vendor's performance security. If, after notification of default, the Vendor fails to remedy the ALC's damages within ten (10) working days, the ALC may initiate procedures for collection against the Vendor's performance security.*

*In the event of default, and in order to achieve the greatest economy for the State, the ALC may choose the next highest ranked Vendor, re-advertise for proposals, negotiate a purchase, or complete any other action consistent with the major procurement laws. The performance security will be released at the end of the contract period.*

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Scientific Games understands and agrees that in order to assure full performance of all obligations imposed on Scientific Games by contracting with the ALC, we will be required to provide a performance security in an amount of \$5,000,000.00 within ten working days from date of receipt of the ALC's written notification by mail of its anticipation to award a proposal. The form of security required will be a performance bond such as is usually and customarily written and issued by surety companies licensed and authorized to do business in Arkansas or a cashier's/certified check. An irrevocable letter of credit from an Arkansas bank is also acceptable. The ALC

will award the contract upon acceptance of the performance security. The performance security should be made out to the Arkansas Lottery Commission and will be on file at the ALC. The performance security may be renewed on an annual basis.

Scientific Games acknowledges that if a vendor fails to deliver the required performance security, the proposal will be rejected and the contract will be awarded to the provider of the next ranked proposal. In the event of a breach of contract, either through quality problems, late delivery, substitutions, non-performance, or other areas within the control of the vendor, the ALC will notify the vendor in writing of the default and may assess reasonable charges against the vendor's performance security. If, after notification of default, the Vendor fails to remedy the ALC's damages within ten working days, the ALC may initiate procedures for collection against the vendor's performance security.

Scientific Games understands that in the event of default, and in order to achieve the greatest economy for the State, the ALC may choose the next highest ranked vendor, re-advertise for proposals, negotiate a purchase, or complete any other action consistent with the major procurement laws. The performance security will be released at the end of the contract period.

## 1.14 PRIME CONTRACTOR RESPONSIBILITY

**RFP Requirement:** *The selected Vendor will be required to assume prime contractor responsibility for the contract and will be the sole point of contact.*

*The ALC reserves the right to interview the key personnel assigned by the successful vendor to this project and to recommend or require reassignment of personnel deemed unsatisfactory by the ALC.*

*The ALC reserves the right to approve subcontractors for this project and require primary contractors to replace subcontractors that are found to be unacceptable.*

*If any part of the work is to be subcontracted the Vendor is subject to the provisions of Arkansas Code Annotated § 23-115-501(c), in that the Vendor must disclose the same information for the subcontractor as for itself. Responses to this RFP must include a list of subcontractors, including: firm name and address, contact person, complete description of work to be subcontracted, and descriptive information concerning subcontractor's business organization.*

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Scientific Games acknowledges that the selected vendor will be required to assume prime contractor responsibility for the contract and will be the sole point of contact.

The ALC reserves the right to interview the key personnel assigned by the successful vendor to this project and to recommend or require reassignment of personnel deemed unsatisfactory by the ALC.

The ALC reserves the right to approve subcontractors for this project and require primary contractors to replace subcontractors that are found to be unacceptable.

We understand that if any part of the work is to be subcontracted Scientific Games is subject to the provisions of Arkansas Code Annotated § 23-115-501(c), in that Scientific Games must disclose the same information for the subcontractor as for itself. As applicable, Scientific Games has included a list of subcontractors, including: firm name and address, contact person, complete description of work to be subcontracted, and descriptive information concerning subcontractor's business organization.

## 1.15 DELEGATION AND/OR ASSIGNMENT

**RFP Requirement:** *The Vendor shall not assign the contract in whole or in part or any payment arising there from without the prior written consent of the ALC. The Vendor shall not delegate any duties under this contract to a subcontractor unless the ALC has given written consent to the delegation.*

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If selected as the successful vendor, Scientific Games will not assign the contract in whole or in part or any payment arising there from without the prior written consent of the ALC. Scientific Games will not delegate any duties under this contract to a subcontractor unless the ALC has given written consent to the delegation.

## 1.16 CONDITIONS OF CONTRACT

**RFP Requirement:** *The Successful Vendor shall at all times observe and comply with federal and State laws, local laws, ordinances, orders, and regulations existing at the time of or enacted subsequent to the execution of this contract which in any manner affect the completion of the work. The Successful Vendor shall indemnify and save harmless the agency and all its officers, representatives, agents, and employees against any claim or liability arising from or based upon the violation of any such law, ordinance, regulation, order, or decree by an employee, representative, or subcontractor of the Successful Vendor.*

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If selected as the successful vendor, Scientific Games will at all times observe and comply with federal and State laws, local laws, ordinances, orders, and regulations existing at the time of or enacted subsequent to the execution of this contract which in any manner affect the completion of the work. If selected as the successful vendor, Scientific Games will indemnify and save harmless the agency and all its officers, representatives, agents, and employees against any claim or liability arising from or based upon the violation of any such law, ordinance, regulation, order, or decree by an employee, representative, or subcontractor of Scientific Games.



## 1.17 CANCELLATION

**RFP Requirement:** "In accordance with Arkansas Code Annotated § 23-115-503(b), the ALC may cancel the Contract after notice and a right to a hearing if:

- The Vendor commits a violation of this Arkansas Code Annotated § 23-115-501 et seq. or a rule of the Commission;
- The Vendor commits any fraud, deceit, or misrepresentation;
- The Vendor files for or is placed in bankruptcy or receivership; or
- In its sole discretion, the ALC finds a material change in any matter considered by the ALC in executing the Contract with the Vendor."

Scientific Games acknowledges that the ALC may cancel the Contract after notice and a right to a hearing if:

- We commit a violation of this Arkansas Code Annotated § 23-115-501 et seq. or a rule of the Commission
- We commit any fraud, deceit, or misrepresentation
- We file for or is placed in bankruptcy or receivership
- In its sole discretion, the ALC finds a material change in any matter considered by the ALC in executing the Contract with Scientific Games

## 1.18 STATEMENT OF LIABILITY

**RFP Requirement:** The ALC will demonstrate reasonable care but shall not be liable in the event of loss, destruction, or theft of contractor-owned technical literature to be delivered or to be used in the installation of deliverables. The Vendor is required to retain total liability for technical literature until the deliverables have been accepted by the "authorized agency official." At no time will the ALC be responsible for or accept liability for any Vendor-owned items.

The Successful Vendor shall indemnify and hold harmless the ALC, its officers, directors, agents, retailers and employees and the State of Arkansas, from and against any and all suits, damages, expenses, losses, liabilities, claims of any kind, costs or expenses of any nature or kind, including, with limitation, court costs, attorneys' fees, and other damages, arising out of, in connection with or resulting from the development, possession, license, modification, disclosure, or use of any copyrighted or non-copyrighted materials, trademark, service mark, secure process, invention, process or idea (whether patented or not), trade secret, confidential information, article or appliance furnished by vendor or used in the performance of the Contract.

Scientific Games understands that the ALC will demonstrate reasonable care but will not be liable in the event of loss, destruction, or theft of contractor-owned technical literature to be delivered or to be used in the installation of deliverables. Scientific Games is required to retain total liability for technical literature until the deliverables have been accepted by the "authorized agency official." At no time will the ALC be responsible for or accept liability for any vendor-owned items.

If selected as the successful vendor, Scientific Games will indemnify and hold harmless the ALC, its officers, directors, agents, retailers and employees and the State of Arkansas, from and against

any and all suits, damages, expenses, losses, liabilities, claims of any kind, costs or expenses of any nature or kind, including, with limitation, court costs, attorneys' fees, and other damages, arising out of, in connection with or resulting from the development, possession, license, modification, disclosure, or use of any copyrighted or non-copyrighted materials, trademark, service mark, secure process, invention, process or idea (whether patented or not), trade secret, confidential information, article or appliance furnished by Scientific Games or used in the performance of the contract.

## 1.19 OWNERSHIP OF MATERIALS AND RIGHTS OF USE

**RFP Requirement:** *Neither the Successful Vendor nor any of its approved subcontractors shall have any proprietary rights or interests in the products, materials, intellectual properties developed, data documentation, approaches, systems, programs, methodologies, or concepts developed, produced or provided in connection with the services provided in connection with the services provided under the Contract. All such items, rights and/or interests shall belong exclusively to the ALC and that are developed solely for use by the ALC.*

*The ALC grants to the Successful Vendor during the period from the effective date of the Contract until the Contract expires or is otherwise terminated a non-exclusive license to use, sublicense, modify and create derivative works of hardware, equipment, firmware, and mask works which are owned by the ALC and created solely by the Successful Vendor or its approved subcontractors, provided such use by the Vendor is only for the purpose of performing the Contract.*

*The Successful Vendor grants to the ALC an annual royalty-free license to use and sublicense the use of any and all proprietary materials owned by it including, but not limited to, hardware, equipment, firmware, mask works, trademarks, and service marks and used in connection with the performance of the Contract, and the Successful Vendor irrevocably grants to the ALC the necessary rights and authority to modify such proprietary materials and to create the derivative works in any manner the ALC deems necessary. It is the intent of the ALC that it have control over such proprietary materials in a manner consistent with ownership thereof. The intent of the ALC is that the ALC is able to continue to use the systems and equipment which is purchased under the RFP in the conduct of the lottery games, if in the discretion of the ALC it is in the best interests of the lottery and the ALC to do so, after the expiration or termination of the Contract. A necessary component of such operations is for the ALC to have access to the source code, operational diagrams, and other proprietary materials so that the ALC, or contractors engaged by the ALC, if the Successful Vendor is unable or unwilling to supply upgrades, modifications, or other necessary support, can perform such functions so as not to jeopardize the operation of the Lottery. The Contract will require that the Successful Vendor deposit the source code and other proprietary materials with an independent third party to be accessed by the ALC in the event of expiration or termination of the Contract. The Successful Vendor agrees to grant the ALC non-exclusive intellectual property usage rights for online games and properties owned by the Vendor at no cost during the term of the Contract period of this Proposal.*

*If, for any reason the Successful Vendor should become unable to service the Contract resulting from this RFP, the ALC shall acquire a usufruct in all contractual items owned or licensed by the Successful Vendor in conjunction with the Contract which are necessary to provide such services.*

Scientific Games acknowledges that neither the successful vendor nor any of its approved subcontractors shall have any proprietary rights or interests in the products, materials, intellectual properties developed, data documentation, approaches, systems, programs, methodologies, or concepts developed, produced or provided in connection with the services provided in connection with the services provided under the contract. All such items, rights and/or interests will belong exclusively to the ALC and that are developed solely for use by the ALC.

Scientific Games understands that the ALC grants to the successful vendor during the period from the effective date of the contract until the contract expires or is otherwise terminated a non-exclusive license to use, sublicense, modify and create derivative works of hardware, equipment,

firmware, and mask works which are owned by the ALC and created solely by the successful vendor or its approved subcontractors, provided such use by Scientific Games is only for the purpose of performing the contract.

We also acknowledge that the successful vendor grants to the ALC an annual, royalty-free license to use and sublicense the use of any and all proprietary materials owned by it including, but not limited to, hardware, equipment, firmware, mask works, trademarks, and service marks and used in connection with the performance of the Contract, and the successful vendor irrevocably grants to the ALC the necessary rights and authority to modify such proprietary materials and to create the derivative works in any manner the ALC deems necessary. It is the intent of the ALC that it have control over such proprietary materials in a manner consistent with ownership thereof. The intent of the ALC is that the ALC is able to continue to use the systems and equipment which is purchased under the RFP in the conduct of the lottery games, if in the discretion of the ALC it is in the best interests of the lottery and the ALC to do so, after the expiration or termination of the contract. Scientific Games understands that a necessary component of such operations is for the ALC to have access to the source code, operational diagrams, and other proprietary materials so that the ALC, or contractors engaged by the ALC, if the successful vendor is unable or unwilling to supply upgrades, modifications, or other necessary support, can perform such functions so as not to jeopardize the operation of the Lottery. The Contract will require that the successful vendor deposit the source code and other proprietary materials with an independent third party to be accessed by the ALC in the event of expiration or termination of the contract. If selected as the successful vendor, Scientific Games agrees to grant the ALC non-exclusive intellectual property usage rights for online games and properties owned by Scientific Games at no cost during the term of the contract period of this proposal.

Scientific Games understands that if, for any reason the successful vendor should become unable to service the contract resulting from this RFP, the ALC will acquire a usufruct in all contractual items owned or licensed by the successful vendor in conjunction with the contract which are necessary to provide such services.

#### **SCIENTIFIC GAMES' ONLINE GAME PORTFOLIO – INCLUDED IN BASE TICKET OFFERING**

Scientific Games continues to aggressively develop a diverse portfolio of new online game content. In addition, as a partner to many lotteries in the industry, we have helped each of our customers grow their businesses through the development and timely implementation of successful new online game content. To do so requires creative thinking and a willingness to foster the incubation of innovative ideas. Scientific Games has taken a proactive approach in the development of all new game content, and the delivery mechanisms for that content. We have

heavily invested in the research and development of new online games that go beyond the game models that have traditionally been offered for the last 30 years.

Through extensive brainstorming efforts, market evaluations, game design development and research, Scientific Games has created several new categories of online games, modeled at a variety of price points, as well as offering a full range of traditional online games. Our online game categories are summarized in **Figure 1-1**.

ONLINE GAME CATEGORIES	
<b>Classic Games</b>	– Traditional online lottery numbers, matrix and draw games.
<b>Extension Games</b>	– Online games with a “twist,” taking traditional online games to a whole new level, with enticing features such as multipliers and instant wins with higher price points that offer players “value-added” reasons to play.
<b>Instant Win</b>	– Offer an instant-cash win through the implementation of multiple themes and price points which can be stand alone or added to existing games and can be rotated in and out of the marketplace as frequently as within weeks of each other.
<b>Interactive Games</b>	– The ability for players to view a game on a ticket and then decide whether to participate in the play action opens the doors to a multitude of exciting games that offer “enhanced play” features
<b>Player’s Choice Games</b>	– These games give players a “sense of control” by allowing them to select certain positions on the ticket to reveal. When a player receives a ticket, they can see that every ticket is a potential winner if they select the correct positions.

Figure 1-1: Current Online Game Categories

We have a multitude of games within each category of our online game portfolio. Scientific Games continues to create a host of new patent-pending online games that fit within these categories. Many of these games are now being implemented by a number of lotteries, both domestically and internationally.

Over the past four plus years, Scientific Games has successfully implemented over 75 new games, game changes or game enhancements on time and according to specification.

## 1.20 TRADEMARK AND SERVICE MARK SEARCH AND REGISTRATION

**RFP Requirement:** *The Successful Vendor, at its sole expense, will conduct trademark and service mark searches for all game names used during the term of the Contract. Copies of all such search reports will be delivered to the ALC and its legal counsel. New trademarks and service marks developed for the ALC will be registered by legal counsel chosen by the ALC in the name of the ALC for its sole use.*

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If selected as the successful vendor, Scientific Games, at its sole expense, will conduct trademark and service mark searches for all game names used during the term of the contract. Copies of all such search reports will be delivered to the ALC and its legal counsel. New trademarks and service marks developed for the ALC will be registered by legal counsel chosen by the ALC in the name of the ALC for its sole use.

## 1.21 AWARD RESPONSIBILITY

**RFP Requirement:** *The ALC will be responsible for award and administration of any resulting contract(s).*

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Scientific Games acknowledges that the ALC will be responsible for award and administration of any resulting contract(s).

## 1.22 INDEPENDENT PRICE DETERMINATION

**RFP Requirement:** *By submission of this proposal, the Vendor certifies, and in the case of a joint proposal, each party thereto certifies as to its own organization, that in connection with this proposal:*

1. *The prices in the proposal have been arrived at independently, without collusion and that no prior information concerning these prices has been received from or given to a competitive company;*  
*and*
  2. *If there is sufficient evidence of collusion to warrant consideration of this proposal by the Arkansas Office of the Attorney General, all Vendors shall understand that this paragraph may be used as a basis for litigation.*
- 

By submission of this proposal, Scientific Games certifies, and in the case of a joint proposal, each party thereto certifies as to its own organization, that in connection with the proposal:

1. The prices in the proposal have been arrived at independently, without collusion and that no prior information concerning these prices has been received from or given to a competitive company.
2. If there is sufficient evidence of collusion to warrant consideration of this proposal by the Arkansas Office of the Attorney General, Scientific Games understands that this paragraph may be used as a basis for litigation.

## 1.23 PUBLICITY

**RFP Requirement:** News release(s), media interviews or other publicity by a Vendor pertaining to this RFP or any portion of the project shall not be made without prior written approval of the ALC. Failure to comply with this requirement is deemed to be a valid reason for disqualification of the Vendor's proposal.

*The Successful Vendor agrees not to use the ALC's names, trademarks, service marks, logos, images, or any data arising or resulting from this RFP or the Contract as part of any commercial advertising or proposal without the express prior written consent of the ALC in each instance.*

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Scientific Games agrees that news release(s), media interviews or other publicity by Scientific Games pertaining to the RFP or any portion of the project will not be made without prior written approval of the ALC. Failure to comply with this requirement is deemed to be a valid reason for disqualification of Scientific Games' proposal.

If selected as the successful vendor, Scientific Games agrees not to use the ALC's names, trademarks, service marks, logos, images, or any data arising or resulting from the RFP or the contract as part of any commercial advertising or proposal without the express prior written consent of the ALC in each instance.

## 1.24 CONFIDENTIALITY

**RFP Requirement:** The Vendor shall be bound to confidentiality of any information that its employees may become aware of during the course of performance of contracted services. Consistent and/or uncorrected breaches of confidentiality may constitute grounds for cancellation of the Contract.

*The Successful Vendor shall represent and warrant that its performance under the Contract will not infringe any patent, copyright, trademark, service mark, or other intellectual property rights of any other person or entity and that it will not constitute the unauthorized use or disclosure of any trade secret of any other person or entity.*

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Scientific Games will be bound to confidentiality of any information that its employees may become aware of during the course of performance of contracted services. Consistent and/or uncorrected breaches of confidentiality may constitute grounds for cancellation of the Contract.

If selected as the successful vendor, Scientific Games will represent and warrant that its performance under the contract will not infringe any patent, copyright, trademark, service mark, or other intellectual property rights of any other person or entity and that it will not constitute the unauthorized use or disclosure of any trade secret of any other person or entity.

## 1.25 PROPOSAL TENURE

**RFP Requirement:** All Proposals shall remain valid for one hundred eighty (180) calendar days calendar days from the Proposal due date referenced on Page 1 of the RFP.

Scientific Games' proposal will remain valid for 180 calendar days calendar days from the Proposal due date referenced on Page 1 of the RFP.

## 1.26 COST

**RFP Requirement:** All charges must be included on the Official Proposal Price Sheets, must be valid for one hundred eighty (180) days following proposal opening, and shall be included in the costing evaluation. The pricing must include all associated cost for the service being bid. Pricing from the Official Proposal Price Sheet must be separately sealed from the proposal response and clearly marked as pricing information. Do not include any pricing from the Official Proposal Price Sheet on the copies, including the CD. The electronic version of the Official Proposal Price Sheet must also be sealed separately from the electronic version of the proposal.

**NOTE:**

1. The ALC will not be obligated to pay any costs not identified on the Official Proposal Price Sheet.
2. Any cost not identified by the Vendor but subsequently incurred in order to achieve successful operation will be borne by the Vendor.
3. Official Proposal Price Sheets may be reproduced as needed.
4. Vendors may expand items to identify all proposed services. A separate listing, which must include pricing, may be submitted with summary pricing.

Scientific Games has provided all charges on the Official Proposal Price Sheets, and are valid for 180 days following proposal opening, and will be included in the costing evaluation. The pricing includes all associated cost for the service being bid. **Pricing from the Official Proposal Price Sheet has been separately sealed from the proposal response and clearly marked as pricing information. We have not included any pricing from the Official Proposal Price Sheet on the copies, including the CD. The electronic version of the Official Proposal Price Sheet is also be sealed separately from the electronic version of the proposal.**

**NOTE:**

1. The ALC will not be obligated to pay any costs not identified on the Official Proposal Price Sheet.
2. Any cost not identified by the vendor but subsequently incurred in order to achieve successful operation will be borne by the vendor.
3. Official Proposal Price Sheets may be reproduced as needed.
4. Vendors may expand items to identify all proposed services. A separate listing, which must include pricing, may be submitted with summary pricing.



## 1.27 WARRANTIES

### **RFP Requirement:**

1. *The Successful Vendor shall warrant that it currently is, and will at all times remain, lawfully organized and constituted under all federal, state and local law, ordinances and other authorities of its domicile and that it currently is, and will at all times remain in full compliance with all legal requirements of its domicile and the State of Arkansas.*
  2. *The successful Vendor shall warrant and agree that it will keep all equipment in good condition and repair, and it shall make all reasonable efforts to prevent anything that may materially impair the operations thereof. The Successful Vendor shall not permit such equipment to be used in violation of any provision to be used in violation of any provision of the Contract, this RFP and any amendments thereto, any statute or any regulation of the ALC and shall not encumber such equipment or otherwise dedicate the use of such equipment in such a way as to compromise the ability of the Successful Vendor to perform the services provided in the Contract.*
  3. *The Successful Vendor shall warrant that the actual prize pool for each game will be within the limits set out in the "Working Papers".*
  4. *The Successful Vendor shall warrant that all tickets will have a unique validation number within each game.*
- 

1. If selected as the successful vendor, Scientific Games will warrant that it currently is, and will at all times remain, lawfully organized and constituted under all federal, state and local law, ordinances and other authorities of its domicile and that it currently is, and will at all times remain in full compliance with all legal requirements of its domicile and the State of Arkansas.
2. If selected as the successful vendor, Scientific Games will warrant and agree that it will keep all equipment in good condition and repair, and it will make all reasonable efforts to prevent anything that may materially impair the operations thereof. Scientific Games will not permit such equipment to be used in violation of any provision to be used in violation of any provision of the contract, the RFP and any amendments thereto, any statute or any regulation of the ALC and will not encumber such equipment or otherwise dedicate the use of such equipment in such a way as to compromise the ability of Scientific Games to perform the services provided in the contract.
3. If selected as the successful vendor, Scientific Games will warrant that the actual prize pool for each game will be within the limits set out in the "working papers."
4. If selected as the successful vendor, Scientific Games will warrant that all tickets will have a unique validation number within each game.



## 1.28 ONGOING PERFORMANCE REQUIREMENTS

**RFP Requirement:** *The ALC may terminate the Contract by the Successful Vendor or its subcontractors under the terms of the Contract if, within ten (10) days after the ALC gives the Successful Vendor written notice specifying a default, the Contractor has not, in the ALC's sole judgment, either cured the default or given adequate assurance that assures the default will not adversely affect the timely implementation of the Lottery or its continued operation.*

*Moreover, the ALC may cancel and terminate the Contract on less than ten (10) days written notice in cases of fraud, failure to disclose information required under this RFP, submission of work product in contravention of the terms of the Contract, refusal to permit inspections authorized by the Contract, failure to establish and maintain a physical plant, ticket and distribution security program that is acceptable to the ALC, and failure to adhere to all security requirements established from time to time by the ALC.*

Scientific Games understands that the ALC may terminate the contract by the successful vendor or its subcontractors under the terms of the contract if, within ten days after the ALC gives the Successful Vendor written notice specifying a default, the contractor has not, in the ALC's reasonable judgment, either cured the default or given adequate assurance that assures the default will not adversely affect the timely implementation of the Lottery or its continued operation.

Furthermore, we acknowledge that moreover, the ALC may cancel and terminate the contract on less than ten days written notice in cases of fraud, failure to disclose information required under the RFP, submission of work product in contravention of the terms of the contract, refusal to permit inspections authorized by the contract, failure to establish and maintain a physical plant, ticket and distribution security program that is acceptable to the ALC, and failure to adhere to all security requirements established from time to time by the ALC.

## 1.29 VENDOR REFERENCES

**RFP Requirement:** *The Successful Vendor must have experience in providing the goods or services specified in this RFP and must furnish proof of that experience to the satisfaction of the ALC. Therefore, all Vendors shall provide the ALC with a minimum of three (3) references for which the Vendor supplied goods or services similar to those being sought by this RFP. For each reference listed, the following information must be provided:*

- A. Client Name;*
- B. Contact Name;*
- C. Address;*
- D. Telephone & Fax Numbers & e-mail address;*
- E. Years of Association with Client;*
- F. Description of Goods or Services Provided;*
- G. Dates Goods or Services Provided; and*
- H. Approximate Value of Goods or Services Provided.*

As documented throughout our proposal response, Scientific Games has significant experience in providing the goods or services specified in the RFP and has furnished proof of that experience thoroughly. On the following pages, Scientific Games provides four references for which we have

supplied goods or services similar to those being sought by the RFP. For each reference listed, the following information is provided:

- A. Client Name
- B. Contact Name
- C. Address
- D. Telephone & Fax Numbers & E-Mail Address
- E. Years of Association with Client
- F. Description of Goods or Services Provided
- G. Dates Goods or Services Provided
- H. Approximate Value of Goods or Services Provided

## 1.30 NEGOTIATIONS

**RFP Requirement:** *As provided in this RFP and under the ALC's Major Procurement Rules, discussions may be conducted with a responsible Vendor who submit proposals determined to be reasonably susceptible of being selected for award for the purpose of obtaining clarification of proposal response and negotiation for best and final offers.*

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Scientific Games understands that as provided in the RFP and under the ALC's Major Procurement Rules, discussions may be conducted with a responsible vendor who submit proposals determined to be reasonably susceptible of being selected for award for the purpose of obtaining clarification of proposal response and negotiation for best and final offers.

*CONFIDENTIAL INFORMATION BEGINS HERE.*







*CONFIDENTIAL INFORMATION ENDS HERE.*







## SECTION 2: Overview

### 2.0 OVERVIEW

**RFP Requirement:** Legislation creating the Arkansas Lottery, also referred to as the Arkansas Scholarship Lottery Act (ASLA), and the Arkansas Lottery Commission (ALC), was signed into law on March 26, 2009 (the Arkansas Scholarship Lottery Act, Arkansas Code Annotated § 23-115-101, et seq. and § 6-85-201, et seq.). In accordance with that legislation the Arkansas Lottery Commission, for the benefit of the people of Arkansas, issues this Request For Proposals with the clear intent to operate a lottery that provides continuing entertainment to the public, maximizes the revenue generated for the support of higher education scholarships, preserves the integrity and dignity of the process and accounts to the public and the General Assembly through reports and audits.

The Arkansas Lottery Commission is an independent agency of the State of Arkansas. It plans to employ up to ninety (90) people statewide and plans to operate four prize payment center offices including a headquarters in Little Rock and three district offices outside of Little Rock by the start-up of instant ticket sales on or before October 29, 2009. The ALC is committed to maximizing revenues for the Arkansas Academic Challenge Scholarship Program (AACSP) and other non-lottery education programs in furtherance of the findings and declarations set forth in the act creating the Arkansas Scholarship Lottery.

The ALC requires that instant ticket sales begin on or before October 29, 2009; thus, all components of an instant ticket operation must be in place, fully operational and tested prior to that time. The ALC will begin with instant ticket price points at \$1, \$2, \$3, \$5 and \$10.

The ALC's retailer base at start-up is expected to be approximately two thousand five hundred (2,500) and its retailer base may be expanded to up to 3,200 during the term of the Contract.

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Scientific Games understands that legislation creating the Arkansas Lottery, also referred to as the Arkansas Scholarship Lottery Act (ASLA), and the Arkansas Lottery Commission (ALC), was signed into law on March 26, 2009 (the Arkansas Scholarship Lottery Act, Arkansas Code Annotated § 23-115-101, et seq. and § 6-85-201, et seq.). In accordance with that legislation the Arkansas Lottery Commission, for the benefit of the people of Arkansas, issues this Request For Proposals with the clear intent to operate a lottery that provides continuing entertainment to the public, maximizes the revenue generated for the support of higher education scholarships, preserves the integrity and dignity of the process and accounts to the public and the General Assembly through reports and audits.

Scientific Games also acknowledges that the ALC is an independent agency of the State of Arkansas. It plans to employ up to 90 people statewide and have two district and prize payment center offices across the state as well as a headquarters and prize payment center in Little Rock, Arkansas by the start-up of instant ticket sales on or before October 29, 2009. The ALC is committed to maximizing revenues for the Arkansas Academic Challenge Scholarship Program (AACSP) and other non-lottery education programs in furtherance of the findings and declarations set forth in the act creating the Arkansas Scholarship Lottery.

We understand that the ALC requires that instant ticket sales begin on or before October 29, 2009; thus, all components of an instant ticket operation must be in place, fully operational and tested prior to that time. The ALC will begin with instant ticket price points at \$1, \$2, \$3, \$5 and \$10.

Lastly, Scientific Games understands that the ALC's retailer base at start-up is expected to be approximately 2,500 and its retailer base may be expanded to up to 5,000 during the term of the contract. Thereafter, based on subsequent developments and sales, the retailer base may be expanded.

## 2.1 ALC OBJECTIVES

**RFP Requirement:** *The integrity of the Arkansas Scholarship Lottery is essential. The ALC must maintain control over all functions and be assured that they are performed to provide the greatest long-term benefit to the State of Arkansas, the greatest integrity for the ALC, and the best service and products for the public, all in a manner consistent with the dignity of the State of Arkansas.*

*All responses to this RFP shall reflect the following overall goals and objectives of the ALC:*

- *To ensure prize payouts are at least fifty percent (50%) of the amount of money from the actual sale of lottery tickets;*
- *To annually increase revenue and associated net lottery proceeds;*
- *To market high quality products that provide entertainment and customer satisfaction;*
- *To ensure that the Lottery receives services from Vendors who are financially sound and experienced, and who maintain favorable reputations within the lottery industry for contract performance;*
- *To ensure that instant ticket products are in retail locations and available for sale to the public on or prior to October 29, 2009 in all locations of retailers approved by the ALC two (2) weeks prior to start-up;*
- *To ensure meaningful minority and female representation and a commitment to nondiscrimination, in accordance with the Arkansas Scholarship Lottery Act;*
- *To provide for innovation and the ability to respond to changes in the industry and the demands of the marketplace;*
- *To obtain the highest quality goods and services at the most competitive price; and*
- *To start up and operate the ASL as one of the most successful lotteries in the world, while maintaining its security and integrity.*

Scientific Games firmly understands the integrity of the Arkansas Scholarship Lottery is essential. The ALC must maintain control over all functions and be assured that they are performed to provide the greatest long-term benefit to the State of Arkansas, the greatest integrity for the ALC, and the best service and products for the public, all in a manner consistent with the dignity of the State of Arkansas.

In keeping with the overall goals and objectives of the ALC, Scientific Games has reflected in our proposal response the following:

- To ensure prize payouts are at least 50% of the amount of money from the actual sale of lottery tickets
- To annually increase revenue and associated net lottery proceeds
- To market high quality products that provide entertainment and customer satisfaction

- To ensure that the Lottery receives services from Vendors who are financially sound and experienced, and who maintain favorable reputations within the lottery industry for contract performance
- To ensure that instant ticket products are in retail locations and available for sale to the public on or prior to October 29, 2009 in all locations of retailers approved by the ALC two weeks prior to start-up
- To ensure meaningful minority and female representation and a commitment to nondiscrimination, in accordance with the Arkansas Scholarship Lottery Act
- To provide for innovation and the ability to respond to changes in the industry and the demands of the marketplace
- To obtain the highest quality goods and services at the most competitive price
- To start-up and operate the ASL as one of the most successful lotteries in the world, while maintaining its security and integrity.

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## SECTION 3: Instant Ticket Operations

### 3.0 TECHNICAL SPECIFICATIONS

**RFP Requirement:** *The objective of this RFP is to encourage Vendors to provide a solution for the challenges facing the ALC associated with the start-up of instant ticket sales. The ALC has provided the specifications, requirements, and functional features in this section of the RFP. The portions of Proposals that address the functional requirements of this RFP will provide the ALC with the information necessary to conduct a fair evaluation of the proposed technical solutions from all responsible and responsive Vendors.*

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#### SCIENTIFIC GAMES' GAME PRODUCTION OVERVIEW

Scientific Games understands that the objective of the RFP is to encourage vendors to provide a complete and proven solution for the challenges and opportunities facing the ALC associated with the start-up of instant ticket sales. We have used the guidelines provided by the ALC in Section 3 and carefully responded to the specifications, requirements and functional features outlined in the RFP. Scientific Games understands that the responses to the functional requirements in this RFP will provide the information necessary for the ALC to conduct a fair evaluation of the proposed technical solutions.

Within this section Scientific Games' details our state-of-the-art, world-class production techniques for printing instant game tickets. Our procedures include all of the processes and procedures necessary to design and produce secure, high quality instant tickets.

The ALC needs an experienced, market-tested vendor that will ensure that all details of an instant ticket game are completed with the highest quality and security in mind. Any single missing detail could result in a failure of the game. Looking at an instant ticket it is easy to overlook the thousands of details that must be coordinated to produce one of the most complex printing processes in the world.

The basic physical composition of all instant tickets is the same—paper, ink, and imaging; the printing process is the same—paper passes through the print units of the press. Ink and lower coatings are laid down onto the paper. Game data is imaged onto the ticket and covered with a seal/release coating to protect the imaging. Finally, additional inks and coatings are added to the paper to cover the game data and create an attractive looking ticket. Looking at the printing process this way, it looks simple. But an instant lottery ticket is more than the materials that make



it—it's a player's dream, a retailer's income, the ALC's reputation and revenue, and the state of Arkansas' money for education.

When reviewing a company's ability to manufacture tickets, it is critical to consider its ability to coordinate the execution of thousands of details for multiple games while maintaining the highest quality and security. By selecting Scientific Games as its instant lottery ticket services provider, the ALC will receive:

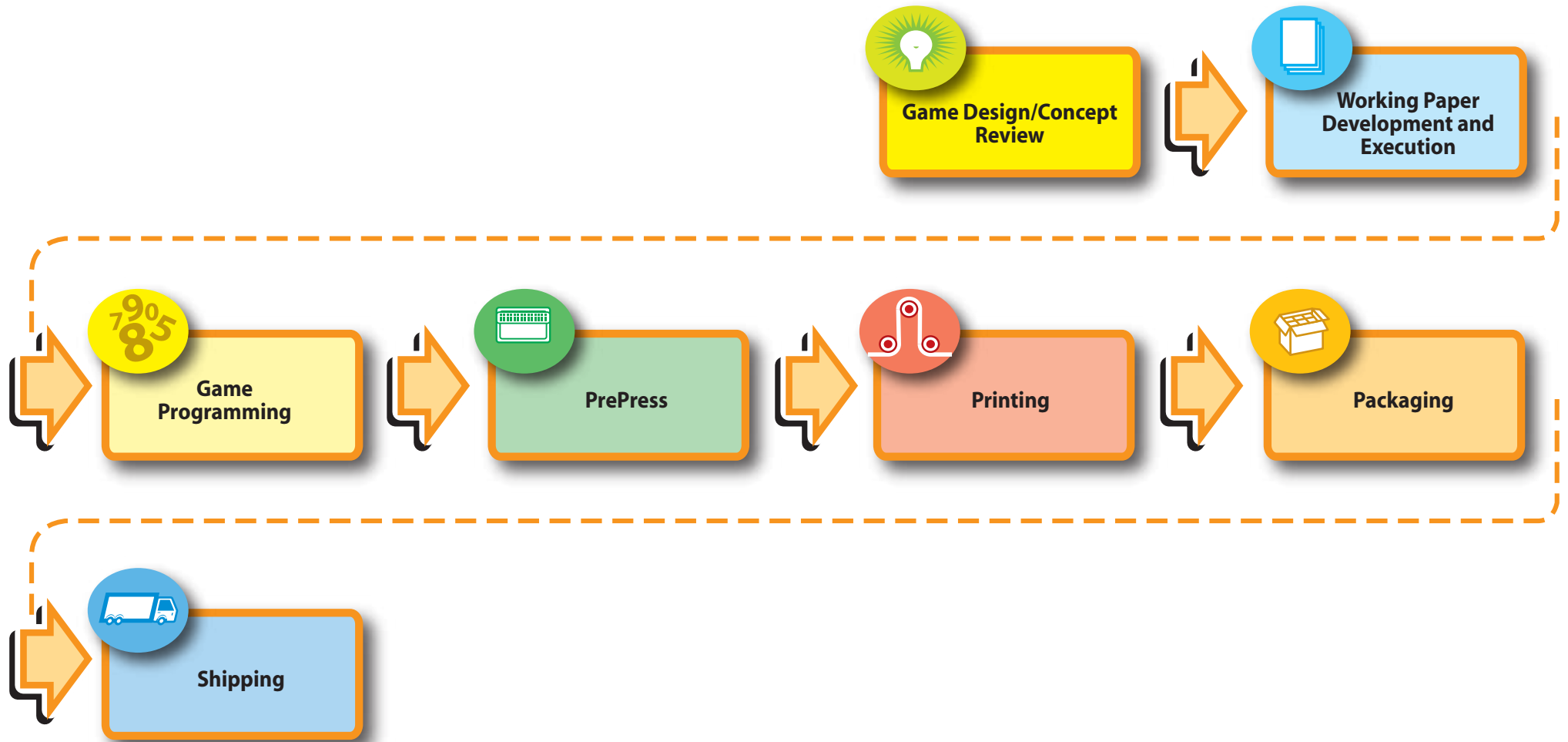
- Proven ability to develop, design, produce, ship and distribute over 13 instant ticket games for a lottery's instant ticket start-up
- The latest quality enhancements in the industry
- Most experienced instant ticket production staff—game production staff of over 700 people in every critical area under one roof
- Capacity to quickly, accurately, and securely produce instant ticket games in these critical areas:
  - i) **Game Design** – Staff of 42 game design professionals with over 300+ years of lottery game development experience
  - ii) **Game Programming** – Highly secure, object-oriented systems developed since 2000
  - iii) **Prepress Production Control** – All critical functions in-house for five presses
  - iv) **Printing** – Five high speed presses of which two are the newest in the industry
  - v) **Packaging** – Largest number of high-speed integrated finishing lines in the industry
  - vi) **Shipping** – Logistic and racking systems to speed staging and delivery

#### PRODUCTION METHODOLOGY OVERVIEW

Scientific Games' printing process is outlined herein via the six distinct areas—game design, game programming, prepress, production control, printing, packaging, and shipping.

On the following pages we will describe our technical and production methodology for accomplishing the work required to print the Arkansas Lottery's instant ticket games with world-class quality, security and reliability. Following the production process information, we will provide specific responses to the technical specifications listed in this section.

**Figure 3-1** identifies the major production steps involved in the instant game development process.







## GAME DESIGN

At Scientific Games, game design and development is a multi-faceted process that includes artwork creation, prize structure development, working paper development, game programming, game scheduling and prepress plate development. All game development is done in close conjunction with the Lottery.

The ALC instant game development starts in our Customer Service division and is led by Account Executive – Martha Hernandez. Martha will review each game’s requirements with the Senior Regional Director – Toben Molica, Graphic Designer – Rick Tidwell, Customer Service Manager – Cathy White, and Art Manager – Jim Farrell.

The leader of the Scientific Games creative department team is Rhonda Gillen, Creative Director. Rhonda is a lottery industry veteran who has 15 years of account management and creative design experience. In addition, Rhonda comes with over 27 years of promotion experience in both the retail and lottery venues.

Rhonda’s team will be focused on bringing new, exciting designs to instant ticket games and marketing support materials as well.

Scientific Games is committed to providing the ALC with revenue-generating, creative games that will attract players, are graphically appealing, and most importantly, provide play value to your players.

What makes a game sell? With a library of over 22,000 games and more than 36 years in the lottery industry, Scientific Games has had the opportunity to develop and fine tune best practices for successful, revenue-generating instant tickets. We have found that successful instant sales begin with four key marketing strategies:

- Establish core games that appeal to the largest segments of frequent players
- Incorporate a methodical evolution toward a product mix with higher or differentiated price points
- Attract new players
- Understand that players have choices in how they spend their money, so it is important to give them an exciting reason to purchase instant games

The ALC’s assigned customer service team, (Martha, Toben, and Rick), is focused on new game development and artwork, constantly exploring new tools and pushing the production envelope. Their objective is to produce game designs that support the Lottery’s marketing efforts and

objectives for sales growth. Based on our past experience and market analysis, Scientific Games follows three basic design principles for maximum ticket success:

1. **Attract Attention** – Gain and hold the interest of a consumer for more than a second. To do this designers use the following:

- **Color Combinations** – Scientific Games' graphic designers use proven color combinations to attract the eye and draw focus onto important elements.
- **The "8 Feet Rule"** – Instant game artwork must communicate the main selling points in a rapid glance from a distance of at least eight feet – typical of how most players approach tickets displayed at retail.



Figure 3-2: 8 Feet Rule Example

2. **Hold Interest** – Draw the player in and hold their attention. To do this designers use:
  - **Themes** – The subject or unique selling point of the game.
  - **Callouts** – Special copy elements and marketing elements.
3. **Influence Buying Decisions** – Entice the player to buy the game. Graphic designers use the following factors to influence the consumer's buying decision:
  - **Graphic Presentation** – The "look" of the ticket that matches the imagery and graphics that are appropriate to the theme of the game.
  - **Player Appeal and Creativity** – How the game plays or the play style of the game.
  - **Play Value** – The consumer will consider whether the chance to win a certain prize is worth the price of buying a ticket.

In addition to these design principles, Scientific Games' marketing approach, discussed in the accompanying **Marketing Services Volume**, is to always base our recommendations on a

detailed analysis of the marketplace. Consistent analysis of the market allows us to isolate determinates of demand for that market and deliver games to you that sell.

## WORKING PAPERS

Scientific Games has the human, technology, and production expertise and capacity to provide the Arkansas Lottery with the finest in instant game development and production. Our 355,000 square foot Alpharetta, Georgia facility houses more instant game experts, and production capacity than all of our competitors combined.

As the leading instant game partner in the lottery industry, Scientific Games understands the need to create error free working papers. We have invested in the latest in database technology to create your working papers. Our **Virtual Interface for Electronic Working Papers** (which we refer to as **VIEW**), is the most advanced tool of its kind. Since transitioning from our previous working paper system in the fall of 2005, Scientific Games' Alpharetta Account Executives have created nearly 7,000 sets of working papers in VIEW. Our other facilities now also use this tool to create working papers.

VIEW is a database storage application that is utilized from initial game development through game delivery. VIEW incorporates scheduling and forecasting capabilities that provide up-to-the-minute game information. Having all game and customer information in one database increases accuracy and provides faster turnaround—critical components for a start-up scenario.

Another feature of VIEW is its document management capabilities. Instead of one document the Lottery receives two separate documents. The first document, **Game Specifications**, contains variable information that changes from game to game, such as ticket art, prize structure and order quantities, etc. In the second document, called the **Customer Specifications** for instant games, we include all of the information that rarely changes from game to game, such as; ticket back markings, packaging and shipping specifications and contact information. Should these specifications change, a new version of this **Customer Specification** document is executed. This two part system allows for faster review of the important information for an individual game and doesn't require time consuming review for information that rarely changes.

The further benefits of Scientific Games' VIEW working paper process are provided in **Section 3.0.1, pages 3-59 through 3-62**.

## GAME PROGRAMMING

Our Game Programming department begins each game by using the game programming specifications found in the VIEW working papers to develop and test software that will, in turn, create the image data for each ticket. The working papers define all characteristics of the game; and specifically for game programming, this document specifies the prize structure, the game rules and the game symbols among other requirements. Game programmers and game auditors create, test and approve software on the development system. The approved game software is transferred to the production system where the game data is securely produced, encrypted and delivered to the press imaging systems.

### *Software Development*

*Secure and Correct Instant Games* – The primary technical objective of the Game Programming team at Scientific Games is to develop game software that accurately and securely produces instant game data. For over 36 years, Scientific Games has continually demonstrated the expert capability required in the discipline of game programming. It is this crucial component that ultimately delivers on the fundamental promise of the instant ticket product: “a fair chance to win a prize.”

In the following section, we describe Scientific Games’ game programming systems and methods and detail our proficiency, capacity, and capabilities in this critical area. To meet these challenges, Scientific Games has:

- Designed and implemented an efficient and effective game software development system
- Hired and trained an organization of dedicated and skilled software developers, game programmers and game auditors
- Developed and refined a series of instant game generation/production procedures that form the foundation of a game programming, game auditing, and game production process
- Designed and developed a secure and reliable production system that is used to produce and distribute the data to the presses
- Invited independent auditors and system security experts to inspect and audit both the game programming process as well as the underlying security systems

*Software Development Leads to Secure Game Data* – The purpose of Scientific Games’ Software Development is to create and test the game software that when ported to the production system, will produce correct instant ticket data for the game. **Figure 3-3** illustrates the overall game development process.

*CONFIDENTIAL INFORMATION BEGINS HERE.*















































































































### 3.0.1 GAME SPECIFICATIONS

**RFP Requirement:** *It is the ALC's intent to receive Proposals for the Printing of instant game tickets using "state of the art" production techniques, including the services necessary to design and produce secure, high quality instant tickets. A Vendor's Proposal should include recommended specifications as to the following:*

- Working Paper" structure;
- Ticket stock construction and durability;
- Ticket size and orientation;
- Perforations;
- Industry tolerances;
- Display/graphics printing;
- Overprint design and rub-off cover;
- Printing design security;
- Barcode technology;
- Benday patterns;
- Prize fund management;
- Retailer validation codes;
- Colors, ink, and coating characteristics;
- Game data fonts and sizes;
- Design and reconstruction of barcode validation number;
- Shelf life;
- Ticket samples;
- Ticket and package numbering;
- Ticket packaging;
- Universal product codes;
- Security certifications; and
- Any other pertinent ticket specifications.

#### "WORKING PAPER" STRUCTURE

We propose to develop ALC instant game working papers using our Virtual Interface for Electronic Working papers (VIEW). As briefly described in the previous section on **page 3-7**, VIEW is our next generation tool based on our original Printing Online Production System (POPS). VIEW takes the main features of POPS and incorporates them into an advanced, custom designed database program that increases layout flexibility and accuracy. The increased flexibility allows the creation of more customized working papers. VIEW's custom database is a single source data storage paradigm that incorporates instant ticket game information from game planning through game delivery. VIEW contains information such as the quarterly game launch schedule input by the Regional Director, the working papers input by the Account Executive, delivery report input by shipping and weekly sales by marketing. Compiling all game information into one database results in access to accurate, up-to-the-minute game information. VIEW also adds scheduling and forecasting capabilities to the working papers.

In addition to developing working papers, the application will create the press instructions. This one feature alone increases press instruction accuracy.

Another new feature of VIEW is the working papers themselves. Instead of receiving one set of working papers with all aspects of the game—printing specifications, game specifications, programming parameters, etc.—the VIEW working papers will be in two documents. The first document is Game Specifications. As the title implies, the game specifications document contains the variable information that changes from game to game, such as ticket art, prize structure, order quantities, schedule, etc. These are the Lottery’s game parameters that change infrequently if at all. These specifications include the book-ticket number format, ticket back markings, validation number format, packaging specifications, contact information, etc. VIEW was developed to provide our customers fast, accurate, customer-friendly working papers. The second document is Customer Specifications For Instant Games.

**The important things to remember about Scientific Games’ electronic working paper process are:**

- **Flexible** – Scientific Games has even more formatting flexibility than before in the development of the new working paper application.
- **Efficient** – Efficiency, increased accuracy and fast turnaround from Scientific Games’ customer service department—critical elements in a start-up scenario.
- **Fast** – Working papers are electronically distributed for faster turnaround and more secure version control.
- **Accurate** – Integrates with the marketing forecasting system and the press scheduling system.
- **Tested** – Most experienced working paper production group in the instant game section.

#### **WORKING PAPER QUALITY CONTROL PROCEDURES**

To ensure that product delivery is 100% correct, several quality control activities are performed once working papers are approved, including:

- Distribute specifications to key personnel
- Prepare and/or order materials
- Prepare color proofs
- Prepare printing cylinders or plates
- Reviews by key internal and external personnel
- Compliance with ISO 9001:2000 certified procedures



## **WORKING PAPERS FORMAT**

Scientific Games will provide working papers to the ALC in a format it designates. With Scientific Games' electronic working papers application, VIEW, the Account Executive will consult with the Lottery on its working paper format requirements, resulting in increased design flexibility, which allows the working papers to be customized for each lottery.

Electronic Working Papers, or EWPs, provided to the Lottery will be complete and free of any errors. Working papers will be "executed" when we receive the final working papers that have been signed by the Lottery.

## **WORKING PAPERS CONTENT**

Working papers created by Scientific Games for the ALC instant games will contain at a minimum, but not be limited to, the following specifications:

1. Game name, number, date and version.
2. Ticket size and paper stock to be used.
3. UPC number that is unique to each game.
4. Front display colors, overprint colors, and security tint colors.
5. Description of play style.
6. Quantity ordered.
7. Ticket orientation.
8. Pack size and configuration.
9. Prize structure including: game name, number, date and version, ticket price point, production quantity, percent of prize pay out, net revenue generated, each tier level for prizes and play action indicating how each tier is won, overall odds of winning any prize in the game and consolidated odds if there is more than one way to win a prize, winners per pack and per pool and winners in game, prize cost and percent of prize fund dedicated to each prize level, prize cost and percent of prize fund dedicated to low-, mid-, and high-tier prize levels, designation of low, mid and high-tier prizes. Guaranteed Low-End Prize Structure (GLEPS) for each pack of tickets broken out into GLEPS patterns as directed by the Lottery and number of winners per pack.
10. Ticket design/layout for front and back imaging.

11. Description of validation number and bar code.
12. All actual legends, play spots, captions, numbers, prizes spots and retailer validation codes; show listing of standardized validation codes and possible locations that validation codes as they will appear on winning and non-winning tickets.
13. Description of low-tier validation tape, high tier validation tape, inventory tape and end-of-production prize structure. Description should include tape characteristics and record layout.
14. Description of retailer samples including pack numbering, placement of VOID markings and bar code description.
15. Programming parameters.
16. Cartonizing specifications.
17. Fanfold diagram and configuration.
18. Deliverables schedule.
19. Listing of key contacts for contractor and Lottery and assigned tasks of each person.
20. Order and price confirmation page for sign-off by Lottery.
21. Color ink proofs.
22. Electronic or CD of the final artwork in color prior to working paper execution.

With VIEW, Scientific Games provides customized working papers that can be easily adjusted to meet your specific needs. **To illustrate our commitment to an early start-up in Arkansas we included the working papers for your first eight games. Should you agree with our approach and start-up strategy we will have the game specifications ready to cover your first two game launches.**

#### TICKET STOCK CONSTRUCTION AND DURABILITY

Scientific Games is proposing to print the ALC's instant lottery tickets on 10-point, coated-one-side, recyclable virgin paper stock. We recommend this stock because of the security, durability and economy it provides. We currently use this paper stock to print lottery tickets for the majority of domestic and international lotteries.

Scientific Games also prints lottery tickets on ticket stock ranging in weight from 8-point to 12-point either coated-one-side or coated-two-sides. We print on various weights of foil laminated

stock and holographic stock as well. These stocks, described below, are available to the ALC at an additional cost.

### *Foil Stock – Priced Option*

Scientific Games has printed more games on foil stock than all other contractors combined. Our rich 36 plus years history makes us uniquely qualified to produce instant games on foil stock should Arkansas choose to use that substrate.

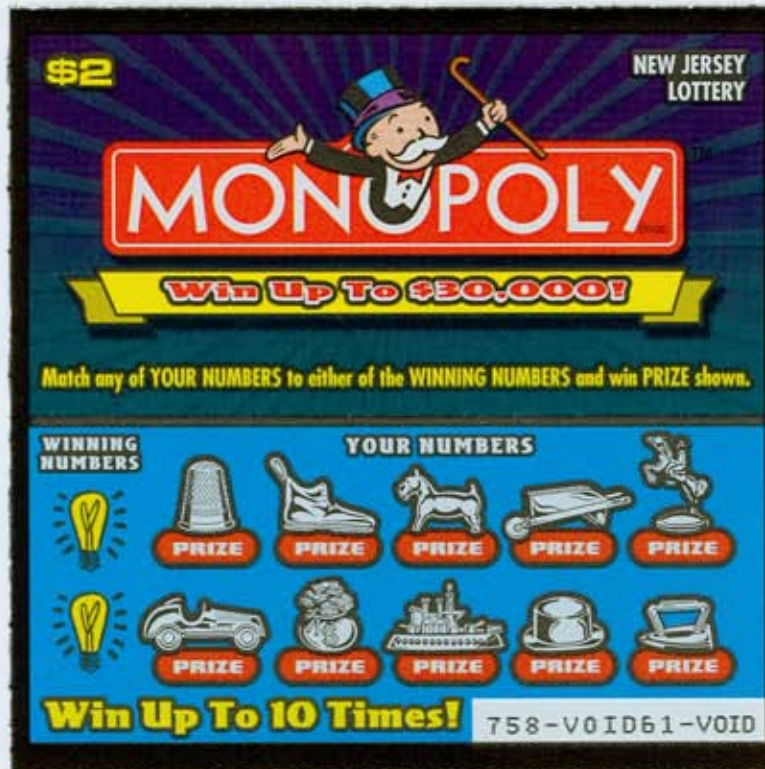
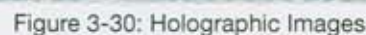


Figure 3-29: Foil Stock



Scientific Games partners with our paper board suppliers and together agree to the grading characteristics and value ranges the board will be manufactured to. These include but are not limited to the caliper or thickness, the gloss, moisture content, and stiffness of the board. These are all things that can affect the end quality of the tickets. The



supplier will issue a Certificate of Analysis (COA) for each mill run which identifies the actual value for each characteristic to ensure they are maintaining the end product within agreed tolerances. The Unwind Operator verifies the board thickness on each roll as it is loaded on the press.

*Environmentally Sound Ticket Manufacturing Methods* – As an industry leader in the production of instant game tickets, Scientific Games has led the industry in initiating the conversion of the instant ticket to a recyclable paper ticket and water-based ink technology. These efforts have resulted in a wholesale conversion from billions of non-recyclable tickets to billions of recyclable tickets.

As a result of our participation in these initiatives we understand the importance of conducting business in an environmentally responsible manner and as such we have also established an active policy that oversees and maintains; the health and safety of our employees and customers; protects the environment; and ensures compliance with all applicable state and government environmental laws.

Scientific Games recognizes the importance of the earth's environment and our responsibility regarding it so we have developed environmental management principles based on the "Scientific Games Pollution Prevention, Re-use, and Recycling Program." We will promote environmental conservation measures in correspondence with local environmental regulations as we emphasize our harmonization and co-existence with the natural environment in the local community.

### *Environmental Policy*

1. We will voluntarily establish environmental management standards and do our utmost to maintain and improve our environmental management standards while thoroughly complying with environmental legislation, regulations, standards and all other requirements to which the company has agreed.
2. We will promote continuous improvement of our environmental management system by refining our environmental control structure, establishing environmental objectives and targets while continually evaluating our progress and accomplishments.
3. In design, product planning, production and marketing we will take into account environmental conservation and promote continuous improvement while emphasizing pollution prevention, waste reduction, energy conservation and the saving and reutilization of natural resources.
4. We will offer resource saving, energy saving and pollution preventative products which take into account environmental conservation.
5. We will educate our employees on our environmental policy and stress the importance of the environment to improve awareness so that everybody acts in unison with our environmental conservation activities and policies.
6. We will disclose information on our environmental conservation. We will also render positive support to the environmental conservation activities of our community.
7. Because of the complex and serious nature of environmental laws and regulations, Scientific Games continuously works with the United States Environmental Protection Agency and its delegating authority, the Georgia Department of Natural Resources, to ensure our ongoing compliance with all environmental laws and regulations.



### *Environmental-Friendly Materials*

**Inks and Coatings** – All of our inks and coatings are environmentally-friendly and blended based on special proprietary formulations developed by the R&D staff of Scientific Games.

We formulate printing inks and coatings using environmentally-friendly, state-of-the-art raw materials whenever possible to minimize Volatile Organic Compounds (VOCs) for conformance to all local, state and federal regulatory guidelines. Water-based imaging inks, overprints, display printing inks, rub-off coatings, as well as, solvent-free UV inks and protective coatings are the inks currently used in the manufacture of printed products in all Scientific Games facilities worldwide.

Our waste disposal is handled in the most efficient, cost effective and compliant manner by our vendor, Greenleaf Environmental Group, Inc. All water-based inks, UV inks, oil socks, and metallic inks are treated in their facility in Macon, Georgia (GTS, LLC), a Georgia EPD permitted Solid Waste Facility. The flammable ink waste is sent to Giant Resource Recovery (GRR) for fuel blending. GRR is a permitted RCRA Part B TSDF. Greenleaf handles all waste pursuant to EPA BMP (Best Managed Practices) and continually assists Scientific Games in waste minimization and training (DOT HAZMAT as well as RCRA).

**Paper** – Scientific Games currently uses recyclable or recycled/recyclable stock in the printing of our instant game tickets. All instant ticket material to include plastic roll wrapping, paper roll wrapping (brown paper) are shredded and bailed. Paper bails are sent to Mississippi River Paper Mill in Natchez, Mississippi where it is processed into paper pulp. The pulp is then sent to other plants and used to produce usable paper products, such as tissue products and paper cups.

In addition, Scientific Games purchases our ticket stock from vendors that participate in the Sustainable Forestry Initiative and the Forestry Stewardship Council. These important programs ensure that the paper we utilize in instant ticket printing is obtained from managed forest resources.

Paper used in the production of ALC instant game tickets will come from the International Paper Company and if holographic stock is required, the Hazen Company. We have attached copies of their SFI Certification in **Figure 3-31** and **Figure 3-32**.

In addition to the certification of the suppliers, Scientific Games performs quality checks on the stock. Samples of this ticket stock are provided in the **Sample Ticket Catalog**.

## SCIENTIFIC GAMES VALUE BENEFITS

1. Scientific Games purchases over \$35+ million a year in paper for lottery tickets. This gives us access to all of the major paper providers.
2. Our paper vendors have technological improvements that they make available to us due to our large purchasing power. These technical advancements coupled with Scientific Games' Research and Development staff results in improved paper stock, improved perforations, print quality, bar code reading and the overall aesthetic appearance of the ticket.







Figure 3-31: SFI Certification for the International Paper Company



Figure 3-32: SFI Certification for the Hazen Paper Company

## TICKET SIZE AND ORIENTATION

*Ticket Sizes*

Scientific Games can provide the ALC with a variety of instant ticket sizes. The variety of ticket sizes are determined by the size of the press cylinders. Since Scientific Games currently uses five presses, we are uniquely capable of printing a wide array of ticket sizes. The ticket sizes listed in **Figure 3-33** are actual ticket sizes produced by Scientific Games.

P-1	P-2	P-3	P-4	P-6
2" x 4"	2" x 4"	2" x 4"	2" x 4"	2" x 4"
2.25" x 4"	2.25" x 4"	2.2" x 4"	2.25" x 4"	2.2" x 4"
2.4" x 4"	2.5" x 4"	2.4" x 4"	2.4" x 4"	2.25" x 4"
2.5" x 4"	3" x 4"	2.5" x 4"	2.5" x 4"	2.4" x 4"
3" x 4"	4" x 4"	2.75" x 4"	2.75" x 4"	2.5" x 4"
4" x 4"	4.5" x 4"	3" x 4"	3" x 4"	2.75" x 4"
4.5" x 4"	5" x 4"	4" x 4"	4" x 4"	3" x 4"
4.8" x 4"	6" x 4"	5" x 4"	4.8" x 4"	4" x 4"
5" x 4"	9" x 4"	5.5" x 4"	5" x 4"	5" x 4"
6" x 4"	10" x 4"	6" x 4"	5.5" x 4"	5.5" x 4"
7.5" x 4"		7.5" x 4"	6" x 4"	6" x 4"
8" x 4"		8" x 4"	7.5" x 4"	7.5" x 4"
9" x 4"		10" x 4"	8" x 4"	8" x 4"
10" x 4"		11" x 4"	9" x 4"	9" x 4"
12" x 4"		12" x 4"	10" x 4"	10" x 4"
			11" x 4"	11" x 4"
			12" x 4"	12" x 4"

Figure 3-33: Actual Ticket Sizes Scientific Games is Capable of Printing

*Ticket Orientation*

Scientific Games currently produces instant tickets in both a vertically oriented layout and a horizontally oriented layout however specified in the working papers. Samples of both vertical and horizontal layout tickets produced by Scientific Games are provided in the **Sample Ticket Catalog** submitted with our proposal.

## PERFORATIONS

Scientific Games can perforate both at press and on our packaging lines. The configuration of the perforations is dictated by the ticket size and the paper stock used. We will modify the perforations to work in the automated TVMs and counter dispensers selected by the ALC. Once we know the type of dispensers, we will adjust the perforations so that they can be easily separated after one fold but will not separate under normal handling. Scientific Games currently provides instant tickets to all major U.S./Canadian lotteries and can meet all of the perforation specifications in each state/province across a myriad of dispensing devices.

## INDUSTRY TOLERANCES

Scientific Games uses the Standard for Web Offset Printing (SWOP) for both our offset and flexographic pre-press and press operations. We use a similar standard for the gravure process that is our guide in cylinder manufacture and printing. These same standards are used in ink manufacture. Our paper is manufactured based on industry specifications for the grade we use. In addition to industry tolerances, Scientific Games' production processes are ISO 9001:2000 certified.

## DISPLAY/GRAPHICS PRINTING

Scientific Games recommends a standard of five display colors and one back color for the ALC's instant tickets. However, the ALC is not limited to only five display colors and one back color. Scientific Games will print the ALC's instant tickets using four-color process (cyan, magenta, yellow, and black inks), spot color inks, or a combination of four-color process and spot colors. As additionally priced options, the ALC can also select from a variety of specialty inks such as metallic, pearlescents, thermal, and fluorescent to enhance the display design.

Scientific Games' multiple press configurations offer the ALC the advantage of printing each game on the press best suited to produce the highest quality tickets. The number of display colors that each press is capable of printing is shown in **Figure 3-34**.

DISPLAY COLOR PRESS STATS				
Gravure (P-1)	Flexographic- Offset (P-2)	Flexographic (P-3)	Flexographic (P-4)	Flexographic (P-6)
Display Colors: Maximum – Up to 5 colors (process and/or spot) depending on game style and security requirements	Display Colors: Maximum –4-color process + 2 spot colors depending on game style and security requirements	Display Colors: Maximum – Up to 9 colors (process and/or spot) not including full UV- depending on game style and security requirements	Display Colors: Maximum-Up to 11 colors (process and/or spot) – not including full UV- depending on game style and security requirements	Display Colors: Up to 8 colors (process and/or spot) not including full UV-depending on game style and security requirements

Figure 3-34: Display Color Press Stats

The inks used for display and ticket back printing will not smear, run or stain under normal handling or use by consumers. The inks are not chemically or dermatologically irritating. The inks are resistant to water and other common solvents.

The **Sample Ticket Catalog**, provided with our proposal, displays a variety of tickets printed for our customers that demonstrate our display, back, overprint and specialty ink capabilities.

### *Ticket Back Printing*

All of our printing presses are capable of printing a minimum of two colors on the back of any ticket. The number of colors available for the back of the ticket is dependent upon the number of colors used for the display and overprint and the press on which the game is produced. **Figure 3-35** lists the number of colors our presses can print on the ticket back.

Scientific Games will provide one ticket back color, however the ALC can add additional colors (priced options) to the back of the ticket as shown in **Figure 3-35**. Adding additional colors on the ticket is done for a variety of reasons:

- To enhance important text in the play instructions or highlight a promotion
- To make the play instructions easier to understand
- To call attention to the game

TICKET BACK COLOR PRESS STATS			
Gravure (P-1)	Flexographic-Offset (P-2)	Flexographic (P-3 and P-4)	Flexographic (P-6)
Up to 5 colors (process and/or spot) depending on game style and security requirements	2 spot colors depending on game style and security requirements	Up to 5 colors (process and/or spot) depending on game style and security requirements	Up to 4 colors (process and/or spot) depending on game style and security requirements

Figure 3-35: Number of Ticket Back Colors Available by Press

## OVERPRINT DESIGN AND RUB-OFF COVER

### *Overprint Design*

As with display and ticket back colors, Scientific Games has the ability to provide the ALC with a variety of color combinations for the overprint colors. The number of overprint colors that each press is capable of printing is shown in **Figure 3-36**. The number of colors available for the overprint are dependent on the number of colors used for the display and the ticket back.

OVERPRINT COLOR PRESS STATS				
Gravure (P-1)	Flexographic-Offset (P-2)	Flexographic (P-3)	Flexographic (P-4)	Flexographic (P-6)
Overprint Colors: Maximum – Up to 5 colors (process and/or spot) depending on game style and security requirements	Overprint Colors: Maximum – Up to 4 spot colors depending on game style and security requirements	Overprint Colors: Maximum – Up to 9 colors (process and/or spot) not including full UV- depending on game style and security requirements	Overprint Colors: Maximum – Up to 11 colors (process and/or spot) not including full UV- depending on game style and security requirements	Overprint Colors: Up to 8 colors after (process and/or spot) not including full UV- depending on game style and security requirements

Figure 3-36: Overprint Color Press Stats

The inks used to print overprint designs are formulated to smear or run when rubbed with common solvents. This is part of the security precautions developed by Scientific Games to protect against ticket fraud.

Scientific Games recommends the use of at least two overprint colors with a preference for three. As stated earlier, the number of colors available for the overprint design is dependent upon the press and the number of colors used for the display and the ticket back.

### ***Rub-Off Cover***

Scientific Games will provide the ALC with instant tickets that have a soft, easily removable rub-off material. The rub-off covering material is opaque and smooth to protect the security of the lottery symbols. The current ink formulation is hypo-allergenic and does not cause skin irritation or harm to clothing.

The rub-off material is comprised of an Upper Blocking Black (UBB) rub-off coating, a white rub-off coating (with an optional second white rub-off coating available) and a variety of layers of overprint inks to protect the security of the game data. The rub-off materials cover the entire play area that is protected by a cross-cured seal/release coat that protects the game data from damage and provides a smooth, buttery rub. Cross-Cured technology goes one step further in assuring that all coatings will be completely and fully cured.

The rub-off material will, at a minimum, cover the entire play area and overlay into the display area, but not beyond the overprint border.

Scientific Games has the ability to apply rub-off material to several locations on each ticket at no additional charge to the Lottery.

The border between the rub-off area and uncovered portion of the ticket will be sharp and even.

If specified by the Lottery in the EWPs, the rub-off material will reveal an imaged symbol prior to scratching the area and display the same or identical symbol on a different background or border color after the area is scratched. **The cost of providing this feature will be provided at no additional charge to the Lottery.**



## PRINTING DESIGN SECURITY

The ALC's instant tickets will be printed using all the security methods Scientific Games has developed by printing more than 300 billion tickets for lotteries around the world. Scientific Games incorporates sophisticated printing methods, security inks and security testing protocols in every game designed for the ALC to mitigate the potential compromise of a ticket. Some of the security considerations that will be woven into the design of your instant tickets are:

- Winning and losing symbols and captions must be similar in design, line weight, density, height and width.
- Always have a caption to match each prize symbol.
- Use two or more overprint colors in the overprint design.
- Multiple lines of play data.
- Play data location should move around in the play area (called "Float").

Ticket security and integrity are critical to the success of both the ALC and Scientific Games. Scientific Games applies three decades of instant game experience to the manufacturing of your tickets. As players have become more sophisticated and as technology has advanced, so have the security techniques used to protect the security and integrity of your instant tickets.

Scientific Games believes that the most secure game designs are those that maximize the protection of information contained under the rub-off coating. Not only do our security measures reflect our own experiences, they also incorporate the experiences of our lottery customers. We work with our customers' security experts allowing concerns and solutions to be reflected in our products, services, and protocols. Thus, we consider our security measures the result of a synergistic effort to ensure high product integrity. A full discussion of the security measures used in the other areas of instant ticket production, such as game programming and ticket construction as well as ticket design, is provided in **Section 3.3, pages 3-144 through 3-236** of our proposal.

## BAR CODE TECHNOLOGY

Scientific Games uses the American National Standards Institute (ANSI) specifications for bar code acceptability. We are capable of printing any of the bar codes available in the market place. We will place the bar code in a location suitable for the ALC's validation equipment.

Scientific Games images the bar codes on the instant lottery tickets at a resolution of 240 dpi using VersaMark 3700 computer-controlled imagers. Scientific Games recommends a bar code



that contains a validation number that is printed using the Interleaved 2 of 5 code symbology. This type of bar code achieves a first time read rate of 95%.

For games printed for the ALC, we recommend a validation bar code that consists of an Interleaved 2 of 5, 22-digit bar code imaged on the back of the ticket with a separate nine digit security code imaged on the front of the ticket under the rub-off material. The Lottery's validation code content will contain:

- A 3 digit game number
- A 6 digit pack number
- A 3 digit ticket number
- A 8 digit encrypted validation data number
- A 2 digit check data number

All inks used by Scientific Games in the production of instant lottery tickets have been formulated to withstand normal handling without smearing or distorting.

As part of our quality compliance procedures, Scientific Games tests each game's bar codes using the same equipment used in the field. Because of the variety of Scientific Games' lottery clients, we have in-house all bar code readers and scanners currently used in the lottery marketplace to test the bar codes.

Scientific Games is unique in its position as the leader in the successful development and deployment of PDF-417 and DataMatrix bar codes for lotteries around the world. To date, we have helped lotteries around the world implement either PDF-417 or DataMatrix bar codes in order to meet their particular operational or security needs.

Scientific Games continually researches and evaluates advances in bar codes for application to the instant game ticket. In fact, Scientific Games has the patent to image a keyless validation bar code on an instant ticket and is the first lottery vendor in the U.S. to have printed instant games with a fully covered PDF-417 bar code for use in full ticket validation.

### ***FailSafe™ – Priced Option***

Imaged entirely underneath the scratch-off, FailSafe technology offers lotteries enhanced security, winning ticket verification with ticket checker units, and keyless validation by retailers.



### 2-D Bar Codes – Priced Option

Scientific Games can offer to the ALC its expertise in the emerging technology of two-dimensional 2-D bar codes. These bar codes are smaller, more reliable and offer the potential to reduce the possibility of retailer fraud as well as allow for full keyless validation.

Figure 3-38 is an example of a recently produced game for the China Sports Lottery featuring a 2-D bar code.

#### BENDAY PATTERNS

Scientific Games prints bendays for several of our lottery customers. We have the ability to print bendays using a fluorescent ink so that the benday patterns are invisible until the ticket is passed under a black light. However, Scientific Games would recommend to the ALC other security features that have superior security in place of bendays. These include, but are not limited to, the following features:

1. **Instant Ticket Validation System** – The VIRN (human readable or bar code) uniquely and accurately identifies all winning tickets. Since the front VIRN is mathematically related to the bar code VIRN any cut-and-paste attack can be foiled by processing the VIRN through the instant ticket validation system.



Figure 3-38: Sample China Ticket



2. **Captions** – By printing specialized font captions for each play symbol, we make the job of a cut-and-paste attack much more difficult. Each game symbol is identified by a caption and therefore, the attacker must include it in the “cut” of all captions.
3. **Retailer Validation Codes** – For each ticket we image a set of codes that can, by sight, identify the low-tier winning tickets. There is also a specific set of codes for non-winners and winners. Any cut-and-paste attack would have to consider these codes found on each ticket.
4. **Ticket Reconstruction** – Scientific Games can reconstruct any ticket based on the ticket’s book/ticket number or its validation number. As in the instant ticket validation system, this electronic process positively identifies each ticket. We can work with the ALC during the investigation of cut-and-paste or other attacks by providing the electronic record of fact.

### *Graphic Benday™ – Priced Option*

Graphic Benday is a powerful new feature that can make tickets more graphically appealing and also more secure! With Graphic Benday, extra print units place artwork under the scratch off coating. When a player removes that coating, they still have attractive artwork to enhance their lottery experience. The uncovered artwork might be a recreation of the scratch off artwork as in this “Trucks & Bucks” game, or new artwork which supports the game theme as in this Gold Mine example.



Figure 3-39: Trucks &amp; Bucks Example



Figure 3-40: Gold Mine Example

The real appeal of this bonus feature for Lotteries is that the graphics provide a defense against attempts at player fraud by making it tamper evident for any attempts of “cutting and pasting” together more than one ticket. Graphic Benday™ is the next generation of the old benday pattern approach, all the while truly enhancing the graphic appeal of the lottery product for the consumer.

## PRIZE FUND MANAGEMENT

From a marketing perspective, Scientific Games recommends designing prize structures based on game specific parameters so that each game reaches its target audience and ultimately its revenue objective.

From a ticket data processing perspective, Scientific Games continues to work on designing improvements to prize structures such as our patent pending “Dynamic Prize Structure” that encourages players interest throughout the duration of a game.

While it is the graphics of a ticket that initially make players notice a ticket, it is the prize structure that will keep them coming back for more. When Scientific Games develops prize structures we are guided by principles related to the following:

- Churn, Chatter, and Top Prize
- Odds of Winning
- Number of Prize Levels
- Prize Percentage Payout
- Churn, Chatter, and Top Prize

An instant game prize structure can be broken into three categories of prizes. The first category, churn, defines prizes that, when won, are cashed in for the purchase of additional tickets. The second category, chatter, defines prizes that, when won, stimulate the player to talk about their winning. The third category, top prize, defines prizes that players dream about winning.

Each of these different categories of prizes plays a different role when designing an instant game. The role of each prize category changes depending on the ultimate goal of a given instant game and the player being targeted.

For example, if the given instant game is designed to appeal to core frequent players with high average purchase behavior then the prize structure should put more emphasis on the chatter prizes. This target group will see more winning tickets in this category and these prizes add to the gambling excitement this group is looking for. If most of the winning tickets they see are the smaller churn prizes, core players will become disenfranchised with the game because all they see is a lot of small prizes. If these winning tickets are prizes worth talking about, i.e., chatter prizes; the target player will remain satisfied with the game.

Another example is for an instant game designed to appeal to less frequent or “occasional” players who have below average purchase behavior but dream about winning a high top prize. Prize

structures for those players will put more emphasis on the churn prizes to encourage replay of the game. The prize structure for these games will have less of the chatter prizes. The top prize for this game should be at a level that is perceived by this target player to be both “winnable” and “worth playing for.” The proper balance between top prize “win-ability” and the top prize being “worth playing for” can vary by market and is best understood as new game concepts are researched.

We are careful to match the size of this top prize with the price of the ticket. We know if too high a top prize is offered for too low of a price point, we have less flexibility to feature higher top prizes with higher priced tickets we may want to offer in the future.

### *Odds of Winning*

Odds of winning relate to the overall chance of winning any prize. Some players are known to “shop odds” looking for instant games with a high frequency of winning. These are generally less frequent players. It is important that the overall game mix include prize structures with good odds of winning small prizes. These games will be high in the churn prize category.

It is also important to remember that core frequent players with high average purchase behavior do not require games with an extremely high frequency of winning. A game mix with too many high churn games will cause the important group of core players to begin complaining about not winning because they do not believe winning their money back is a win.

Scientific Games’ game designers determine up front with the Lottery what the focused appeal of the game should be and select the odds of winning to match the player group and goal for that game.

### *Number of Prize Levels*

As the lottery market matures and players become more discriminating, they begin to look at the number of prize levels offered in an instant game. Although a game may have the same prize percentage payout, the same overall odds, and the same top prize, if that prize structure is designed to have more versus fewer prize levels the game with more prize levels will be perceived as having more chances to win.

Designing games with more versus fewer prize levels requires the game designer to understand the concept of “under funding” a prize level. The most common application of “under funding” a prize level occurs when a prize structure has a high top prize. This can occur if the game designer fails to put a prize level between the high top prize and the chatter prizes. For example, the game may feature a \$20,000 top prize and emphasize prizes \$50 and below. If the prize structure does

not contain prize levels between \$50 and \$20,000, players will complain about this “gap.” Complaints often come in the form of “There is nothing between \$50 and \$20,000, what happened to all that money?”

In order to fill this gap, and increase the perceived chance of winning, and not unnecessarily deplete the game’s prize fund, Scientific Games’ game designers will work with the ALC to place at minimum a \$1,000 prize between the \$50 and \$20,000 prize levels. The \$1,000 prize can be under funded to the point that its chances of winning are just slightly better than the chances of winning the \$20,000 prize. Taking this approach adds a prize level without unnecessarily depleting the prize fund.

### *Prize Percentage Payout*

Prize percentage payout refers to the percentage of the ticket purchase price that is returned back to the player in the form of prizes. Prize percentage payouts range from a low of 40% to a high of 80%. These are the extremes and most successful lotteries have a prize percentage payout averaging above 60%. The most successful instant game program in the world is that of the Massachusetts Lottery. In Massachusetts the prize percentage payout averages over 70%.

One might think the lower the prize percentage payout the more profitable the instant game. This would be true if the all the tickets could be sold. However, in practice this is not the case. One need only look to the success of the Massachusetts Lottery. This lottery generates instant ticket revenue for good causes at per capita rates higher than any lottery in the world. When the Massachusetts Lottery had a prize payout of 50%, they sold about 50 million dollars worth of tickets. Increasing their payout along with a complete program of best practices, they sold almost three billion dollars in instant tickets last fiscal year! This clearly illustrates the value of controlling an increased payout percentage.

The recent success of the Connecticut Lottery’s instant game program, a lottery that has adapted the Massachusetts model of high prize percentage payouts, can be attributed in part to this controlled payout increase.

However, simply increasing the percentage paid out to players is only part of the story. It is how the increased prize fund is applied to a game and the overall game mix that defines a successful lottery. Once again, the goal of a specific game determines how the prize percentage payout should be used.

There are many studies that speak to the value of increased payout percentages and revenue for good causes. Statistical models are available to link prize percentage payout, sales, and instant



game profitability. In its simplest form the concept is this: good causes can receive revenue as a larger piece of a smaller pie or a smaller piece of a larger pie. The smaller piece of a larger pie invariably yields more revenue for the fund's recipient.

The first and most important decision related to prize structure is to determine the strategy for prize percentage payout. Scientific Games has made extensive study of the best practices of the Massachusetts Lottery to guide our prize percentage payout strategy.

On a per capita basis Massachusetts Lottery instant games generate more revenue for good causes than any lottery in the world. It accomplishes this feat by employing a prize percentage payout strategy that on the surface is counter intuitive. Rather than preserving profit percentage for good causes by creating games with low percentage payouts, Massachusetts has employed a strategy that increases the prize percentage paid out to its players. This practice has driven their instant game per capita sales to such high levels that though they are paying out more prizes the bottom-line per capita revenue for good causes is greater than when the prize percentage payouts were lower.

**Figure 3-41** and **Figure 3-42** illustrate the Massachusetts practice. The first chart shows their sales growth. Current sales for instant games exceed \$2.9 billion a year.

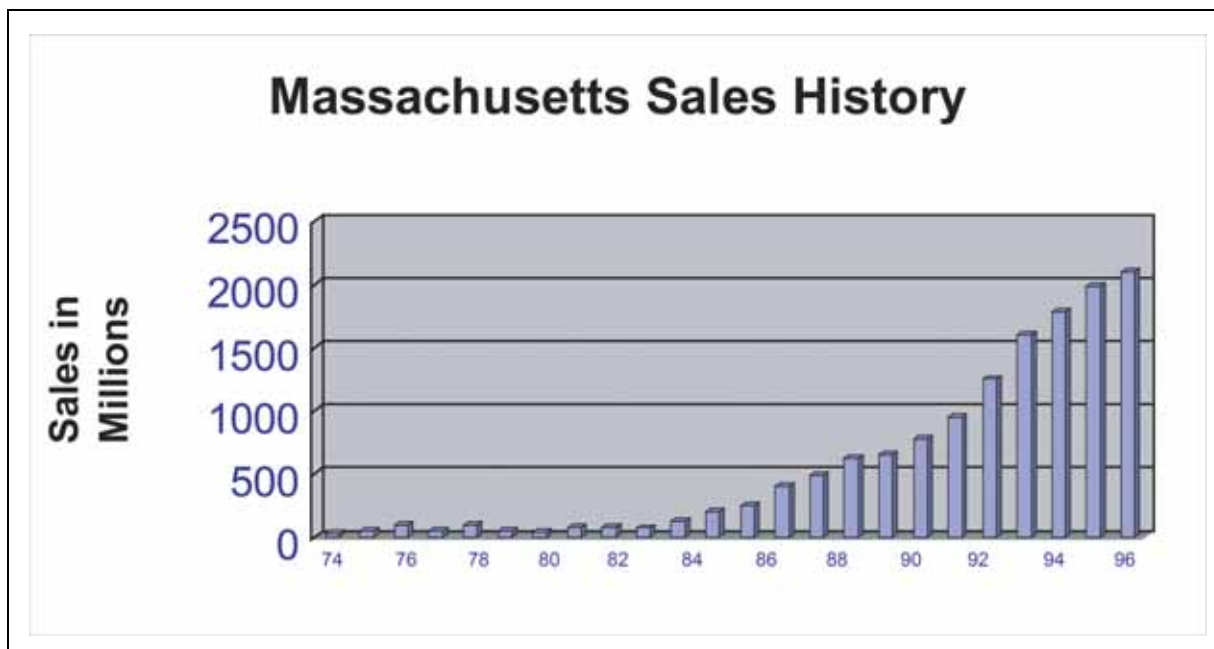


Figure 3-41: Sales Growth

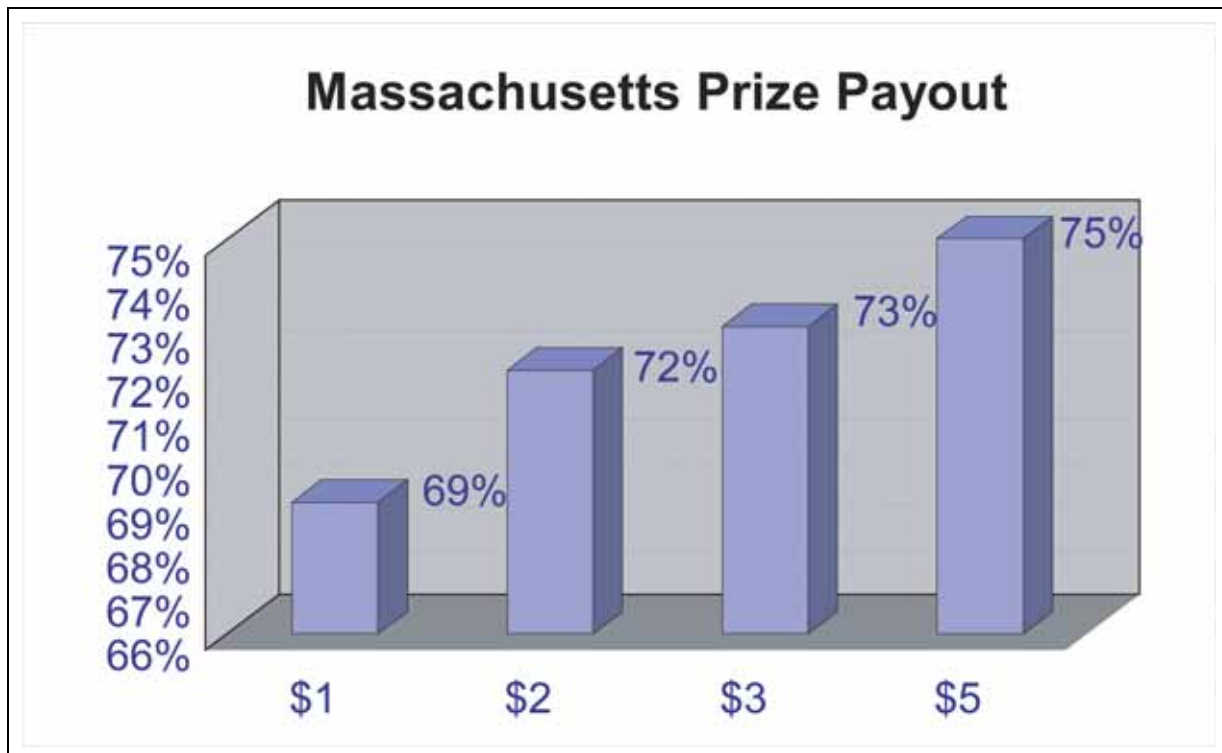


Figure 3-42: Prize Percentage Payouts by Price Point

**Figure 3-42** shows their prize percentage payouts by price point. Note higher priced tickets deliver a higher prize percentage payout. This practice ensures that players understand that higher priced tickets are worth the increased cost.

This phenomenon of increased revenue to good causes through higher prize percentage payouts is not unique to Massachusetts. In 1993, the Colorado Lottery embarked on a nine point plan that included an increase in prize percentage payouts that yielded results similar to those enjoyed by the Massachusetts Lottery. **Figure 3-43** illustrates the Colorado Lottery's experience.

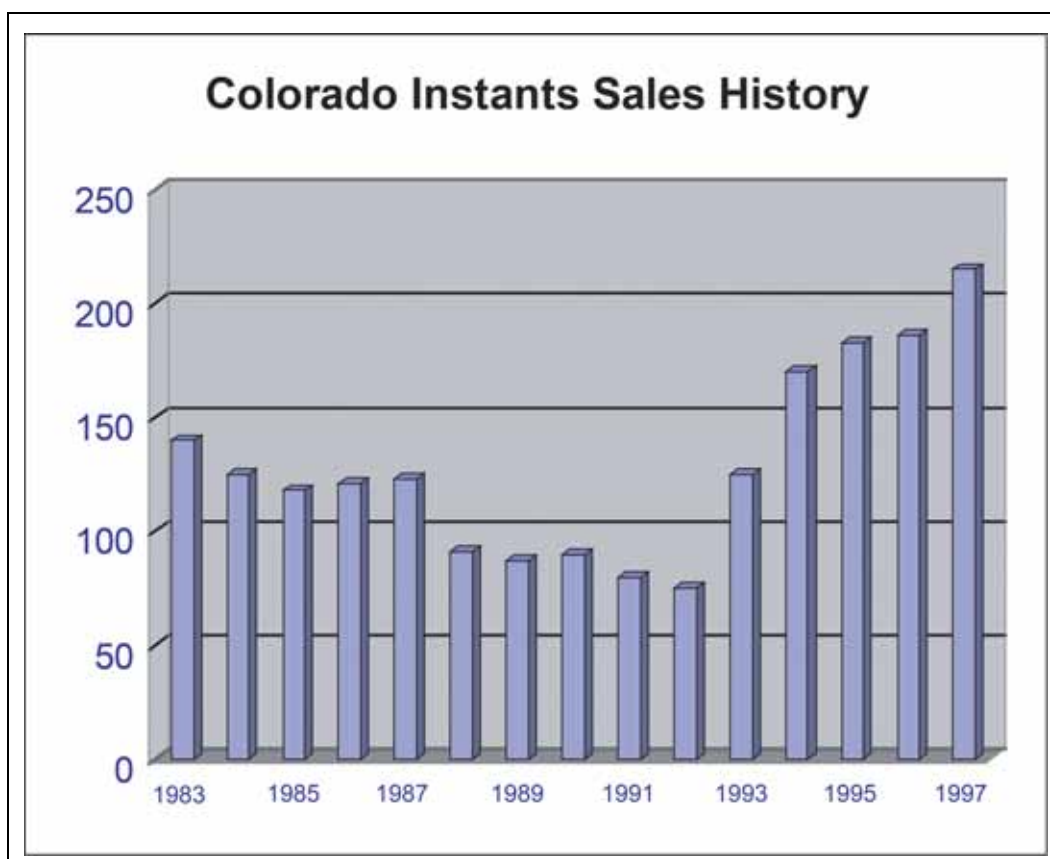


Figure 3-43: Colorado's Sales History

A superficial assessment of this application of high prize payouts would lead one to believe the higher priced, higher prize percentage games deliver less revenue to good causes. However the opposite is true. These higher priced, higher prize percentage games deliver greater revenue for good causes. Any loss in profit caused by increased prize percent is more than made up by the increase in sales volume.

How does an increase in prize payout lead to an increase in revenue for good causes?

- Players win more low-tier “churn” prizes, which they use to buy more tickets
- Players win more “chatter” prizes thus driving sales by talking about these prizes, thus increasing awareness of winners
- Scientific Games can create games with top prizes that offer the market new and interesting propositions

There are a number of examples of lotteries increasing revenue for good causes by increasing the prize percentage payout.

- California
  - Increased payout from 50% to 60% in FY 98
  - Sales increased 43% from FY 98 to FY 99
  - Currently seeking further payout relief.
- Idaho
  - Gradually increased payout from 58% to 66.4% from FY92 to FY98
  - Sales increased 58% over those seven years
- Kentucky
  - Increased prize payout from 58% to 65% in FY91
  - Sales increased 150% over eight months
- Ohio
  - Increased prize payout from 48% to 63% over eight years, starting in FY89
  - Sales increased 100% during this time period
- Washington
  - Increased payout from 60% to 65% in FY93
  - Sales grew 120% over a four-year period
  - Increased payout from 65% to 67% in FY97
  - Sales have increased an additional 25%

To further reinforce the positive impact of increased prize payouts, we developed a cross section of U.S. instant game performance by prize payout and population size to demonstrate how the

average gross margin (instant sales minus prizes paid) is greater for those lotteries that pay more prizes. Note that the impact is positive, regardless of the size of the lottery.

STATE SIZE	POPULATION		63% AND ABOVE	60% AND ABOVE, BUT LESS THAN 63%	BETWEEN 55% AND 60%
Small	Under 2 Mil	12 States	\$21.43	\$15.31	\$11.72
Medium	2 to 5 Mil	9 States	\$23.68	(NONE)	\$12.24
Large	5 to 9 Mil	9 States	\$34.98	\$24.72	\$20.93
Very Large	Over 9 Mil	8 States	(NONE)	\$27.27	\$20.50
	<b>TOTAL AVERAGE</b>		<b>\$26.70</b>	<b>\$22.44</b>	<b>\$16.35</b>

Figure 3-44: Average Gross Margin Per Capita for Group

An important finding from this analysis is that it may take from 8 to 18 months to see the full impact of an increase in payout because players need time to experience higher payout games and to feel, through experience, they are winning more often.

The evidence is compelling and incontrovertible, higher prize payouts lead to more revenue for education in North Carolina.

### *Distribution of Prize Percentage Payouts*

It is common practice to divide the prize distribution of an instant game into three separate categories, low-, mid-, and high-tier. Each category has a distinct function that contributes to the overall success of each instant game.

**Low-Tier** – By definition, low-tier prizes are won most frequently and have the lowest cash value. The primary purpose of low-tier prizes is to provide the player with positive reinforcement and keep them playing by having them cash lower value prizes to play additional tickets. As discussed earlier this phenomenon is called “churn.” Games that emphasize low-tier prizes typically appeal to new, infrequent, and occasional players.

**Mid-Tier** – By definition, mid-tier prizes are less frequently won but have high perceived value. The primary purpose of mid-tier prizes is to generate winner awareness at the retail level. The players perceive these prizes as significant wins and talk about their winning experience. This phenomenon is called “chatter.” Games that emphasize chatter prizes typically appeal to core players.

**High-Tier** – By definition, high-tier prizes are rarely won but have the highest perceived value. The primary purpose of high-tier prizes is to attract key market segments that find the level of top prize one of the major attractions for playing the instant game.

When these three tiers of prizes are combined they construct prize structures that are essentially “concave” or “convex” in nature.

Concave prize structures tend to have the strong mid-tier, or chatter, prize package and tend to appeal to core players (which are the bread-and-butter of your instant lottery sales).

- Lower percentage of churn prizes
- Higher percentage of chatter prizes
- Lower percentage of high prizes



Convex prize structures have strong low-tier, or churn, prize package and high top prizes. Convex structures tend to appeal to occasional players.

- Higher percentage of churn prizes
- Lower percentage of chatter prizes
- Higher percentage of high prizes



The appeal of these different types of prize structures is related to the differences in frequency of play among these two broad play groups defined as “core” frequent players and “occasional” players.

A concave prize structure works with core players because these players are playing frequently, do not need lots of low-tier prizes for reinforcement, and win mid-tier prizes at a significantly frequent rate that the game satisfies their needs.

A convex prize structure works with occasional players because these players play less frequently, thus need more low-tier prizes for reinforcement, and value high top prizes for the possibility of winning to change their lifestyle.

These prize structure categories represent general principles Scientific Games has learned and refined over the years. The details of creating good prize structures and having them properly fit the play action and theme of an instant game is both art and science that takes research and experience to fully master.

## RETAILER VALIDATION CODES

Scientific Games will provide retailer validation codes on the tickets (**Figure 3-45**). The retailer can validate the ticket by examining the retailer codes that appear on the ticket. The code letters move around or “float” in the play area of the ticket and appear in locations specified based on the play style of the game. All tickets produced in the game contain retailer validation codes. However, the letters on non-winning tickets and non-low-tier winners do not combine to indicate a low-tier prize.



Figure 3-45: Retailer Validation Code

## COLORS, INK AND COATING CHARACTERISTICS

One of the most secure components of our instant tickets is our ink and coating systems. All of our inks and coatings are blended based on special proprietary formulations developed by the Research and Development (R&D) staff of Scientific Games. Scientific Games has two research chemists on staff with access to additional chemists from our ink vendor.

In addition, we have trained ink technicians on all shifts to ensure that the ink is made to our specifications and performs at acceptable levels on the press. Our head research chemist develops formulations to meet the unique needs of our equipment and our customers. The recent introduction of Cross-Cured technology (discussed in detail in **Section 3.1, page 3-121**), UV inks for displays, and additional inks and coatings to thwart new and/or unique alteration techniques are part of our overall security program. All ink formulations are the property of Scientific Games and are proprietary for our use. They are all specially formulated to work as a cohesive unit in providing ticket security and the “snap” needed to sell instant tickets. Scientific Games uses three types of inks in the production of instant tickets—water-based, solvent, and energy curable.

### *Inks and Coatings*

- **Water-Based Inks** – Water-based inks consist of pigments, binders, and additives mixed in a water-based solution. Special pigments such as metallics, fluorescents, pearlescents, and thermocromatics can also be prepared to achieve other visual and design effects. By mixing different pigments with water, Scientific Games can produce an array of colors. The water-based inks are environmentally-friendly.
- **Solvent Inks** – Solvent inks are created in the same manner as water-based inks but solvents are used as the base. Similar to water-based inks, pigments including metallics, fluorescents, pearlescents and thermocromatics can be added to the solvent to create any ink color requested. We have special environmental controls that prevent the release of harmful chemicals into the environment.
- **Energy Curable Inks** – These inks are primarily used in seal/release coatings and are inks that are cured through Ultraviolet (UV) light or Cross-Cured technology. We use both technologies for seal/release and overall UV coatings and high gloss UV inks for both display and overprint inks on P-4. Our Cross-Cured technology uses energy curable technology on our security layers as well.

Scientific Games chooses not to use soy base inks. We formulate printing inks and coatings using environmentally-friendly, state-of-the-art raw materials whenever possible to minimize Volatile Organic Compounds (VOCs) for conformance to all local, state and federal regulatory guidelines. Water base imaging inks, overprints, display printing inks, rub-off coatings, as well as, solvent-free UV protective coatings are primarily used in the manufacture of printed products in all Scientific Games facilities worldwide.



## Colors

The number of colors printed on a ticket are limitless. Using four-color process, the inks cyan, magenta, yellow and black can be combined to create a broad spectrum of colors on a ticket. **Figure 3-46** and **Figure 3-47** are examples of tickets produced using four-color process printing for the display, overprint, and ticket back. Not every ticket needs that many colors. As discussed earlier in this section, Scientific Games' five presses can print with a wide variety of colors. Each press has a maximum and minimum number of ink stations for display, overprint and back colors.



Figure 3-46: Ticket Produced with Four-Color Process Printing



Figure 3-47: Ticket Produced with Four-Color Process Printing

**Figure 3-48** outlines the printing capabilities used to print lottery tickets at our Alpharetta, Georgia printing facility.

PRINT CAPABILITIES				
P-1 Gravure	P-2 Flexographic-Offset	P-3 Flexographic	P-4 Small-Run Flexographic	P-6 Flexographic
Display Colors: Maximum of 5 colors (process or spot)	Display Colors: Maximum of 4-color process plus 2 spot colors	Display Colors: Maximum of 9 colors (process and/or spot)	Display Colors: Maximum of 11 colors (process and/or spot)	Display Colors: Maximum of 8 colors (process and/or spot)
Overprint Colors: Maximum of 4 colors (process and/or spot)	Overprint Colors: Maximum of 4 spot colors	Overprint Colors: Maximum of 9 colors (process and/or spot)	Overprint Colors: Maximum of 10 colors (process and/or spot)	Overprint Colors: Maximum of 8 colors (process and/or spot)
Back Colors: Maximum of 4 colors (process or spot)	Back Colors: Maximum of 2 spot colors	Back Colors: Maximum of 5 colors (process and/or spot)	Back Colors: Maximum of 5 colors (process and/or spot)	Back Colors: Maximum of 4 colors (process or spot)
Full Bleed Wash: Yes	Full Bleed Wash: Yes	Full Bleed Wash: Yes	Full Bleed Wash: Yes	Full Bleed Wash: Yes
Speciality Inks: Metallic, Fluorescent, UV	Speciality Inks: Metallic, Fluorescent, UV, Scented	Speciality Inks: Metallic, Fluorescent, UV, Scented	Speciality Inks: Metallic, Fluorescent, UV	Speciality Inks: Metallic, Fluorescent, UV, Scented
Imaging Ink Colors: Yes Max 4 Colors	Imaging Ink Colors: Yes Max 4 Colors	Imaging Ink Colors: Yes Max 4 Colors	Imaging Ink Colors: Yes Max 4 Colors	Imaging Ink Colors: Yes Max 4 Colors

Figure 3-48: Print Capabilities



## GAME DATA FONTS AND SIZES

Scientific Games can print the ALC's game data in a virtually limitless variety of fonts and sizes. Scientific Games recommends printing game data using an EPA approved black security ink or inks of various colors using state-of-the-art ink-jet technology. The game symbols are imaged at 240 dpi and are at a minimum of 0.2" and 0.35" in height so that they are legible. The game symbols are uniformly positioned and aligned on the tickets. Scientific Games also offers the option of imaging the game data in dual colors or in four colors. **Figure 3-49** shows an example of game data imaged using dual color imaging and **Figure 3-50** shows an example of specially designed game fonts and symbols using multi color imaging.



Figure 3-49: Dual Color Imaging



Figure 3-50: Multi Color Imaging

Scientific Games has a library containing thousands of symbols from which lotteries can select and add to their instant games' entertainment value. **Figure 3-51** and **Figure 3-52** show examples of some of the 100's of symbols currently used by our lottery customers. Should the Lottery require a custom symbol, Scientific Games' staff of graphic designers and illustrators can create custom symbols for the Lottery.

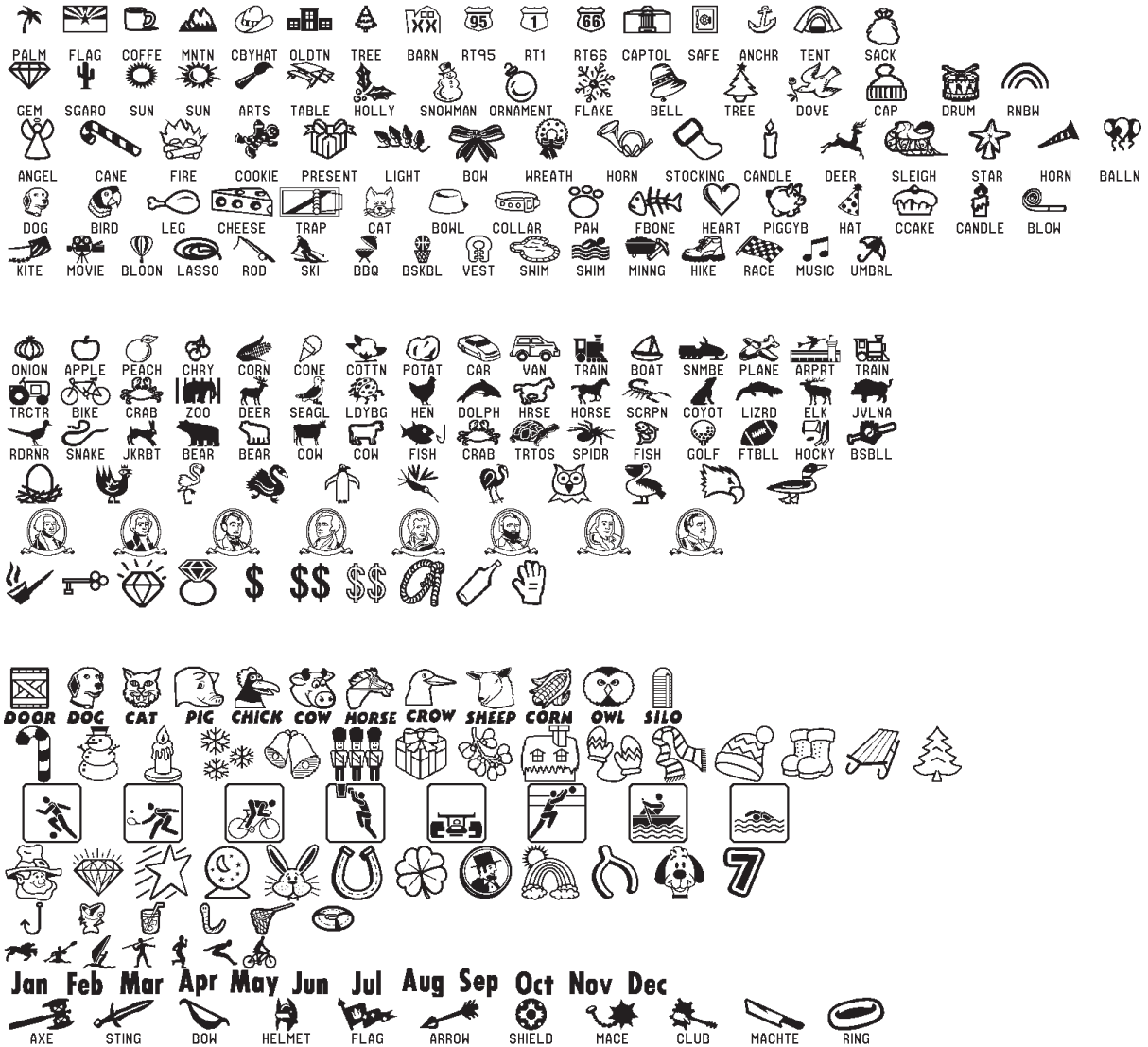


Figure 3-51: Sample Play Symbols

**1 2 3 4 5 6 7 8 9 10**  
ONE TWO THREE FOUR FIVE SIX SEVEN EIGHT NINE TEN

**1 2 3 4 5 6 7 8 9**  
ONE TWO THR FOR FIV SIX SEV EGT NIN

**0 1 2 3 4 5 6 7 8 9 10**  
ZERO ONE TWO THREE FOUR FIVE SIX SEVEN EIGHT NINE TEN

**0 1 2 3 4 5 6 7 8 9**  
ZERO ONE TWO THR FOR FIV SIX SEV EGT NIN

**1 2 3 4 5 6 7 8 9 10**  
ONE TWO THR FOR FIV SIX SEV EGT NIN TEN

**1 2 3 4 5 6 7 8 9 10 11 12**  
ONE TWO THR FOR FIV SIX SVN EGT NIN TEN ELV TWL

**1 2 3 4 5 6 7 8 9 10**  
ONE TWO THREE FOUR FIVE SIX SEVEN EIGHT NINE TEN

**1 2 3 4 5 6 7 8 9 10**  
ONE TWO THR FOR FIV SIX SVN EGT NIN TEN

**1 2 3 4 5 6 7 8 9 10**  
XMAS1 XMAS2 XMAS3 XMAS4 XMAS5 XMAS6 XMAS7 XMAS8 XMAS9 XMAS10  
**11 12 13 14 15 16 17 18 19 20**  
XMAS11 XMAS12 XMAS13 XMAS14 XMAS15 XMAS16 XMAS17 XMAS18 XMAS19 XMAS20

**1 2 3 4 5 6 7 8 9**  
ONE TWO THR FOR FIV SIX SVN EGT NIN

**1¢ 5¢ 10¢ 20¢ 25¢ 30¢ 40¢ 50¢**  
ONE FIVE TEN TWENTY TWN-FIV THIRTY FORTY FIFTY

**TICKET \$2.00 \$5.00 \$10.00 \$30.00 \$50.00 \$250 \$500**  
TICKET TWO FIVE TEN THIRTY FIFTY TWO-FTY FIV-HUN

**\$2 \$3 \$4 \$5 \$6 \$7 \$8 \$9**  
\$TWO \$THREE \$FOUR \$FIVE \$SIX \$SEVEN \$EIGHT \$NINE  
**\$20 \$30 \$40 \$50 \$60 \$70 \$80 \$90**  
\$TNY \$THY \$FTY \$FFT \$SXY \$SVY \$EGY \$NTY

**\$1.00 \$2.00 \$5.00 \$10.00 \$20.00 \$25.00 \$40.00 \$3,000**  
ONE TWO FIVE TEN TWENTY TWY-FIV FORTY THR-THOU

**TICKET \$1.00 \$2.00 \$3.00 \$5.00 \$10.00 \$20.00 \$30.00 \$100 \$250 \$1,000**  
FREE ONE TWO THREE FIVE TEN TWENTY THIRTY 100HUN 2-FIFTY 1-THOU

Figure 3-52: Sample Fonts

## DESIGN AND RECONSTRUCTION OF BAR CODE VALIDATION NUMBER

As discussed in **Section 3.0.1, pages 3-76 through 3-77**, Scientific Games recommends a 22-digit bar code for the ALC. The following explains how a bar code is designed.

### *Bar Code Design*

Scientific Games uses the American National Standards Institute (ANSI) specifications for bar code acceptability. We are capable of printing any of the bar codes available in the market place. We will place the bar code in a location suitable for the Lottery's validation equipment on the back of the tickets.

Scientific Games images the bar codes on the instant lottery tickets at a resolution of 240 dpi using VersaMark 3700 computer-controlled imagers.

For games printed for the ALC, we recommend a validation bar code that consists of an Interleaved 2 of 5, 22-digit bar code imaged on the back of the ticket with a separate 3-digit security code imaged on the front of the ticket under the rub-off material. The Lottery's validation code content will contain:

- A 3 digit game number
- A 6 digit pack number
- A 3 digit ticket number
- A 8 digit encrypted validation data number
- A 2 digit check code

All inks used by Scientific Games in the production of instant lottery tickets have been formulated to withstand normal handling without smearing or distorting.

As part of our quality compliance procedures, Scientific Games tests the bar codes printed on each game using the same equipment used in the field. Because of the variety of Scientific Games' lottery clients, we have all bar code readers and scanners currently used in the lottery marketplace in-house to test the bar codes.

On the following confidential pages we discuss our process for bar code reconstruction.

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## **SHELF LIFE**

Tickets will remain readable, able to be easily scratched and in good condition for 24 months from the delivery date.

## **TICKET SAMPLES**

Scientific Games will manufacture, store and distribute instant game tickets as well as game specific point-of-sale materials such as oversized tickets and void ticket samples. Scientific Games will supply the ALC with 2,500 retailer ticket samples per instant ticket game for use by the Lottery in promotion of your games.

## **TICKET AND PACKAGE NUMBERING**

Scientific Games recommends a three digit ticket number. Each ticket will bear an individual, consecutive number starting with 000 within each pack. The ticket number will be consecutive in the pack with no omissions. We recommend that a “BOP” or imaged graphic suitable to the ALC be placed on the first and last ticket in the pack to assist in the quick recognition of these tickets.

**Figure 3-56** shows the “BOP” mark on the first and last tickets in a pack.

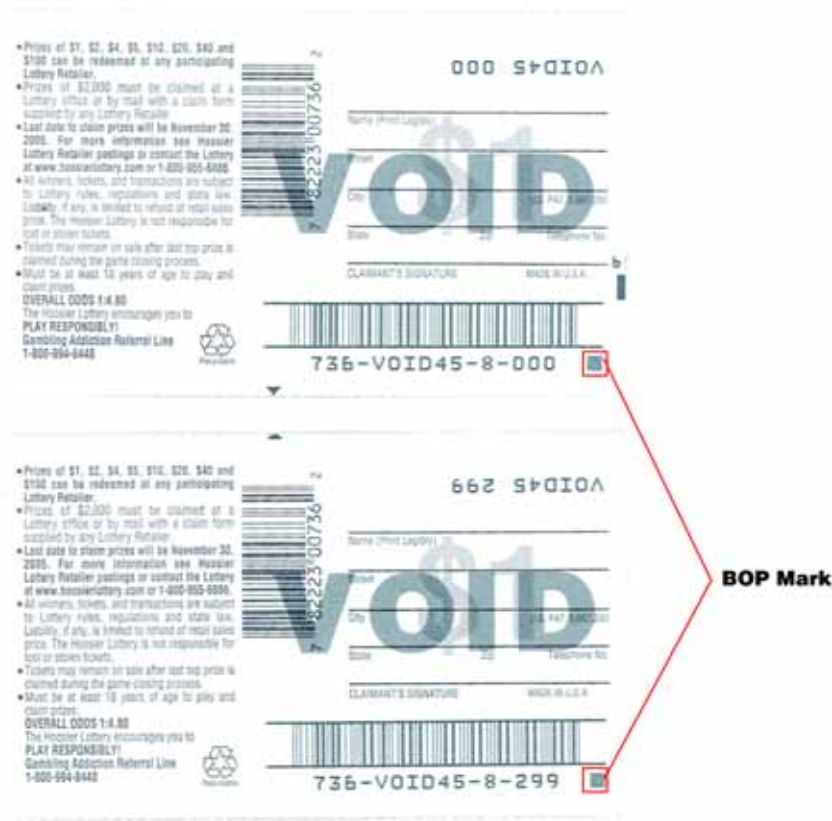


Figure 3-56: BOP Mark on First and Last Tickets of a Pack

## TICKET PACKAGING

Scientific Games has the ability to assemble any pack size requested by the ALC. Ticket packaging requirements will be clearly defined in each game's working papers.

Scientific Games recommends the following pack sizes in relation to ticket size:

- 2" x 4" – 300 tickets per pack
- 4" x 4" – 150 tickets per pack
- 4" x 5" – 100 tickets per pack
- 4" x 6" – 60 tickets per pack
- 4" x 8" – 60 tickets per pack
- 4" x 10" – 25 tickets per pack

During packaging, the pack of tickets will be separated into individual packs in sizes specified in the working papers, shrink-wrapped, and placed into cartons. If the "BOP" mark discussed in the previous section is used, the packaging line will scan for the BOP mark to make sure the pack begins and ends on the correct ticket number.



## UNIVERSAL PRODUCT CODES

Scientific Games has the ability to print a UPC code on the back of the instant ticket. The UPC will conform to the specifications published by the Uniform Product Code Council, Inc. We currently print UPC codes on the back of tickets for the majority of our customers.

## SECURITY CERTIFICATIONS

**Scientific Games conducts 13 security tests and 14 quality inspections on every game run on our presses to verify the presses are printing the games correctly and they meet stringent industry security and quality standards.** Scientific Game will work with the ALC to develop a ticket testing protocol for our internal security laboratory. Once approved, all tickets will be tested based on this protocol and results submitted to the Lottery. We also work with third-party security laboratories and, of course, with the staff of the ALC.

## ANY OTHER PERTINENT TICKET SPECIFICATIONS

Scientific Games recommends the following ticket specifications for the ALC's instant tickets to ensure their security and marketability.

### *Keyed Dual Security (KDS) – Priced Option*

Keyed Dual Security (KDS) is an instant ticket programming process that secures the relationship between the pack number and its value. The KDS programming process disconnects the pack number from the pack's value by shuffling the pack numbers after the game generation process and before the printing process. Furthermore, KDS technology segregates control among Scientific Games, the Lottery, and a Trusted Third Party (TTP) so that no one entity has enough information to determine the value of a printed pack of tickets. **Figure 3-57** shows the KDS security shuffling process.

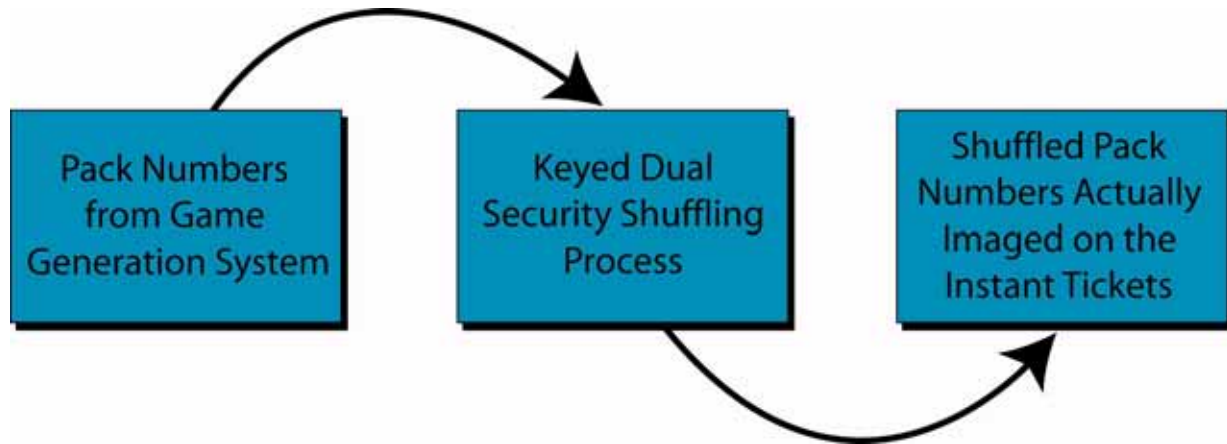


Figure 3-57: Keyed Dual Security Overview

Games programmed using KDS are more secure than other games because the algorithmic relationship between the pack number and the pack value has been disconnected. The reshuffled pack now has a new independent identity with different numbers that offer no traceability to the previous game generation pack numbers.

### *KDS and the Trusted Third Party (TTP)*

The presence of a Trusted Third Party (TTP) provides independent assurance to the lottery and Scientific Games that the KDS system has resulted in a secured instant ticket game.

This is accomplished by the following TTP procedures:

1. **KDS System Administration.** All access to the KDS server cabinet or the KDS server itself is regulated and examined by the TTP. This includes all system administration, system rebooting and other maintenance. Each of these functions requires the participation of the TTP.
2. **Log File Examination and Game Letter.** All KDS activity is logged during the production of an instant game. These logs contain the footprints of each transaction performed by the KDS server; and therefore, the examination of the KDS logs by an independent party is fundamental to the security of the system. The TTP examines the game log and reports the findings to the lottery and Scientific Games in a letter for each game.
3. **Monthly Audit of the KDS System.** The TTP performs a monthly KDS system examination. This ensures that the integrity of the KDS system—both the software and the hardware—has not been compromised by tampering with the KDS system software and hardware.

4. **Annual Audit of the Scientific Games Production System.** The TTP performs an annual game production system examination. This includes the KDS system, the game production systems, and the game production networks. This examination also includes an examination of the game production access control policies and firewall policies.

### *KDS and the Lottery*

The Lottery has two important functions in the KDS process. First, the Lottery must create a ‘seed’ file for each game. This seed file determines the pack shuffling scheme for the game, and therefore grants to the Lottery a fundamental and independent role in the KDS process. The Lottery’s independent role of creating the KDS game seeds segregates control among Scientific Games, the TTP and the Lottery, so that no one entity has enough information to determine the value of a printed pack of tickets. It is this segregation and independence that forms the fundamental cornerstone of the security of an instant game produced using the Keyed Dual Security method.

Second, because the imaged pack number on the ticket differs from the game generation pack number, KDS must define a mechanism to allow the Lottery to request a reconstruction by pack/ticket number. Scientific Games will deliver a “KDS Customer Module” to the lottery for the purpose of creating the game seeds.

Key points about KDS are:

- No one entity—the Lottery, Scientific Games, the TTP—has enough information to determine the value of a live pack of tickets. Each of three entities must control a different piece of the puzzle.
- Ensures that the pack number on the printed ticket is not the pack number originally generated by the game generation process.
- Results in a more secure instant ticket game because game programming information related to the value of a pack is no longer relevant once the packs are printed.
- Allows for the optimum prize delivery of instant games (i.e., exact number of winners in a prize level delivered to the Lottery).
- Allows for creation of an End of Production Prize Structure.
- The KDS process was certified by the Generic Group from Cambridge, an expert security consulting firm in the UK specializing in banking and credit card security systems.
- The KDS Translation server is under the control of an independent TTP who delivers a game-by-game security report to the lottery.

- The TTP reviews the security of each game, reviews the KDS process each month and reviews overall security each year.
- A module on a secured lottery computer uses the encrypted pool shuffle seeds and the decryption key to perform the decryption of a KDS pack number needed for the ticket reconstruction process.

## WINNER AUDIT SYSTEM – PRICED OPTION

### *Product Summary*

The Winner Audit system was developed in response to a specific incident that occurred at the Kansas Lottery in which a lottery information systems employee was charged with manipulating the Lottery's computer system (specifically, the instant ticket winner validation file) to create winning tickets from purchased non-winning tickets. Scientific Games' Winner Audit system enables a Lottery's security department to detect such fraud attempts.

The Winner Audit system provides the Lottery's security department with the ability to compare the winning ticket data on the Lottery's validation system with the winning ticket data provided by the instant ticket printer (Scientific Games) at the time of game delivery.

Such a comparison confirms that both data sources have:

1. The same overall number of winners
2. The same number of winners at each prize level
3. It also detects any attempt to delete or insert information on the online validation file

Scientific Games' Winner Audit system is comprised of two primary components:

1. The client module, which is installed on the Lottery's online system
2. The security verification module, which is installed on the security director's PC

*Client Module* – Since the winning ticket validation data for each instant game resides on the Lottery's online system, it is necessary to read that data directly to ensure that it has not been altered. The client module allows this direct interface to occur.

*Security Verification Module* – This module would typically reside on the security director's PC and be further restricted by a password. The security verification module is the user interface, which allows the Lottery to schedule audits of specific games at specific times, or allow "ad hoc"

audits at the security director's request. An example of a scheduled audit may resemble the following:

- Scan game 103 at 15 minutes before and 15 minutes after every hour, every day

or

- Scan game 334 at midnight and noon, Monday, Wednesday and Friday

The security verification module acts as a watchdog, scanning all live game validation files and subsequently comparing the original winning ticket data (provided by the instant ticket printer) to the current winning validation data on the Lottery's online validation system. Reports are issued which highlight any discrepancies between the two data sources and thus, indicate to security potential tampering.

The Winner Audit system option can provide another tool for the security director to combat the possibility of winner-file fraud.

The Game Development systems at Scientific Games were built to produce games that are secure.

We hired world-class security experts to assist us in the design and the implementation of a network architecture that separates all sensitive data from unauthorized individuals but also allows us to conduct operations efficiently and accurately. Over the years, we continue to make the necessary and critical advancements to the game programming security systems—all of which are documented and all of which are routinely and independently audited.

Scientific Games continues to recognize the danger of the threats we face. We are in the business of protecting our customers in this vital area. Scientific Games is unmatched and leads the world in the technologies that ensure secure instant games for all of our customers.

### 3.0.2 LIMITATIONS AND EXCEPTIONS

***RFP Requirement:** If a Vendor has any limitations in regard to the capability of printing a variety of words, letters, number, characters, or unique symbols in various combinations of colors, these must be fully and clearly specified in the Proposal.*

Scientific Games does not have any limitations in regard to the capability of printing a reasonable variety of words, letters, numbers, characters. As documented in **Section 3.0.1, pages 3-95 through 3-98**, Scientific Games can work with the ALC to create limitless custom symbols with various color combinations. Evidence of our skills in this arena is provided in our **Sample Ticket Catalog**.

### 3.0.3 UV COATING

**RFP Requirement:** All tickets printed by the Successful Vendor pursuant to the Contract must contain full UV coating over the entire front surface of the ticket to provide a glossy finish.

All tickets printed by Scientific Games will contain full UV coating over the display surface of the ticket to provide a glossy finish. Two examples of our ability to print a full UV coating over the display area are shown in **Figure 3-58** and **Figure 3-59**. Additional examples are provided in the **Sample Ticket Catalog**.



Figure 3-58: Full UV Coating





Figure 3-59: Full UV Coating

### 3.1 QUALITY SPECIFICATIONS

***RFP Requirement:** Vendor's Proposal must address quality specifications in order for the ALC to ensure the acquisition of instant game products that are marketable and of high quality and durability. Vendors will be required to produce tickets of varying sizes. The ticket dimensions shall not vary by more than two percent (2%) of the size established in the Working Papers for each instant game. Regardless of the type of ticket design or designs proposed, the final product must be tamper-proof by any practical means. Quality limitations and/or deviations that adversely affect the security of the tickets are unacceptable.*

As the largest producer of instant game tickets in the industry, Scientific Games is committed to delivering products with the highest level of quality and integrity. **Our capital investment of \$55 million in quality and production improvements since 2001 is proof of this commitment.**

Scientific Games is the only vendor who can support the entire instant ticket supply chain for the ALC with the experience and production capacities needed to reach your instant sales goals for this contract. Our product development process features industry leading marketing resources and our instant ticket production facilities enable the highest level of secure ticket production. Our customer support personnel have the most years of industry knowledge and our highly skilled employees constantly strive to innovate and improve on today's products and technology.

- **Ticket Supply Capacity** – Scientific Games has the industry's largest print and finishing capacity featuring multiple production facilities in North America designed to support Arkansas' instant ticket supply needs.
- **Team Resources** – Scientific Games has the industry's only dedicated team of over 200 individuals (corporate wide) who are primarily dedicated to the Cooperative Services functions—a wealth of technical and personnel resources second to none.
- **Warehousing and Distribution Experience** – Scientific Games has the experience of 23 lottery warehousing and distribution start-ups and conversions over the past 22 years.
- **People** – Scientific Games has a start-up team with 118 years of lottery expertise.
- **Record** – Scientific Games has been a valued partner for four of the last five lotteries at start-up.

Herein we outline all key quality sampling and product assurance measures that we employ to generate instant tickets of the highest quality, incorporating all security and integrity features that the ALC specifies, as well as industry leading standards.

As requested, Scientific Games produces tickets of varying sizes and has the full capacity to produce tickets with dimensions that vary no more than 2% of the size established in the working papers as reflected in the table of available ticket sizes located in **Section 3.0.1, page 3-71.**



Regardless of the type of design(s) proposed, Scientific Games delivers instant ticket games that are tamper-proof by any practical means. Scientific Games recognizes that quality limitations and/or deviations that adversely affect ticket security are unacceptable and as such we have designed and instituted quality specifications and procedures to ensure the highest level of quality and durability.

#### **TICKET QUALITY**

Scientific Games incorporates quality control procedures throughout our production process so the ALC can be assured you are receiving the highest quality tickets. Scientific Games has maintained ISO 9000 certification of its quality assurance procedures since May, 1995 and is currently certified ISO9001-2000. These procedures are integrated into every aspect of instant ticket design and production and are continually evaluated to keep advancing ticket quality. High volume production demands high quality. Because we produce the most tickets in the world, we have more opportunity to continually improve our process and methods. This brief introduction provides a background into our Quality Assurance (QA) program. Following this discussion we respond to each ticket quality RFP requirement.

Scientific Games believes that quality begins at the source and empowers employees in each manufacturing department to control the quality of the work they produce. Overseeing all quality requirements is the QA department, whose staff of compliance analysts monitor the quality systems and practices employed by each manufacturing department. No fewer than 23 in-depth product compliance tests are run specifically for the critical aspects of instant lottery tickets to ensure tickets can be distributed, sold, played and validated without issue, are performed by our QA staff members.

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### 3.3.1 TICKET SECURITY SPECIFICATIONS

**RFP Requirement:** *Neither winning tickets nor non-winning tickets shall be recognizable by the human eye from any characteristics of the tickets other than by the play symbols concealed by the rub-off material. In particular, and without limitation, the following must be true:*

---

Through the use of our ticket security measures and safeguards neither winning tickets nor non-winning tickets are recognizable by the human eye from any characteristics of the tickets other than by the play symbols concealed by the rub-off material. In particular, and without limitation, the following is true:

#### 3.3.1.A PHYSICAL FEATURES

**RFP Requirement:** *The odds of winning any prize of any level on a given ticket must not vary from the approved prize structure by virtue of; any characteristics of the tickets including, but not limited to, any variation or irregularity in the front or back display printing, stock, perforations, cuts, exposed pack number, exposed ticket numbers, bar code, staples, folds, packaging; color or thickness or texture of rub-off material, overprints, protective coating, and printing registration or misregistration. If the game is produced in more than one production batch, winners shall be recreated for each such batch and shall not bear any identifying characteristics. Describe the control of "odds" at all levels and overall, when tickets are printed in more than one production batch for a game.*

---

The odds of winning any prize of any level on a give ticket will not vary from the approved prize structure by virtue of any characteristics of the tickets including:

- Any variation or irregularity in the front or back display printing
- Stock
- Perforations
- Cuts
- Exposed pack number
- Exposed ticket number
- Bar code
- Staples
- Folds
- Packaging
- Color or thickness or texture of rub-off material
- Overprints
- Protective coating
- Printing registration or mis-registration

- Winners are evenly distributed throughout the entire game and do not bear any identifying characteristics

Following, we describe the control of “odds” at all levels and overall, when tickets are printed in more than one production batch for a game.

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### 3.3.1.B INVASIVE TECHNIQUES

**RFP Requirement:** *It shall not be possible to ascertain whether a ticket is a winning or non-winning ticket, using a practical or economical technique, unless the application of the technique renders the ticket not saleable to the public or easily recognizable as having been tampered with. In particular, it shall not be possible to “see-through” the rub-off spots, or the back of paper card stock tickets, with any practically available device or technique including, without limitation, high-intensity light, infrared light, ultraviolet light, x-rays, photography, microscopes, optical fibers, heat, freezing, mechanical means, cutting or peeling, electrostatics, chemical means, electrical means, coping machine intrusion techniques, or microsurgery.*

Scientific Games’ manufacturing procedures and security protocols are designed so that it is not possible to ascertain whether a ticket is a winning or non-winning ticket—using a practical or economical technique—unless the application of the technique renders the ticket not salable to the public or easily recognizable as having been tampered with. In particular, it is not possible to “see-through” the rub-off spots, or the back of paper card stock tickets, with any available device or technique including, without limitation:

- High-intensity light
- Ultraviolet light
- Photography
- Optical fibers
- Freezing
- Cutting or peeling
- Chemical means
- Copying machine intrusion techniques
- Infrared light
- X-rays
- Microscopes
- Thermal techniques
- Mechanical means
- Electrostatics
- Electrical means
- Microsurgery

**Figure 3-97** describes some of the many measures that we have in place to minimize and detect ticket alteration and counterfeiting attempts.

ANTI-COUNTERFEITING SECURITY		
COUNTERFEITING TECHNIQUE	SCIENTIFIC GAMES PRECAUTIONS AND SAFEGUARDS	REVIEWS
Cut and Paste	<ul style="list-style-type: none"> <li>■ Captions</li> <li>■ Retailer validation code</li> <li>■ VIRN number</li> <li>■ Validation bar code</li> <li>■ Unique ticket numbering</li> <li>■ Benday patterns</li> </ul>	<ul style="list-style-type: none"> <li>■ Game programming audit</li> <li>■ QC department testing</li> <li>■ Internal ticket security testing</li> </ul>

Figure 3-97: Anti-Counterfeiting Security

ANTI-COUNTERFEITING SECURITY		
COUNTERFEITING TECHNIQUE	SCIENTIFIC GAMES PRECAUTIONS AND SAFEGUARDS	REVIEWS
Leaving Rub-Off Material on the Ticket	<ul style="list-style-type: none"> <li>■ Retailer validation code</li> <li>■ VIRN number</li> <li>■ Validation bar code</li> </ul>	<ul style="list-style-type: none"> <li>■ Game programming audit</li> <li>■ QC department testing</li> </ul>
Removal of Play Symbols with Bleach or Other Solvents and then Pen and Ink Addition of Winning Symbol	<ul style="list-style-type: none"> <li>■ Captions</li> <li>■ Retailer validation code</li> <li>■ VIRN number</li> <li>■ Validation bar code</li> <li>■ Unique ticket numbering</li> <li>■ Ink-jet printing of play symbols</li> </ul>	<ul style="list-style-type: none"> <li>■ Camera-assisted imaging inspection</li> <li>■ Artwork design guidelines</li> <li>■ Game programming audit</li> <li>■ QC department testing</li> <li>■ Internal security testing</li> </ul>

Figure 3-97: Anti-Counterfeiting Security

In the previous **Section 3.3, pages 3-191 through 3-208**, Scientific Games discusses the methods we employ to protect against unauthorized invasion, and the measures we have taken to minimize and detect ticket alteration and counterfeiting attempts.

One of Scientific Games' most recent initiatives to combat invasive techniques, such as "pick-out," currently under production by the Discovery Team is our patent-pending, industry-driven security solution, DetectiVision. For lotteries wanting to strongly ensure product integrity, DetectiVision, a priced option, uses the latest technology to identify retailer fraud. Scientific Games is uniquely qualified to provide this solution given that this is a patent-pending program.

In the following confidential section we fully describe this unique security solution.

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### 3.3.2 SECURITY CERTIFICATION

**RFP Requirement:** A Vendor shall submit with its Proposal copies of the most recent and applicable laboratory test reports and other certifications assuring the security of said instant lottery tickets against practical compromise by reasonably comprehensive technical effort. The ALC reserves the right to cancel the Contract at any time if the Successful Vendor's or the ALC's tests show any representative sample of production tickets to be practically compromisable. Tickets shall not bear any works, symbols, or numbers that in any way would permit a person to determine the location of a winning ticket.

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In **Appendix 2**, Scientific Games submits copies of our most recent and applicable laboratory test reports assuring the security of said instant lottery tickets against practical compromise by reasonably comprehensive technical effort. We understand that the ALC reserves the right to cancel the contract at any time if the successful vendor's or the ALC's tests show any representative sample of production tickets to be practically compromisable. Utilizing the industry's best known security practices, Scientific Games ensures that tickets do not bear any works, symbols, or numbers that in any way would permit a person to determine the location of a winning ticket. With billions of instant tickets in circulation around the world, Scientific Games' tickets are market-tested and proven daily in a multitude of lottery jurisdictions.

Scientific Games' ticket security construction is developed to meet customer expectations and successfully pass industry standard testing protocols. Our internal testing procedures were developed using the same or similar test equipment and methods utilized by independent test labs. Scientific Games maintains regular contact with state testing facilities and independent labs to ensure our testing procedures reflect the latest industry developments and findings.

### 3.3.3 PLANT SECURITY

**RFP Requirement:** The plant(s) and warehouse(s) in which the lottery tickets are to be produced and stored must be equipped with a complete plant security system that is acceptable to ALC. The plant(s) and warehouse(s) may be inspected for security prior to or after Proposal opening if the ALC deems such an inspection is necessary. A Vendor shall describe how it will protect the ALC from financial loss in the event of a disaster at the warehouse that destroys the inventory of tickets.

---

As described in detail in **Section 3.3, pages 3-144 through 3-173**, Scientific Games' proposed printing plant and warehouse in which the lottery tickets are to be produced and stored are equipped with a complete plant security system that will meet ALC approval. We understand that the plant(s) and warehouse(s) may be inspected for security prior to or after proposal opening if the ALC deems such an inspection is necessary.

Below we describe how we intend to protect the ALC from financial loss in the event of a disaster at the warehouse that destroys the inventory of tickets:

- First and most important, Scientific Games maintains insurance that would cover the costs associated with any loss the ALC could experience in the event of a disaster.
- If necessary we could warehouse ALC games at our production facility. This solution would be a temporary arrangement in the event that such a disaster would be catastrophic enough to prevent the use of our proposed facility.
- Finally, with the turnaround times we are proposing, Scientific Games is confident that in the event of disaster, we could have instant games distributed across Arkansas quickly without dramatic impact on ALC revenue.

Scientific Games is prepared to respond to any disaster or event that would jeopardize the revenue stream from the ALC's instant games. The plant and proposed warehouse(s) where Scientific Games produces and stores the ALC's instant tickets are equipped with complete security systems.

Our printing facility offers redundant printing capability. We have five printing presses, each of which could easily absorb the ALC's production requirements should a press become non operational. **Our instant game data processing is also redundant within the facility. We have two instant game processing centers, one in the front of the building and one, over 100 yards away in the back of the building.**

In addition, we have backup capability available through our production facility located in Montreal, Canada.

**Figure 3-98** and **Figure 3-99** represents the guideline document utilized to create a working Disaster Recovery and Business Continuity Plan.

**Figure 3-100** through **Figure 3-103** displays the table of contents from our Alpharetta facility disaster recovery plan.

Scientific Games will work with the Lottery to create a disaster recovery plan that meets the ALC's specific requirements.

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### 3.3.4 EMPLOYEE SECURITY

***RFP Requirement:** The Successful Vendor must establish a program to ensure that all those involved in the design, production, distribution, or sale of the instant lottery tickets are precluded from ascertaining or being knowledgeable of the location of winning tickets. The Proposal should outline the procedures that will be implemented to address this requirement.*

---

In the following section we describe Scientific Games' program that ensures that all those involved in the design, production, distribution, or sale of the instant lottery tickets are precluded from ascertaining or being knowledgeable of the location of winning tickets.

To date, our industry has not experienced the devastating consequences of a major instant ticket security breach. The impact of such an event is difficult to imagine; nevertheless, it is important to recognize that threats do exist in our increasingly sophisticated digital world. Because Scientific Games recognizes that security threats are real, we have taken decisive measures by investing resources to build a game programming system founded on security. In use today, our high-security system protects Scientific Games and all of its customers from compromise.

The most important mission for Scientific Games and the Lottery is to prevent attempted security breach—whether insider fraud or external attack. We must also prevent even the slightest public perception of such a violation. The consequences of a breach or misperception would, at the very least, undermine the foundation of trust that is the cornerstone of our industry.

At Scientific Games, security is about preventing a breach before it happens—so that we and our customers are never in the position of picking up the pieces after a violation. Scientific Games' Game Programming conducts all game development and production activity based on the following security foundation.

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### 3.3.5 TICKET TESTING

**RFP Requirement:** The ALC may arrange for quality, security, and bar code testing of tickets by an independent laboratory selected by the ALC as deemed necessary. The Successful Vendor shall be responsible for all costs for up to three (3) such tests per year. Testing in excess of once per game shall be the responsibility of the ALC unless it is necessitated by a failure on the first test.

The purpose of the testing will be to determine if the ticket meets the following three (3) primary quality and security criteria:

Scientific Games understands that the ALC may arrange for quality, security and bar code testing of tickets by an independent laboratory selected by the ALC as deemed necessary. If selected as the successful vendor Scientific Games will be responsible for all costs for up to three such tests per year. Furthermore, we acknowledge that testing in excess of once per game will be the responsibility of the ALC unless it is necessitated by a failure on the first test. The purpose of the testing will be to determine if the ticket meets the following three primary quality and security criteria.

#### 3.3.5.A MARKETABILITY

**RFP Requirement:** Is construction of the ticket secure enough for the ticket to endure reasonable environmental rigors and still be readily marketable?

As described in **Figure 3-109** on the following pages, Scientific Games' game ticket construction is designed to endure reasonable environmental rigors and still be readily marketable.

GAME TICKET CONSTRUCTION SECURITY		
TICKET COMPONENT	SCIENTIFIC GAMES' PRECAUTIONS AND SAFEGUARDS	REVIEWS
<b>Inks</b>		
Display	<ul style="list-style-type: none"> <li>Formulated to provide bright and colorful graphic printing</li> <li>Formulated to be highly sensitive to the application of various solvents, glues, and sprays in attempts to compromise tickets</li> </ul>	<ul style="list-style-type: none"> <li>Reviewed by QC department</li> <li>Reviewed by Scientific Games' chemists</li> <li>Reviewed by research and development department</li> <li>Reviewed by internal testing lab</li> </ul>
Imaging	<ul style="list-style-type: none"> <li>Formulated to be highly sensitive to the application of various solvents, glues, and sprays in attempts to alter the play symbols</li> <li>Imaged using 240 dots per inch for sharp resolution</li> </ul>	<ul style="list-style-type: none"> <li>Reviewed by QC department</li> <li>Reviewed by Scientific Games' chemists</li> <li>Reviewed by research and development department</li> <li>Reviewed by internal testing lab</li> </ul>

Figure 3-109: Physical Ticket Security

GAME TICKET CONSTRUCTION SECURITY		
TICKET COMPONENT	SCIENTIFIC GAMES' PRECAUTIONS AND SAFEGUARDS	REVIEWS
Overprinting	<ul style="list-style-type: none"> <li>■ Applied to the rub-off material to provide additional security and attractiveness</li> <li>■ Used to deter microsurgery, pin-pricking and solvent attacks</li> <li>■ Provide added durability to the ticket</li> </ul>	<ul style="list-style-type: none"> <li>■ Reviewed by QC department</li> <li>■ Reviewed by Scientific Games' chemists</li> <li>■ Reviewed by research and development department</li> <li>■ Reviewed by internal testing lab</li> </ul>
<b>Inks – Security</b>		
Security Ink	<ul style="list-style-type: none"> <li>■ Proprietary formulas designed for the secure printing of instant game data on paper stock</li> </ul>	<ul style="list-style-type: none"> <li>■ Reviewed by QC department</li> <li>■ Reviewed by Scientific Games' chemists</li> <li>■ Reviewed by research and development department</li> <li>■ Reviewed by internal testing lab</li> </ul>
Lower Blocking Black	<ul style="list-style-type: none"> <li>■ Applied to the play area on paper tickets to prevent the reading of the play symbols through the use of a bright light</li> </ul>	<ul style="list-style-type: none"> <li>■ Reviewed by QC department</li> <li>■ Reviewed by Scientific Games' chemists</li> <li>■ Reviewed by research and development department</li> <li>■ Reviewed by internal testing lab</li> </ul>
White Mask/Primer	<ul style="list-style-type: none"> <li>■ Applied to the play area on paper and foil tickets to provide an adhesive print surface for both water-based imager inks and solvent based security inks</li> <li>■ Allows for an optional tint to be applied to the play area which provides additional security against the application of solvents and bleach and pin pricking</li> </ul>	<ul style="list-style-type: none"> <li>■ Reviewed by QC department</li> <li>■ Reviewed by Scientific Games' chemists</li> <li>■ Reviewed by research and development department</li> <li>■ Reviewed by internal testing lab</li> </ul>
Protective Seal/ Release Coating	<ul style="list-style-type: none"> <li>■ Covers imaged play data with a proprietary, clear coating to protect it from alteration</li> <li>■ Protects the play data from damage when rub-off material is removed</li> <li>■ Seals the play data in a protective environment</li> </ul>	<ul style="list-style-type: none"> <li>■ Reviewed by QC department</li> <li>■ Reviewed by Scientific Games' chemists</li> <li>■ Reviewed by research and development department</li> <li>■ Reviewed by internal testing lab</li> </ul>

Figure 3-109: Physical Ticket Security

GAME TICKET CONSTRUCTION SECURITY		
TICKET COMPONENT	SCIENTIFIC GAMES' PRECAUTIONS AND SAFEGUARDS	REVIEWS
Upper Blocking Black	<ul style="list-style-type: none"> <li>Covers the protective seal/release coating with a proprietary, opaque black ink that conceals the play data</li> <li>Protects the play data against electrostatic compromise and prevents compromise from caustic etching</li> </ul>	<ul style="list-style-type: none"> <li>Reviewed by QC department</li> <li>Reviewed by Scientific Games' chemists</li> <li>Reviewed by research and development department</li> <li>Reviewed by internal testing lab</li> </ul>
Rub-Off Material	<ul style="list-style-type: none"> <li>Covers the play area with a proprietary material that conceals the play data</li> <li>Is smooth and regular so that any attempts at pin-pricking or tampering are easily detected</li> <li>Protects against lifting</li> </ul>	<ul style="list-style-type: none"> <li>Reviewed by QC department</li> <li>Reviewed by Scientific Games' chemists</li> <li>Reviewed by research and development department</li> <li>Reviewed by internal testing lab</li> </ul>
<b>Ticket Stock</b>		
Paper	<ul style="list-style-type: none"> <li>Analysis of paper stock by in-house lab, QC, and/or outside laboratories</li> <li>Measure paper thickness and coating flexibility</li> <li>Perform in-house performance and moisture checks</li> </ul>	<ul style="list-style-type: none"> <li>Reviewed by QC department</li> <li>Reviewed by Scientific Games' chemists</li> <li>Reviewed by research and development department</li> <li>Reviewed by internal testing lab</li> </ul>
Foil	<ul style="list-style-type: none"> <li>Verification of coating treatment by in-house lab</li> <li>Analysis of foil stock by in-house lab, QC, and/or outside laboratories</li> <li>Measure stock thickness and coating flexibility</li> </ul>	<ul style="list-style-type: none"> <li>Reviewed by QC department</li> <li>Reviewed by Scientific Games' chemists</li> <li>Reviewed by research and development department</li> <li>Reviewed by internal testing lab</li> </ul>

Figure 3-109: Physical Ticket Security

### 3.3.5.B COMPROMISABILITY

**RFP Requirement:** *Is construction of the ticket secure enough for the ticket to withstand attempts to determine if the ticket is a winning or a non-winning ticket without removing a readily noticeable amount of the coatings on the play area of the ticket within a reasonable time frame, by methods and materials available to the retailers?*

As discussed in **Section 3.3, pages 3-187 through 3-192**, the secure construction of Scientific Games' tickets are designed so that winning or non-winning game tickets are not recognizable from any characteristics of the game tickets or ticket patterns other than the Lottery symbols concealed by the rub-off material. Furthermore, it is not possible to ascertain whether a ticket is a

winning or non-winning ticket, within a reasonable time frame, using any practical or economical technique, unless the application of the technique renders the ticket unsalable to the public or easily recognizable as having been tampered with.

The methods we employ in the construction of our tickets to avoid “pick-out” problems are described in **Section 3.3, pages 3-187 through 3-192** of our response.

### 3.3.5.C ALTERABILITY

**RFP Requirement:** *Is construction of the ticket secure enough for the ticket to withstand attempts to alter the play data, prize amounts, or bar code and produce a redeemable winning ticket from a non-winning ticket, and/or increase the prize amount on the ticket by methods and materials available to the public?*

*Failure of any ticket to pass any of the tests will be cause for additional testing. The objective of the additional testing will be to:*

*(a) Determine the repeatability and practicality of the method; and*

*(b) Determine the range of ticket production pools in which the problem is repeated.*

*If ten percent (10%) or more of the pools within a game are rejected, then the ALC shall be entitled, at its sole option, to reject the whole game.*

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Scientific Games’ ticket construction is designed to withstand (for a specified length of time) attempts to alter the play data, prize amounts, or bar code and produce a redeemable winning ticket from a non-winning ticket, and/or increase the prize amount on the ticket by methods and materials available to the public.

The measures we have in place to minimize and detect ticket alteration and counterfeiting attempts are described in **Section 3.3, pages 3-181 through 3-199** of our proposal.

Scientific Games understands that failure of any ticket to pass any of the tests will be cause for additional testing. The objective of the additional testing will be to:

(a) Determine the repeatability and practicality of the method

(b) Determine the range of ticket production pools in which the problem is repeated

Lastly, we acknowledge that if ten percent or more of the pools within a game are rejected, then the ALC will be entitled, at its sole option, to reject the whole game.



## 3.4 GAME PRODUCTION AND PRIZE GUARANTEES

**RFP Requirement:** A Vendor's Proposal shall describe the methods and procedures by which it guarantees: That each game is printed in conformity with all game specifications included in the Working Papers;

That each game is printed in conformity with the prize structure included in the Working Papers so that prizes will constitute no more than the percentage of revenue stated, and percentage of revenue stated, and larger prizes are all present in delivered tickets within stated tolerances;

That winning tickets are distributed with no discernible pattern throughout the entire population of a game.

The Successful Vendor will be required to submit, at no additional cost to the ALC, a report by a certified public accounting firm relating to agreed-upon procedures for each game's production, related to the above.

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### 3.5 WAREHOUSING OF NEW TICKETS, PROMOTIONAL ITEMS, AND POINT-OF-SALE ITEMS (POS)

**RFP Requirement:** *The Successful Vendor will be responsible for the storage of new tickets from the time they are printed until they are distributed to retailers or the ALC's district offices. Facilities, organization, and procedures must be designed to ensure the security and integrity of the games.*

*Vendors shall submit a warehouse-staffing plan, including the resume of the perspective warehouse manager.*

*Procedures and controls must be in place to ensure the confidentiality and integrity of game information. In particular, printing systems and data must not be accessible to those involved in the warehousing activities and vice versa. A Vendor shall specify the methods and carriers by which packaged tickets are to be transported from the Vendor's plant to the warehouse.*

*The warehouse must contain a minimum of nine thousand square feet (9,000 sq. ft.) of secured space for use by ALC. The warehouse must contain a minimum of four thousand square feet (4,000 sq. ft.) of secured, segregated space for ALC point-of-sale and premium items, supplies, and other items that are intended for delivery to Retailers and other marketing events.*

*The minimum requirement of four thousand square feet (4,000 sq. ft.) of secured, segregated space for ALC described in this Paragraph shall be in addition to the requirement of nine thousand square feet (9,000 sq. ft.) of secured warehouse space for use by ALC.*

*The Contractor is responsible for and must maintain an inventory control system for ALC point-of-sale material, ticket dispensers, play stations, promotional items, and other similar items that are stored in the ALC portion of the central warehouse facility. The Contractor must provide shelving necessary to store these items in an organized manner. A vendor must describe the procedures and controls which will ensure adequate supervision and control of regular point-of-sale (POS) and premium items, supplies, and other materials intended for delivery to the required self-storage facilities and stored in the ALC space at the warehouse and that inventory will be restricted and checked periodically. Three (3) lockable offices must be provided, with the aggregate space for all three (3) being in the range of one thousand five hundred square feet (1,500 sq. ft.) to one thousand eight hundred square feet (1,800 sq. ft.) (roughly two hundred fifty square feet (250 sq. ft.) to three hundred square feet (300 sq. ft.) per office, a six hundred square foot (600 sq. ft.) conference room and normal common areas such as hallways and restrooms). Reasonable variations from this standard or range will be acceptable but must be explained in detail in the proposal. The Contractor is expected to provide basic up-fitting for each of the three (3) office areas that is suitable for general office space, one that is appropriate and adequate for a commercial setting with proper heating and air conditioning with reasonable access to restroom facilities. Walls should be finished and carpet or tile flooring is acceptable. Phone lines should be provided for each office and basic office furniture must be provided. Office and conference rooms shall contain computer network wiring, Internet access and a connection to the central gaming system.*

*The minimum requirement space for the three (3) lockable offices described in this paragraph shall be in addition to the minimum square footage listed in Paragraph 3 of this Section."*

*The warehouse may not be located within a fifty-year flood plain. The warehousing space must contain, at a minimum, a loading bay or ramp to receive delivery of tickets from tractor trailer trucks, backup electrical generation capability, fire protection, security, and concrete block or brick masonry walls. The warehouse space must also have adequate environmental control systems to allow storage of instant tickets for up to twenty four (24) months with no degradation in instant ticket quality.*

*The Proposal must address the requirements set out above and must include:*

- *A Description of the Security Controls, including the Access Control System(s) and Procedures;*
- *Security Equipment and Procedures;*
- *Intrusion Detection and Monitoring Equipment and Procedures; and*
- *Fire Prevention and Detection, and Flood Detection*

*All procedures and controls must be approved by ALC. The proposed location of the warehouse must be in Pulaski County, Arkansas, or a contiguous county, and it must be approved by the ALC.*

Scientific Games is the originator of the Cooperative Services Program (CSP) that came to be the industry standard by which all lottery warehousing and distribution programs are modelled on and measured against as the “gold standard.”

We created this warehousing/distribution model based not only on the physical aspects of instant game inventory control and distribution but combined these elements with the critical marketing/sales management component that ensures effective ticket volumes at retail. Along with key sales performance information that helps both retailers and lottery sales representatives grow the instant

game sales year after year, Scientific Games' overall marketing support combines with logistical experience, and experienced on-site management team to deliver world-class instant game warehousing and distribution technology for the ALC.

Scientific Games agrees to responsibly store tickets from the time they are printed until they are distributed to retailers or the ALC's district offices. Throughout the following sections, we detail our facilities, organization and procedures that are designed to ensure the security and integrity of the games.



Figure 3-110: Arkansas Facility

### WAREHOUSE STAFFING PLAN

Our proposed warehousing operation is separate and independent from our printing operation. This separation provides additional security for ALC operations. The organization chart of our proposed warehouse staffing plan, provided in **Figure 3-111**, shows the reporting structure for the warehouse operation. The resume of our perspective warehouse manager, Jason Edgmon, is provided here.

Based on our experience in warehousing and distributing instant ticket games for our lottery customers, we are proposing the following roles.

STAFF POSITION	NUMBER OF EMPLOYEES
General Manager	1
Product Manager	1
Administrative Assistant	1
Warehouse/Security Manager	1
Packing/Returns Clerks	5
<b>TOTAL</b>	<b>9</b>

- 1 General Manager – Responsible for all daily CSP/warehouse activities
- 1 Warehouse/Security Manager – Oversees the entire warehouse and distribution operation
- 1 Product Manager– Analyze and track sales and inventory, assist with working papers, and game planning



- 1 Administrative Assistant – Oversees the clerical and human resources functions of the site
- 5 Packing/Returns Clerks – Pick and pack orders, restock and maintain clean work stations, process and store ticket returns and other general warehouse duties

Our proposed Warehouse/Security Manager, Jason Edgmon, will have total responsibility for the day-to-day operation of the warehousing and distribution operation.

Under his supervision will be the warehouse clerks. They will ensure a steady flow of ticket inventory and supplies for each packaging line and will pick and pack ticket orders to ensure prompt delivery to ALC retailers within two business days of order placement. An organizational chart showing the proposed staff is provided in **Figure 3-111**.

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# JASON EDGMON

## ALC WAREHOUSE/SECURITY MANAGER

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### ***Contract Role***

Mr. Edgmon will be responsible for the management of warehouse and distribution operations for the ALC. He will provide effective management of the staff to ensure timely distribution of product within the standards of customer, following all policies, procedures and contract obligations.

### **Summary**

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Mr. Edgmon is a six year veteran of the lottery industry. He was part of the Arizona lottery start-up team and has also assisted with start-ups and/or conversions for the New Mexico, Oklahoma and Georgia lotteries. He held various management positions prior to joining Scientific Games in December 2002. Before joining Scientific Games in 2002, Mr. Edgmon served four years at MTN Sunbelt in many roles, including warehouse manager as well as sales representative.

### **Relevant Experience**

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#### ***2007-Present, Scientific Games – Manager, Sales and Distribution (Arizona Lottery)***

- Directly assists general manager with sales and distribution functions
- Consults with Lottery management on sales, distribution and security issues
- Responsible for support and guidance of sales strategies
- Hiring, training, scheduling and supervising all staff
- Interface with UPS to resolve issues and schedule services
- Provide leadership, direction and motivation for CSR/sales and warehouse team to ensure full customer satisfaction in the execution of the Games Management System which includes management of all day-to-day activity for all employees

#### ***2002-2007, Scientific Games – Distribution Manager (Arizona Lottery)***

- Oversaw warehouse operations on a day-to-day basis through supervision of the pick/pack operation; enforcement of policies and procedures pertaining to the warehouse operation
- Assisted the general manager in managing the revenue and budget responsibilities for the site
- Interfaced with vendors to ensure that ample supplies of warehouse consumables are maintained; included ordering and tracking
- Maintained accurate records on shipping totals, consumable inventory, shipping and receiving, plant maintenance and other reports as assigned

#### ***1999-2002, MTN Products – Warehouse Manager***

- Supervision of warehouse and delivery drivers; ship and track product via UPS, FedEx online and various freight companies; responsible for all incoming product transfers and outgoing shipments and deliveries; order and or purchase new products with accountability for inventory of all product and supplies; assisted with phone sales as well as will call sales

### **Education/Certifications**

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- Westwood High School
- Naumann Hobbs Forklift Certification (7/13/07), Federal Discrimination Statutes Training (10/31/03), Electrical Safety - Subpart S Training (6/5/08) and OSHA Training - General Industry (6/5/08)

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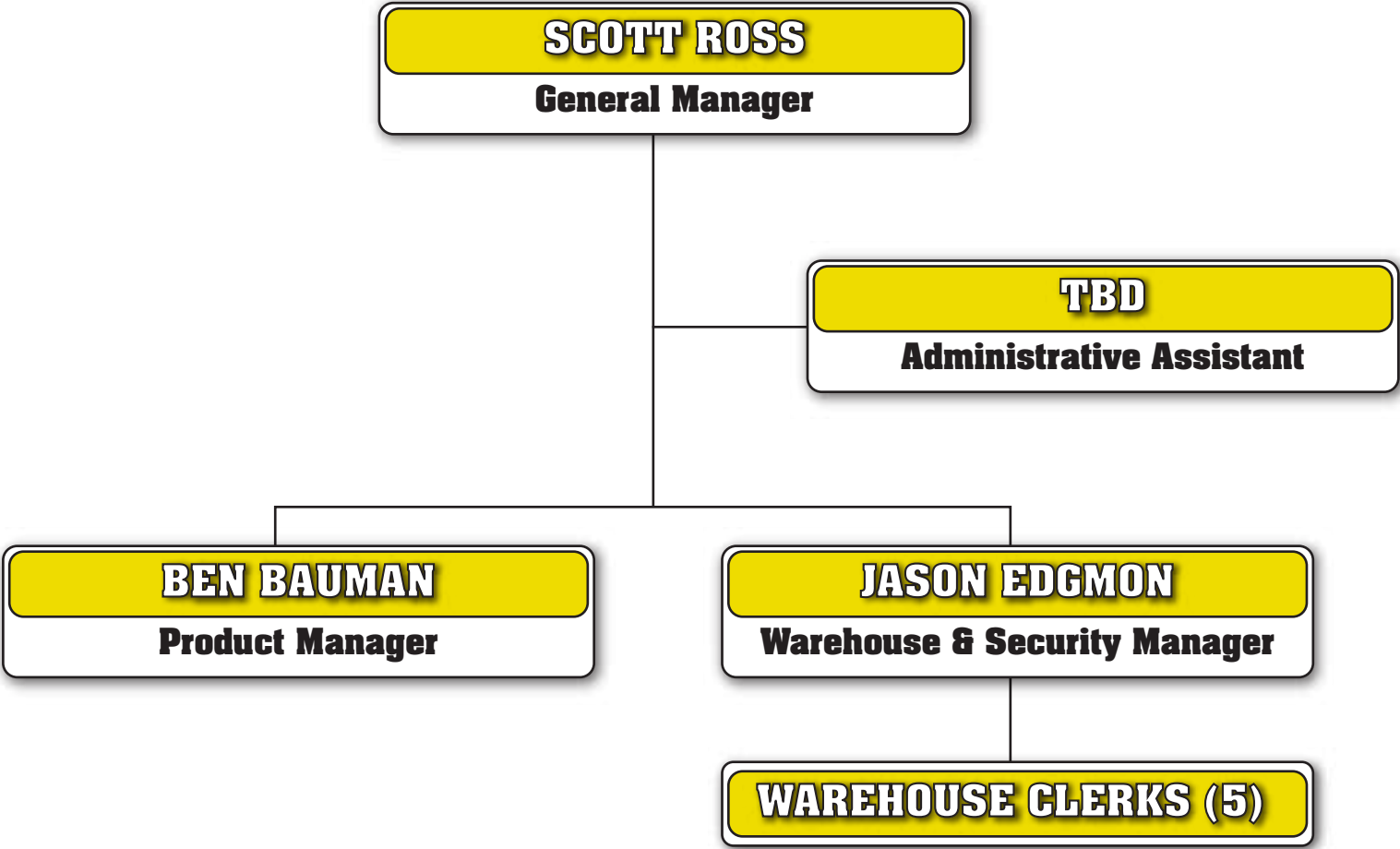


Figure 3-111: Arkansas CSP Staff

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Scientific Games understands that all procedures and controls will be approved by the ALC. The proposed location of our warehouse is in Pulaski County, Arkansas or a contiguous county and will be approved by the ALC.

## PROCEDURES AND CONTROLS

### *Description of Security Controls*

We constantly strive to ensure that all of the facilities we construct and/or use are completed and operated in a manner that satisfies the most stringent of **safety, security and environmental** control requirements. We couldn't adequately secure your future operations if the facilities we occupy and build-out did not meet and exceed industry standards.

Our proven approach to security uses a variety of security systems including, but not limited to, card access, locks and surveillance systems to prevent unauthorized entry to sensitive areas of the facility by visitors and other site support personnel. Access to critical areas is limited to individuals who require entry based on their respective job responsibilities. Additionally, all head-end portions of the security system are located in a locked and secure environment within the facility. Access to the security systems at the facility is limited to lottery-authorized personnel, the general manager, or warehouse manager. Access to this location is monitored on both video and access control systems. The ALC site will be monitored 24 hours per day.

**Building Codes** – We always adhere to, and frequently exceed, current industry standards and local building codes when constructing our facilities. All physical areas we construct will comply with all state and local building codes for facilities similar to the central site. Proper permits and inspections will be obtained by Scientific Games.

### *Facility Security Components*

The goal of our CSP facility design is to achieve a secure, safe and efficient work environment and to deter, detect, delay, deny, defeat and document likely physical threats against our business operations. We will employ state of the art digital systems, physical barriers, devices and technologies that are best suited to protect our proposed CSP facility and its business operations.

The security director of Scientific Games' U.S. instant products division is involved in each CSP facility selection process. He also designs and installs life safety and security systems. Area crime, weather and environmental risk assessments, as well security structural design modifications, are a crucial part of every new CSP facility location selection and build-out.

The proposed distribution center will be comprised of a secure entry lobby, administrative office space, secure data and communications room, warehouse, packaging operation, shipping/receiving area, a restricted product storage area, critical utilities and substation areas.

Scientific Games will install physical and psychological barriers that reasonably deter, detect, delay or defeat forced entry attempts and provide a reasonable response window for police. Devices are also used to mitigate threat against vulnerable points such as rooftop access ladders and demising walls and to protect critical utilities from accidental or intentional harm (storeroom function interior locks, security hinge perimeter doors, roof entry barriers, protective bollards, shock/vibration/tamper sensors and signage are standard in all CSP facility installs).

### **SECURITY EQUIPMENT AND PROCEDURES**

Our proposed picking and packing procedures and controls have been in use in the industry for the past 24 years. To preserve the integrity of our operation and the Lottery's instant games, we will organize the warehouse into four distinct areas:

1. Instant ticket inventory storage, including racks
2. Instant ticket staging area for pending orders
3. Packing station with racks/tables for pending orders
4. Courier station for completed, packaged orders waiting courier pick-up

### **INTRUSION DETECTION AND MONITORING EQUIPMENT AND PROCEDURES**

#### ***Proposed Warehouse Security System***

A digital intrusion detection system with control panel and LCD screen key pads at the sites front and rear entry doors will be installed. A digital life safety system with all appropriate, environmental detection sensors, horn strobes and manual pull stations will also be installed per NFPA regulations and local code.

The systems will be linked to a Central Monitoring Station service provider via one dedicated dial out line and a cellular back up connection. A personnel notification list with authorization codes and passwords will be established with the service provider and maintained and updated by Scientific Games' corporate security. A communication test will be conducted monthly and equipment will be tested at least once a year as part of the Security Directors' site audit. System status and event reports will be sent monthly to Scientific Games' corporate security for review and follow up as needed.



A formal response plan for intrusion, fire and other workplace disruptions will be established for business and after hour incidents using key CSP site staff members and may include a retainer agreement with a private security company that can be called on for quick response and a sustained physical security presence in the event it is required.

These systems perform as follows:

- Provide an occupied, unoccupied and zoned alarm system
- Detection and notification of egress through perimeter doors
- Detection and notification of sound and shock conditions that indicate broken perimeter glass
- Detection and notification of occupancy or activity/motion in the facility after set closing times
- Detection and notification of authorized system arming and disarming
- Detection and notification of unusual opening or closing times
- Detection and notification of system faults, power faults, communications faults and system tamper alarms

Emergency exit only perimeter alarms activated at the facility will also cause strobes to alert personnel throughout the facility (both visibly and audibly).

All fire and burglar alarm signals are transmitted to a UL-approved CMS. Signals are sent via a dedicated analog telephone line and a back-up cellular line which will automatically become the default line used to transmit signals should local telephone service be disrupted.

Shock/frequency initiated glass break sensors are installed on all perimeter glass and any interior glass that is part of a physical barrier into a controlled area. All perimeter doors and overhead doors are alarmed via door contacts. The site space and all interior areas of approach are covered by infrared and or microwave motion detectors appropriately installed so that they are not blocked or nullified by common warehouse storage activities and materials.

*Digital Access Control System* – Scientific Games will install an IMPRO IXP version series, digital access control system at our Arkansas warehouse. System components used in the install and later service needs will be contracted through a local certified dealer. Proximity card/key FOB capable readers will be used to ingress/egress perimeter doors, holding areas, critical data and communication rooms.

The system will have it's own UPS capable of providing 12 hours of continued function before needing to be placed on the sites back up generator power.

No Request to Exit (REX) devices will be installed at critical perimeter points so that inadvertent motion does not result in a site breach. Only controlled release devices or valid card reads will be used to egress perimeter doors.

24/7 communication with and monitoring of the access system from Scientific Games' security headquarters in Alpharetta shall be established via dedicated line, with appropriate bandwidth, dial up connection and RS 232/ RS 485 data conversion devices.

*Digital Surveillance System* – Scientific Games will install high resolution color cameras equipped with 4mm to 8mm lenses, 1 one terabyte IP addressable DVR with 90+ day video storage capability, to cover key CSP site activities, restricted areas, all perimeter entry ways to include roll up doors and key interior and exterior areas of approach. Exterior cameras will be properly housed and equipped with heater/blower units as needed to maintain normal operation during expected temperature extremes in the area. The surveillance system will be set up for optimum live stream viewing and allocated frames per second recording rates and or activation based on motion detection, event or predetermined schedule.

Scientific Games will install and configure the system to allow for surveillance of the CSP site by the ALC and by security workstations in Alpharetta, Georgia via LAN/WAN and password protected connection. Scientific Games will provide the ALC with customized viewing software for distortion free and digitally enhanced playback capabilities. Should ALC require other than LAN/WAN connection, Scientific Games will install the appropriate RS232/RS485 data conversion devices on all alternate line ends.

## **FIRE PREVENTION AND DETECTION, AND FLOOD DETECTION**

### ***Burglar and Fire Alarm Systems***

Supervised, monitored burglar and fire alarm systems will be provided for the protection of the physical site(s). All systems will meet/exceed state and local fire safety regulations. The alarm systems (or their equivalent) are as follows:

- Fire control panels
- Dual-technology motion sensors
- Glass break detectors
- Armored and concealed magnetic door contacts

These systems perform as follows:

- Detection and notification of system faults, power faults, communications faults, smoke, heat, fire suppression system flow and ground water alarms, system tamper alarms
- Appropriate water detection and temperature sensors are installed to monitor environmental threats against critical system servers
- Appropriate smoke and heat detection sensors, horn/strobe alarms and manual pull stations are installed

All Scientific Games' personnel are trained on their life safety responsibilities in accordance with established policy and procedure for the site and its operations.

*Duress Switch(es)* – The duress switches are either stationary, or remote units that can be activated by the user. The duress switch, if activated, will send a signal to both the central monitoring station and the security administrator's office. Locations will be mutually determined by the ALC and Scientific Games.

#### ***Fire Prevention and Detection and Flood Detection***

*General Facility Fire Suppression* – The following are installed or will be modified at the facility as part of our standard fire suppression and protection program:

- Smoke detectors
- Various fire extinguishers
- Alarm to monitor the post indicator valve (PIV)
- An exterior fire/burglar audible alarm
- Fire Control Panels
- Modify/upgrade water suppression system to local code and NFPA regulations

Alpha/numeric keypads will be positioned inside the main lobby and any other ingress/egress points. Based on the authorization of the person working the keypad, various portions or the entire building can be armed. The system will be minimally configured as follows:

- Monitor perimeter and overhead doors with door contacts
- Use sound discriminators to protect all perimeter windows
- Use motion and glass break detectors to protect areas as required throughout the facility
- Utilize an authorized opening and closing schedule

All fire, burglar alarm signals, water bug devices, environmental temperature devices, and all alarm and trouble signals will be transmitted to a UL-approved central monitoring station (CMS). While these signals typically utilize a dedicated and monitored telephone line for transmission, We will also install a back-up cellular system, which will be used to transmit these signals should normal telephone service be disrupted.

The life safety system also informs monitoring personnel of its operating status, if it has been tampered with, or if it has become inoperable for any reason.

***Automatic Fire Extinguishing Systems*** – The warehouse will be protected by the Fire Marshall, and the National Fire Prevention Association requirements.

A water and moisture detection system will also be installed for protection from water hazards, this system is an integral part of our overall facility protection plan. This system will be connected to our central alarm system and will sound an alarm should any moisture be detected in the floor areas.

Smoke and flame detectors continuously monitor all fire suppression systems. These systems will be installed and maintained as specified by applicable National Fire Prevention Association (NFPA) and State Fire Marshal Standards. Fire extinguishers are also distributed throughout the facility.

***Fire Extinguishing System Alarms*** – When triggered, the automatic fire extinguishing system is equipped with alarms that sound locally and at a constantly attended location on or off the premises (such as a central station fire department or other location acceptable to the ALC). If the alarm system becomes inoperable, a visible or audible indicator reports such condition. The system also monitors extinguishing system valves to indicate unauthorized tampering or closing.

All fire detection, protection, and suppression systems will be linked to a remote monitoring facility staffed by trained personnel from a UL-approved CMS. Additionally, all personnel at the facility will be trained as to how to react in accordance with policy and procedures. Additional training is traditionally held in cooperation with the local fire marshal and instructors from Scientific Games.

In the event of an alarm, the central monitoring station will notify the local fire and police department. Alarms activated at the facility will also cause the other alarm systems to alert personnel throughout the facility (both visibly and audibly). The alarm system also constantly informs monitoring personnel of the operating status or if any part of the system has been closed, tampered with, or becomes inoperable for any reason.

All related mission-critical support areas will be separated from other areas using non-combustible material and construction with at least a two-hour fire-resistance rating from floor to upper deck.

**Water Detection System** – Scientific Games will provide a water detection system connected to the primary alarm system. Water detection devices will be placed in the critical areas of the building. Upon activation, an alarm signal is sent to the warehouse manager’s office. These devices are used to detect water in such areas where water can cause critical damage to the systems and inventory.

#### LOCATION/FACILITY SIZE

Our proposed warehouse facility dedicated to the ALC is located at 12120 Colonel Glenn Road, Little Rock, Arkansas 72210, only 10 minutes away from downtown Little Rock and 15 minutes from the Little Rock airport. This facility meets our criteria for accessibility, security and expansion.

Scientific Games’ proposed central warehouse, of approximately 30,000 square feet for our instant ticket warehousing and distribution system, will be divided into office space, and warehouse operations space.

After we make our improvements to the property, this facility will meet or exceed industry standards and comply with all state and local building codes, laws, rules and regulations for facilities of this type. The facility has adequate ceiling height for sufficient minimum clearance to meet state and local code and will be built out to incorporate all the required security measures.

The proposed facility is in a prime location ten minutes from downtown Little Rock and 15 minutes from the Little Rock airport. This is an ideal location to serve as a receiving point for, and subsequent distribution of, instant tickets.

**Figure 3-112** provides a proposal floor plan for the warehouse, with a layout for ticket storage and packaging.

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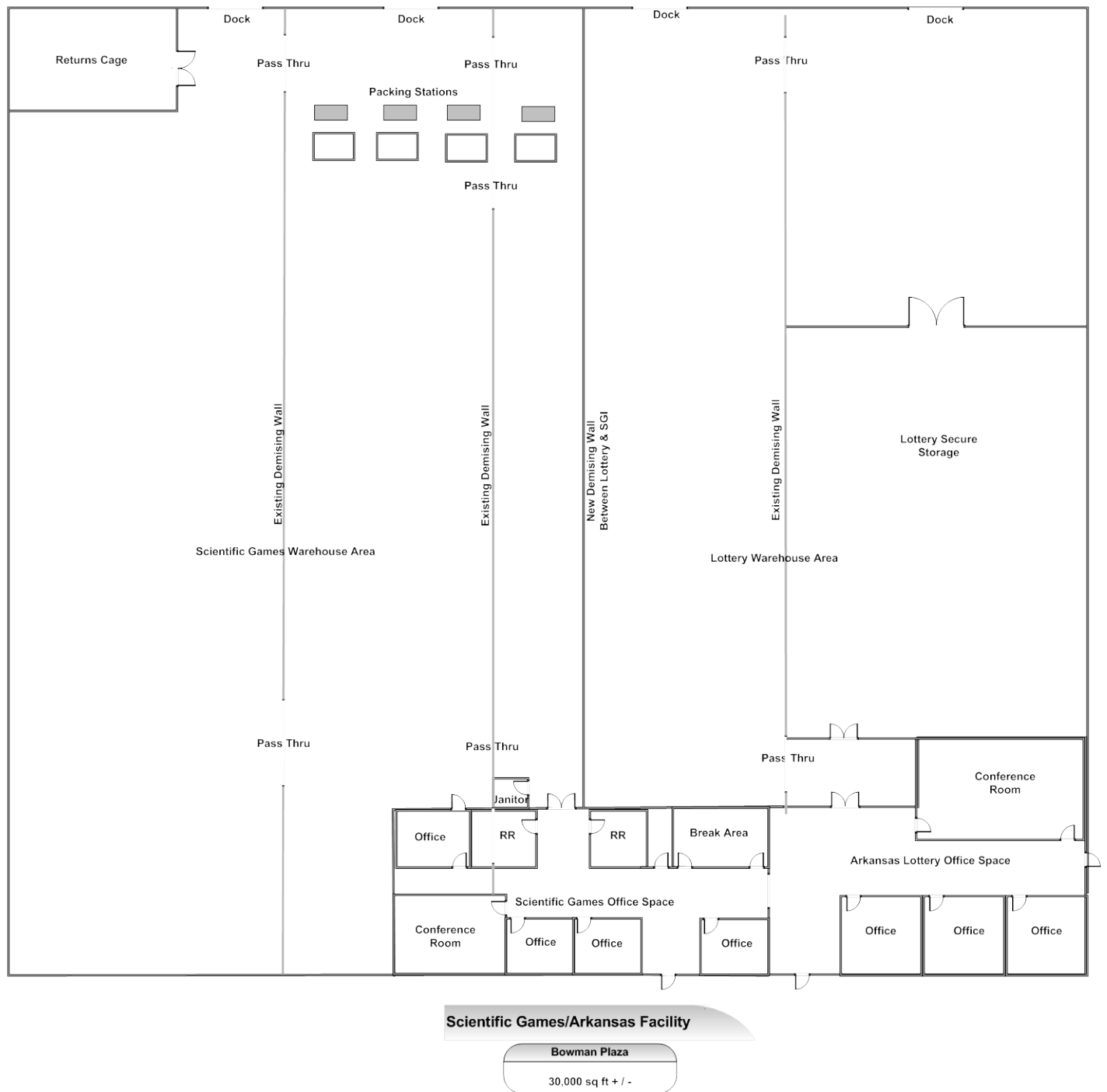


Figure 3-112: Proposed Floor Plan





## PROPOSED WAREHOUSE FLOOR PLAN

For most of our contracts where we house and distribute lottery tickets, and in keeping with an efficient economy of scale, we have decided to centralize all related functions.

The final design of the facility, including the security specifications, will be submitted to the ALC for review and approval upon contract award. We will maintain the site at all times in accordance with the highest industry practices and standards.

### *Warehouse Space*

If selected as the successful vendor, Scientific Games will maintain an inventory control system for ALC point-of-sale material, ticket dispensers, play stations, promotional items, and other similar items that are stored in the ALC portion of the central warehouse facility. We will provide shelving necessary to store these items in an organized manner. Within this section we describe Scientific Games' procedures and controls which ensure adequate supervision and control of regular point-of-sale (POS) and premium items, supplies, and other materials intended for delivery to the required self-storage facilities and stored in the ALC space at the warehouse and that inventory is restricted and checked periodically. Three lockable offices will be provided, with the aggregate space for all three being in the range of 1,500 sq. ft. to 1,800 sq. ft. (roughly 250 sq. ft. to 300 sq. ft. per office, a 600 sq. ft. conference room and normal common areas such as hallways and restrooms).

Scientific Games understands and agrees that reasonable variations from this standard or range will be acceptable but must be explained in detail in the proposal. If selected as the successful vendor, Scientific will provide basic up-fitting for each of the three office areas that is suitable for general office space, one that is appropriate and adequate for a commercial setting with proper heating and air conditioning with reasonable access to restroom facilities. Walls will be finished and carpet or tile flooring will be provided. Phone lines will be provided for each office and basic office furniture will be provided. Office and conference rooms will contain computer network wiring, Internet access and a connection to the central gaming system. Scientific Games understands and will provide three lockable offices with square footage that is in addition to the 13,000 sq.ft. of secured space, and segregated space that is required by the ALC.

Scientific Games' proposed warehouse is not located within a 50-year flood plain. The warehousing space contains a loading bay to receive delivery of tickets from tractor trailer trucks, backup electrical generation capability, fire protection, security, and concrete block or brick masonry walls. The warehouse space also features environmental control systems to allow storage of instant tickets for up to twenty four (24) months with no degradation in instant ticket quality.

Our physical site will comply with all state and local building codes for facilities of this type, including specifications to meet Americans with Disabilities Act (ADA) requirements. Proper permits and inspections will be secured by Scientific Games.

Entrance(s) to our facility will be secure and limited to Scientific Games' and ALC personnel as authorized by the ALC. Locking devices will be installed on all doors or entry points, including doors providing access to receiving and loading platforms. Emergency exit doors will be equipped with alarms. Burglar and fire alarms will also be provided. Scientific Games will be responsible for the alarm system, door access, fire alarm, maintenance and storage of such equipment. A card access system will be installed at entrances to the communications room and other secure areas as designated by the ALC. All security systems will be approved in advance by the ALC and controlled by the Lottery security unit. Our facility will be equipped with video cameras at locations mutually agreed upon by Scientific Games and the ALC. A secure room will be furnished to the ALC which will include equipment and a security monitoring system. The proposed VCR(s), or other comparable system, is capable of recording all activity captured by video cameras in the facility. Our proposed warehouse facility will be climate controlled to avoid extreme temperature and humidity levels in the storage of instant tickets.

Scientific Games will store and distribute instant game tickets as well as game-specific point-of-sale materials such as oversized tickets and void samples. Our facilities, organization and procedures ensure the security and integrity of your games. Our procedures and controls are in place and are field proven around the world to ensure the confidentiality and integrity of game information.

#### **TRANSPORTATION METHOD/CARRIERS**

The Scientific Games warehouse employs strict ISO procedure guidelines for receiving instant games from our printing operations in Alpharetta, or a secondary contractor. Scientific Games will contract with a transportation company capable of providing licensed, bonded, and insured drivers to transport the tickets in sealed, exclusive-use trailers. Making sure that tickets arrive safely, securely and in a timely manner is very important to the image of the Arkansas Lottery and Scientific Games.

The tickets from Alpharetta will be shipped via courier, on trailers that are inspected by Scientific Games security personnel in Alpharetta, Georgia. The trailers are inspected for defects or unsafe conditions prior to the shipment being loaded. The shipment is placed on the trailer, along with supporting paperwork, inventory DVD, and manifest. The trailer is sealed and transported non-stop to the Arkansas facility of Scientific Games.

Upon arrival at the warehouse, the trailer is inspected by the Warehouse Manager. The seal is noted to be intact, and the manifest notated. Any discrepancies in the paperwork are noted and the Alpharetta plant security and distribution personnel notified. This process will also apply to any secondary contractors. We will work with the secondary contractors to establish or incorporate their existing procedures into this process. The seal is broken by the warehouse staff, then the shipment is off-loaded, staging the shipment until it is verified against the paperwork. If the shipment includes agents samples, these are taken to a separate point from the regular shipment. Once the shipment has been verified including number of pallets, and checked for damage, the driver is permitted to leave.

The shipment including game and pallet count, courier and date is entered into a “receiving log” by the person receiving the shipment. The shipment is entered into the inventory books in the warehouse and the shipment is put into the bays awaiting the “loading” process.

The Bill of Lading is retained and filed by the warehouse manager.

Shipments other than tickets are handled much the same way, with the contents being verified by a warehouse clerk, notated on the Bill of Lading, and entered into the receiving log.

## 3.6 TICKET INVENTORY CONTROL AND MANAGEMENT

**RFP Requirement:** *The Proposal must provide a plan to ensure that an adequate supply of tickets is always available for distribution. Status reports must be routinely given to the ALC.*

As per ALC-090001, Online Lottery Game Services and Lottery Gaming System and Services, Section 3.3 Telemarketing and Ticket Ordering and Inventory Control System, Scientific Games understands that all instant ticket management systems and computer equipment (hardware, software, and communications) required to conduct the pick and pack and ticket return activities for instant ticket games in the proposed Little Rock warehouse will be provided and installed by the successful online system vendor.

As a separately priced option, Scientific Games can implement for the proposed Little Rock warehouse facility the state-of-the-art SciTrak™ warehousing and distribution software system that is currently in use with such lotteries jurisdictions as Florida and Pennsylvania. Our SciTrak system can interface with any online system vendor’s equipment and will be able to provide effective instant ticket game reporting and control functions to enable the most secure and efficient warehouse and distribution process for the Arkansas Lottery. We have provided separate pricing for the SciTrak instant ticket game warehouse and distribution management system in our

optional product and services pricing section utilizing the Official Price Proposal Sheet. With the selection of the SciTrak instant ticket management system, there would be an adjustment to the originally submitted Scientific Games project implementation schedule to reflect this additional implementation.

Scientific Games will work closely with the Arkansas Lottery to ensure that adequate supplies of tickets are always available. Scientific Games monitors ticket inventory quantities and ticket movement in order that potential stock-out or oversupply conditions can be quickly identified and managed.

Below, Scientific Games describes our proposed inventory control and management systems.

## REPORTS

In order that the ALC is able to effectively manage ticket supply, Scientific Games will provide regular reports and briefings including, but not limited to, the following:

- A daily inventory report, indicating the total number of tickets on hand and the number of tickets available for sale for each active instant ticket game.
- A weekly report, indicating the projected dates on which the current supply of tickets for all current instant ticket games will be exhausted.
- A daily report on shipments to retailers to determine whether orders were fulfilled within two business day and to determine the number of returned shipments and the reason(s) associated with the return. This report is to reconcile receipt of inventory with retailer orders placed from the online vendor's system.

## INVENTORY REPORTING

Scientific Games will work with the ALC to ensure adequate supplies of tickets are always available. We will monitor ticket inventory quantities and will utilize the online vendor's system to generate the reports required by the ALC.

Scientific Games is positioned to control inventory more accurately because we will also advise on the instant game marketing and game plans through our senior regional director, Toben Molica. This collaboration with the ALC and our operations staff in Arkansas allows for close coordination with the warehouse and distribution operation to more accurately predict game quantities based on research and more flexibility to re-order games before a stock-out occurs.

**Figure 3-113** is an example of a monthly status report which we provide and **Figure 3-114** represents a sample of an internal shipping report.

<b>June Monthly Shipping Information</b>				
<b>Date</b>	<b>Weight</b>	<b>Packages</b>	<b>Packs</b>	<b>Packs/pkg</b>
6/1/2008	9,926	569	4,689	8.24
6/2/2008	3,336	573	4,444	7.76
6/3/2008	3,052	503	4,055	8.06
6/4/2008	2,837	507	3,545	6.99
6/5/2008	225	36	327	9.08
6/6/2008				
6/7/2008				
6/8/2008	3,370	551	4,401	7.99
6/9/2008	3,252	561	4,356	7.76
6/10/2008	3,307	516	4,256	8.25
6/11/2008	2,677	489	3,265	6.68
6/12/2008	132	26	149	5.73
6/13/2008				
6/14/2008				
6/15/2008	3,314	559	4,461	7.98
6/16/2008	3,093	573	3,985	6.95
6/17/2008	3,217	522	4,276	8.19
6/18/2008	2,797	517	3,478	6.73
6/19/2008	165	35	226	6.46
6/20/2008				
6/21/2008				
6/22/2008	3,790	610	5,174	8.48
6/23/2008	3,518	568	4,666	8.21
6/24/2008	3,599	556	4,930	8.87
6/25/2008	2,880	513	3,703	7.22
6/26/2008	78	18	115	6.39
6/27/2008				
6/28/2008				
6/29/2008	3,548	672	5,149	7.66
6/30/2008	3,556	749	5,196	6.94
<b>Daily Totals</b>	<b>65,669</b>	<b>10,223</b>	<b>78,846</b>	<b>7.71</b>
<b>New Game Shipped</b>	<b>May</b>	<b>1,763</b>	<b>5,919</b>	<b>3.36</b>
<b>Monthly Totals</b>		<b>11,986</b>	<b>84,765</b>	<b>7.07</b>

<b>New Game Packed</b>	<b>June</b>	<b>1,755</b>	<b>7,021</b>	<b>4.00</b>
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June New Game Packed will not ship until July and is not included in the monthly shipping totals

Figure 3-113: Monthly Shipping Information

SECTION 3: Instant Ticket Operations

Game #	Name	In Transit	Received	Total	Active Books	Ratio Safe Stock/Active	Beg Inv 6/21	Shipped	Ending Inventory	Weeks Left	6/27/2009
602	Cash Zone	11	398	409	940	43.51%	1,372	105	1,267	12.1	
623	"21"	19	469	488	1,622	30.09%	1,979	216	1,763	8.2	
624	Lucky Symbols	7	336	343	690	49.71%	1,169	106	1,063	10.0	
628	Money Jar	26	711	737	1,095	67.31%	3,962	254	3,708	14.6	
639	Wild Dollar Doubler	18	732	750	1,032	72.67%	4,038	267	3,771	14.1	
663	Jackpot							-	5,019		Start 7/6
625	Lucky Bucks	11	768	779	1,137	68.51%	3,665	175	3,490	19.9	Stop 6/26
626	2Xthe Money	53	1,254	1,307	1,787	73.14%	6,566	498	6,068	12.2	
629	Flying Aces	23	873	896	1,513	59.22%	3,865	254	3,611	14.2	
634	Red Hot 7's	42	1,054	1,096	2,117	51.77%	15,936	552	15,384	27.9	
637	Beat the Dealer	9	1,043	1,052	1,813	58.03%	5,755	210	5,545	26.4	
660	Bingo	98	2,474	2,572	4,387	58.63%	44,541	1,271	43,270	34.0	
661	Crossword	151	3,167	3,318	3,906	84.95%	46,314	2,240	44,074	19.7	
664	Super Jackpot							-	8,388	#DIV/0!	Start 7/6
594	Doubling Star Crossword	53	1,475	1,528	2,280	67.02%	2,867	797	2,070	2.6	
618	High Roller	45	1,012	1,057	1,316	80.32%	5,697	243	5,454	22.4	Stop 6/26
627	Funky 5's	37	1,188	1,225	1,906	64.27%	1,793	646	1,147	1.8	
632	Dazzlin' Diamond 7's	72	1,448	1,520	2,431	62.53%	7,085	930	6,155	6.6	
647	Crossword Clues	74	1,837	1,911	2,538	75.30%	52,913	1,217	51,696	42.5	
651	Trump Card	40	1,399	1,439	2,279	63.14%	12,516	618	11,898	19.3	
673	Black Out Bingo (v2)	48	2,451	2,499	2,486	100.52%	22,682	691	21,991	31.8	
665	Jumbo Jackpot							-	18,867	#DIV/0!	Start 7/6
592	Super 7's	34	1,538	1,572	1,590	98.87%	3,954	696	3,258	4.7	Stop 7/24
619	Vegas V'ip	33	1,352	1,385	1,448	95.65%	21,986	543	21,443	39.5	
638	\$100 Million Cash Spectacular	356	6,123	6,479	7,850	82.54%	403,092	5,190	397,902	76.7	
638	\$100 Million Pulse 2						59,345		54,155	10.4	09/08/09
648	Super Cash Crossword	46	1,756	1,802	1,827	98.63%	19,745	857	18,888	22.0	
636	Wild 10's							-	50,354		For 592
	Total By Books	1,306	34,858	36,164	49,990	72.34%	752,837	18,576	761,345	41.0	
	Total By Value			\$10,849,200	\$14,997,000		225,851,100	2372,800	418,403,500	.0	
	12 weeks or less										

Figure 3-114: Internal Shipping Report

## 3.7 DISTRIBUTION OF TICKETS FROM OTHER VENDORS

**RFP Requirement:** *The Successful Vendor may be required, up to seven (7) times a year, to package, warehouse, and distribute up to seven (7) instant ticket games per year purchased by the ALC from other Vendors, which will include as part of their bid price up to three (3) licensed properties of the ALC choice each year of the contract. If the ALC does not elect to use any or all of the licensed properties in any given year of the contract, usage will not roll over to subsequent years. These tickets will be distributed along with the Successful Vendor's tickets, and the Successful Vendor will not be reimbursed for warehousing and distributing these tickets, nor will they be paid a percentage of sales, when the tickets are sold.*

Scientific Games agrees that, up to seven times a year, we may be required to package, warehouse and distribute up to seven instant ticket games per year purchased by the ALC from other vendors, which will include as part of our bid price up to three licensed properties of the ALC's choice each year of the contract. These tickets would be distributed along with Scientific Games tickets.

Scientific Games understands that if the ALC does not elect to use any or all of the licensed properties in any given year, usage will not roll over to subsequent years. We acknowledge that these tickets will be distributed along with the successful vendor's tickets and Scientific Games understands that, if selected as the successful vendor, we will not be reimbursed for warehousing and distributing these tickets, nor will we be paid a percentage of sales when the tickets are sold.

Our proposal is based upon the sales performance model that the possible seven games from other vendors will represent no more than five percent of the annual overall instant ticket sales during the first two years of sales. The two years shall be measured starting from the time instant ticket sales begin in October 2009.

After the first two years of sales, our proposal is based upon the sales performance model that the possible seven games from other vendors will represent no more than 15% of the annual overall instant ticket sales.

## 3.8 TICKET ORDER PACKAGING

**RFP Requirement:** *The Successful Vendor will responsible for the filling and packing of ticket orders. The procedures to be used must focus on the need for security, integrity, efficiency, and accuracy.*

*The Successful Vendor may be required to include additional materials, at no additional cost to the ALC, in packages containing tickets to be delivered to Retailers.*

*The Proposal must contain a detailed plan for the packaging of tickets for delivery to retailers. It should address all aspects of the operation including:*

- Staffing and organization;
- Physical layout of packing area;  
The amount of training that would be provided to staff;
- Hours of operation during the week, on week-ends, and during holiday periods;\
- Picking and packing procedures and controls; and
- Packing materials.

As per ALC-090001, Online Lottery Game Services and Lottery Gaming System and Services, Section 3.3 Telemarketing and Ticket Ordering and Inventory Control System, Scientific Games understands that all instant ticket management systems and computer equipment (hardware, software, and communications) required to conduct the pick and pack and ticket return activities for instant ticket games in the proposed Little Rock warehouse will be provided and installed by the successful online system vendor.

As a separately priced option, Scientific Games can implement for the proposed Little Rock warehouse facility the state-of-the-art SciTrak warehousing and distribution software system that is currently in use with such lotteries jurisdictions as Florida and Pennsylvania. Our SciTrak system can interface with any online system vendor's equipment and will be able to provide effective instant ticket game reporting and control functions to enable the most secure and efficient warehouse and distribution process for the Arkansas Lottery. We have provided separate pricing for the SciTrak instant ticket game warehouse and distribution management system in our optional product and services pricing section utilizing the Official Price Proposal Sheet. With the selection of the SciTrak instant ticket management system, there would be an adjustment to the originally submitted Scientific Games project implementation schedule to reflect this additional implementation.

Scientific Games will fill and pack ticket orders for delivery to the ALC's retailers from our facility in Little Rock.

Scientific Games is the industry's most experienced vendor in starting up instant lottery warehousing and distribution operations. We introduced this service to the industry in 1985 for the New York State Lottery. Since then, we have distributed billions of instant tickets to lottery retailers, including our newest start-up customers, the China Sports Lottery in 2007, the Oklahoma Lottery in 2005, and the Tennessee Lottery Corporation in 2004.

Utilizing ISO9001-2000 procedures, Scientific Games' ticket order packaging methodology is designed to fill and pack ticket orders for the ALC with a focus on the highest level of security, efficiency, integrity and accuracy. **Figure 3-115** represents our current ISO certification that will be employed at the Little Rock warehouse.





Figure 3-115: ISO 9001 Certification

## ADDITIONAL MATERIALS

Scientific Games agrees to include additional materials, at no additional cost to the ALC in packages containing tickets to be delivered to retailers.

## PACKAGING

Below, we provide our plan for the packaging of tickets for delivery to retailers. We have addressed each element in the order identified in the RFP.

### PACKAGING OF TICKETS - DELIVERY TO RETAILERS

#### *Staffing and Organization*

Whether operating our own proprietary instant ticket distribution system (as an option) or using another online vendor's system, Scientific Games can exceed all ALC requirements regarding warehousing and distribution. We will accomplish this by hiring qualified and experienced staff led by our proposed Warehouse Manager, Jason Edgmon. Jason is an experienced lottery professional who will transfer from our Phoenix, Arizona CSP operation. Jason has assisted in starting up instant warehouse and distribution operations for our lottery customers in Arizona and New Mexico.

Scientific Games proposes the following staff positions as illustrated in the following table.

#### *Warehouse Staffing Plan*

The organization chart of our proposed warehouse staffing plan, provided in **Section 3.5, page 3-249**, shows the reporting structure for the warehouse operation. The resume of our perspective distribution manager, Jason Edgmon is provided in **Section 3.5, page 3-247** and **Appendix 3**.

As discussed earlier in **Section 3.5, pages 3-244 through 3-249**, we are proposing the following roles, based on our experience warehousing and distributing instant ticket games for our lottery customers.

DEPARTMENT	NUMBER OF EMPLOYEES
General Manager	1
Product Manager	1
Administrative Assistant	1
Warehouse/Security Manager	1
Packing/Returns Clerks	5
<b>TOTAL</b>	<b>9</b>

- 1 General Manager – Responsible for all daily CSP/warehouse activities
- 1 Warehouse/Security Manager – Oversees the entire warehouse and distribution operation
- 1 Product Manager– Analyze and track sales and inventory, help with working papers, and game planning
- 1 Administrative Assistant – Oversees the clerical and human resources functions of the site
- 5 Packing/Returns Clerks – Pick and pack orders, restock and maintain clean work stations, process and store ticket returns and other general warehouse duties

Our proposed distribution manager, Jason Edgmon, will have total responsibility for the day-to-day operation of your warehousing and distribution operation.

Under his supervision will be the warehouse clerks. They will ensure a steady flow of ticket inventory and supplies for each packaging line.

### *Physical Layout*

**Figure 3-116** illustrates our proposed physical layout of the distribution center. The layout provides a logical flow of stock from racking to packaging and finally to shipping stations. The space is expandable and can be reconfigured if deemed necessary.

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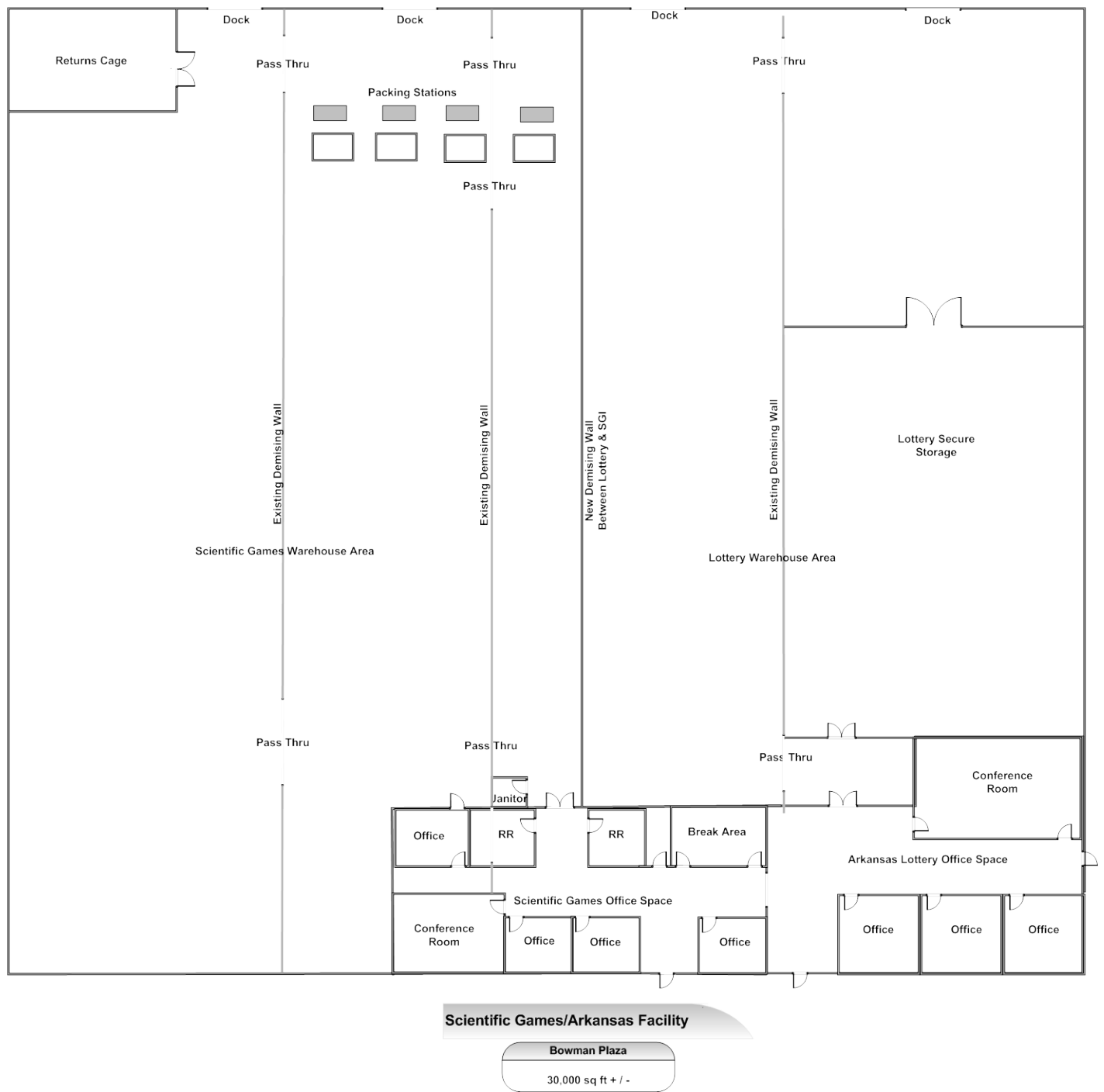


Figure 3-116: Physical Layout of the Packaging Area



### ***Staff Training***

Scientific Games' team of start-up professionals will be on-site to perform training for our new staff. All employees will be trained in how to implement our ISO-certified procedures. Internal audits are performed every six months to ensure that these ISO-certified procedures are being followed.

Scientific Games' warehouse personnel are trained in proper shipping procedures. They reconcile system-generated invoices with the packs being shipped and are familiar with procedures for handling short orders, etc. Our warehouse clerks process courier shipping documentation and stage shipments at the warehouse where they load hampers and skids for pick-up by the courier. Forklift operators in the warehouse are trained to safely operate the equipment and must be certified before they can use the forklift in the building. This certification is OSHA-approved. In addition to the specific job training warehouse employees will receive, they must first complete Scientific Games' new employee orientation. These orientation sessions describe the security procedures in place at the facility and present company and ALC policies that each Scientific Games' employee must follow. A new employee orientation form must be completed by each employee, signed by the employee and the Scientific Games' general manager. These forms are included in each employee's personnel file.

Each Scientific Games' employee in our warehousing and distribution operation will be trained in all aspects of the operation including, but not limited to:

- Warehousing
- Inventory control
- Security Policy and Procedures
- Order picking
- Order packaging and assembly
- Staging packages for shipments
- Receiving and processing returned tickets from retailers or couriers
- General Distribution practices
- Fork Lift Truck training and certification
- Safety in the workplace
- Sales and marketing
- Code of conduct

- Retailer relations
- ALC policies and procedures

All warehouse personnel, including supervisory personnel, will be instructed in the proper procedure for receiving instant ticket shipments at the ALC warehouse and processing POS and ticket stock into warehouse inventory.

Warehouse receiving procedures include, but are not limited to:

- Manifest and shipment verification
- Shipment inventory procedures
- Shipment staging and racking
- Out of balance shipment notification procedures
- ALC-receiving specific procedures

Warehouse clerks and supervisory personnel will also be thoroughly trained in all receiving reporting procedures, forms and documentation as well as their distribution to appropriate Scientific Games' supervisory and ALC personnel.

Scientific Games believes that all of our employees should be familiar with all aspects of the overall operation. Employees within different departments will receive extensive on-the-job training, mentored by Scientific Games' start-up professionals experienced in each topic. This training will be provided to all employees as part of "new hire orientation." Training sessions will be conducted by Scientific Games' professionals from various disciplines within the company. Ongoing training will involve refresher training sessions as needed by department, or as needed due to system, operational or procedural enhancements or changes. All employees will participate in the initial training within one week of hire. Refresher training is conducted as needed or determined by employee performance review.

The ISO quality system procedures Scientific Games implemented for our Florida Lottery warehousing and distribution operation is available for your review. These procedures will also serve as the outline for all training of our warehouse and distribution personnel at our Arkansas operation.



### *Hours of Operation*

Scientific Games believes in “working until the job is done” and our experience in start-up operations of warehousing and distribution indicates that the first few weeks of ticket sales result in long hours at the warehouse to meet the start-up demands for instant tickets.

When things settle down, we will establish our hours of warehouse operations to begin at or shortly after retailers begin placing orders at 7 a.m. until all orders placed that day are filled. We anticipate this to normally be about 6 p.m. However, as the most experienced provider of lottery warehousing and distribution services in the industry, Scientific Games knows we must continue to follow our “work until the job is done” philosophy.

Regarding weekends, with the exception of new game allocations, we do not foresee this as being necessary unless otherwise specified by the ALC. However, our staff will work as necessary on nights, weekends and holidays to accommodate new game orders and heavy regular day volume on an “as needed” basis throughout the life of the contract. Hours of operation for Scientific Games are adjustable at the discretion of the ALC.

Our distribution center is prepared to take delivery from Lottery suppliers within the 7 a.m. to 6 p.m. Monday-Friday time frame when personnel are normally scheduled to work. We will also make any arrangements necessary to accept delivery outside of those hours because Scientific Games realizes that delivery schedules can often change due to weather or other unforeseen circumstances. This was the case recently in one of our sites when a delivery truck coming from Canada broke down on the Friday before a holiday weekend. Our employees stayed until the truck arrived so that the driver could start his long trip home instead of waiting until Tuesday to make the delivery. The Lottery informed us that the supplier would compensate us for the overtime but we just saw it as “working until the job is done.”

**Holiday Schedule** – Scientific Games recognizes nine holidays during the year. We try to take our holidays at CSP locations at times when the Lottery is also closed or when it has the least amount of disruption for the retailer network. In addition, Scientific Games will also take corporate observed holidays or days when our courier is not delivering and/or receiving packages. The schedule below is an example of a typical CSP schedule for the 12-month period beginning January 1, 2010. Our Arkansas CSP holiday schedule would be submitted to the ALC for approval before being finalized.

HOLIDAY	OBSERVED/OPEN LOTTERY	OBSERVED/OPEN SCIENTIFIC GAMES
New Year's Day	Monday, January 3	Friday, December 29
Martin Luther King Day	Monday, January 18	Open
President's Day	Monday, February 15	Open
Memorial Day	Monday, May 31	Monday, May 31
Independence Day	July 4	July 4
Labor Day	Monday, September 6	Monday, September 6
Veterans' Day	Thursday, November 11	Open
Thanksgiving Day	Thursday, November 25	Thursday, November 25
Day After Thanksgiving	Open	Friday, November 26
Christmas Eve	Friday, December 24	Friday, December 24
Christmas Day	Saturday, December 25	Saturday, December 25
New Year's Eve	Open	Thursday, December 31

Figure 3-117: Holiday Schedule

### ***Picking and Packing Procedures and Controls***

Scientific Games' proposed picking and packing procedures for the ALC warehouse incorporate nearly two decades of experience. To preserve the integrity of our operation and the ALC's instant games we propose to organize and build the warehouse into four distinct areas:

1. Instant ticket inventory storage including racks
2. Instant ticket staging area for pending orders
3. Packing station with carton flow racks for pending orders
4. Courier(s) station for completed, packaged orders waiting for courier pick-up

**Figure 3-112** in **Section 3.5, page 3-259** illustrates the proposed floor plan for the ALC warehouse set up.

**Inventory Storage** – As new instant games arrive in the ALC warehouse they will be stored and located in numerical sequence by game and carton/pallet number into pallet storage locations. This accomplishes two goals:

1. Eases completion of physical inventory on a daily/weekly/monthly basis.
2. Expedites the order packaging process by knowing exact location (row, rack) of a game(s).

*This is particularly helpful when making initial allocations of new games or multiple new game orders.*

**Instant Ticket Staging Area for Pending Orders** – On a daily basis pallets of the game(s) to be distributed are brought into the ticket staging area. There the individual cartons containing the instant game packs are loaded onto each packing station's carton flow rack for the order packers.

**Figure 3-118** shows the flow racks in our South Carolina warehouse.



Figure 3-118: Flow Racks in South Carolina Warehouse

*Courier(s) Station For Completed, Packaged Orders Waiting For Courier Pick-Up* – In the final step before the packages leave our facility, all packages are placed in shipping bins or on pallets and moved to the courier(s) shipping station. Designated courier personnel then scan each individual order into their automated tracking system. The proposed courier delivery process we propose is able to use UPS and/or any other national or local couriers who offer package distribution and tracking capabilities that meet ALC standards. This entire process is monitored by security cameras and supervisor personnel. Scientific Games also plans to speak with local minority couriers for service to designated areas of the state.

Courier activities are also monitored by specifically designated personnel and remotely monitored by security cameras. Courier(s) personnel assigned to Scientific Games will always be accompanied by Scientific Games' and/or ALC security personnel. In addition, any courier(s) employee assigned to Scientific Games will undergo a comprehensive background check. All documentation required for auditing, dispute resolution, and tracking of all packages will be received, completed and maintained by Scientific Games. Our warehouse facility will be secure and specific to the distribution operation. From installing pallet racking to house one billion tickets to our unique set up of the ticket order packaging area, we will meet or exceed the any demand to simultaneously ship multiple games and orders to your 2,500 or more retailers from the first day of operation.



Figure 3-119: Picking and Packing Instant Tickets at the South Carolina Facility

## Packing Material

One factor to consider when evaluating the various methods to deliver tickets is the sheer volume that must be handled by the distribution system and the geographic considerations of a state the size of Arkansas. The shipping containers used by Scientific Games are rugged, sealable Tyvek envelopes and corrugated boxes. The 5 mil Tyvek envelopes, with a 1/4" pouch seal on all sides, are custom designed for Scientific Games and used at all of our CSP locations. Our corrugated boxes can accommodate shipments up to 150 pounds and 165 cubic inches. Of course, arrangements with our courier partners can swiftly be made to ship any item over these limits. Once containers are sealed at our warehouse, any attempts to open them will be obvious to the retailers. Additionally, all ticket packs are shrink-wrapped, adding another layer of security to the shipment. Also, new game order packaging is color coded to alert retailer of the contents.

## 3.9 INSTANT TICKET DISTRIBUTION

**RFP Requirement:** *The Successful Vendor will be responsible for delivering instant tickets to retailers and the ALC's offices. Deliveries must be made as soon as possible, but no later than two (2) business days after the order is placed. Proof of delivery must be obtained. The Successful Vendor must ensure that the distribution is secure, effective, and efficient and presents a positive image of the ALC to Retailers and others. The Proposal should include a complete description of the distribution plan, including staffing training, and procedures. The Successful Vendor shall assume full financial responsibility for picking up any tickets printed by the Successful Vendor that must be picked up as a result of exigent circumstances.*

*In addition to tickets, the Successful Vendor may, in special instances, be required to deliver other ALC materials (such as point of sale material, game supplies, Retailer manuals and newsletters) at no additional charge to the ALC.*

## DELIVERY OF TICKETS

### Delivery Time

Our courier delivery method reliably and securely delivers tickets to most retailer locations within two business days after the order has been received.

Scientific Games will ship all orders that have been processed before 4 p.m. Monday through Friday on the same day the order is placed. In addition, Scientific Games keeps the 4 p.m. – 6 p.m. Monday-Friday time period open to accommodate any last minute emergencies called in by Lottery staff. In summary, most orders placed by 6 p.m. will be delivered the next business day by our partner courier service, UPS or local minority couriers. Scientific Games will deliver to the ALC's district offices within two days of being requested by the ALC.

### Proof of Delivery

Our delivery procedure takes advantage of the technology used by UPS to document confirmation that the retailer accepted delivery of the tickets. The retailer signs for the delivery and UPS drivers

upload their delivery confirmations via hand held device continuously during the day. The confirmation information is available at ups.com.

### **Packages shipped from Little Rock**

#### **Reach all Parts of Arkansas in 2 Business Days, Most Within 1 Day**

Scientific Games has chosen to partner with UPS for a variety of reasons:

- Our delivery procedure takes advantage of the technology used by UPS to document confirmation that the retailer accepted delivery of the tickets. Delivery information is accessible at the warehouse via PC connection with UPS' online shipping and tracking system.
- Because Scientific Games operates numerous lottery instant warehouse and distribution facilities, we participate in UPS programs designed for high volume customers.
- Our software engineers have implemented in other states, in conjunction with UPS logistical engineers, a shipping management system designed specifically for instant ticket distribution needs.
- UPS is the world's largest package delivery company with daily delivery volume of 13.6 million packages and documents to every address in the United States.
- One of the leading global providers of specialized transportation and logistics services.

Scientific Games maintains working agreements with additional courier services who, in event the primary service becomes unavailable, would be able to deliver instant tickets, gaming supplies and POS using the processes outlined in this proposal.

#### **DISTRIBUTION PLAN**

##### ***Staffing***

Based on our start-up experience with warehousing and distributing instant ticket games for our lottery customers, we are proposing the following staff. Their roles are discussed in greater detail in **Section 4.6, pages 4-41 through 4-65.**

DEPARTMENT	NUMBER OF EMPLOYEES
General Manager	1
Product Manager	1
Administrative Assistant	1

DEPARTMENT	NUMBER OF EMPLOYEES
Warehouse/Security Manager	1
Packing/Returns Clerks	5
<b>TOTAL</b>	<b>9</b>

- 1 General Manager – Responsible for all daily CSP/warehouse activities
- 1 Warehouse/Security Manager – Oversees the entire warehouse and distribution operation
- 1 Product Manager– Analyze and track sales and inventory, help with working papers, and game planning
- 1 Administrative Assistant – Oversees the clerical and human resources functions of the site
- 5 Packing/Returns Clerks – Pick and pack orders, restock and maintain clean work stations, process and store ticket returns and other general warehouse duties

### *Training*

Simulating live operations is crucial for a staff that will not have the luxury of making mistakes in real-time. On the first day of operation, we want staff fully prepared to **serve** your retailers, anticipate all potential problems and be prepared to resolve them. Additional resources in the form of temporary personnel, corporate personnel and staff from our other operations will also support this effort.

Scientific Games’ warehouse personnel are trained in proper shipping procedures. They reconcile system-generated invoices with the packs being shipped. Our operations personnel process courier shipping documentation and stage shipments at the warehouse where they load hampers and pallets for pick-up by the courier. Forklift operators in the warehouse are trained to safely operate the equipment and must be certified before they can use the forklift in the building. This certification is OSHA-approved. In addition to the specific job training warehouse employees will receive, they must first complete Scientific Games’ new employee orientation. These orientation sessions describe the security procedures in place at the facility and present company and ALC policies that each Scientific Games’ employee must follow. A new employee orientation form must be completed by each employee and signed by the employee and a Scientific Games’ general manager. These forms are included in each employee’s personnel file.

Experienced management and frontline personnel from our existing Cooperative Service sites will conduct training classes to educate our Arkansas staff about Scientific Games’ processes, Lottery



in general and the specific Arkansas Lottery games that they will be distributing. This training is discussed in greater detail in **Section 3.15, pages 3-297 through 3-303.**

Any policies and procedures that the ALC wants to be included in a training session will be added to their curriculum.

### ***Distribution Procedures***

Our 24 to 48 hour delivery process starts with shipping labels that conform to UPS standards. These shipping labels are automatically generated from the online vendors' system whenever a shipping manifest is created by our warehouse personnel. The label contains:

- The name and address of the Lottery retailer.
- A contact name for the location.
- A space for special instructions such as “deliver before 2 p.m.” or “Front Door Delivery Only.”
- A tracking bar code with the ability to interface with the billing and tracking system of the ticket delivery contractor(s) via an automated interface.
- A bar code can be added, if the ALC desires, that will allow the retailer to confirm delivery of the all the lottery tickets, by pack, directly from the label.

A manifest, including a list of the actual pack numbers for the order is included with each order (the ALC may include as much pack information as they as will automatically be generated from the online vendor system). The manifest is inserted inside the package with the product ensuring that the sensitive pack information is not separated from the actual tickets.

Once all orders for the day have been completed, UPS scans them into their tracking system. UPS uses their Quantum View software to verify that every package is out for delivery the next day.

The label affixed to the outside of the package is scanned by UPS at every point along the movement of the package until the package is delivered. Our delivery procedure also takes advantage of the technology used by UPS to document confirmation that the retailer accepted delivery of the tickets. The retailer signs for the delivery and UPS drivers upload their delivery confirmations via hand held device. The confirmation information is available at [ups.com](http://ups.com).

The recipient uses the pack listing manifest to inspect the delivery for accuracy and then confirms delivery through their online terminal to update the Arkansas Lottery.



Scientific Games is assigned a UPS Preferred Customer Contact to resolve discrepancies or problems. Our contact constantly monitors Quantum View manager on our behalf and alerts us proactively of missorted packages or other possible delays or discrepancies. In the cases of damaged product or lost product a replacement order is sent immediately and Scientific Games will promptly advise the ALC of any needed change in pack status. A UPS security officer will return the product to Scientific Games should the ALC need physical proof of the damaged product.

- *UPS is instructed not to deliver broken packages. If a delivery attempt of a broken package is attempted the retailer should refuse delivery and contact Scientific Games for an emergency order. We will manage emergency orders so that no retailer will have to wait any more than one business day (24 hours) for any material to be distributed from our warehouse.*

### 3.10 RETURNED TICKETS

**RFP Requirement:** *The Successful Vendor will be responsible for the return of undeliverable, unaccepted, and unsold tickets. Full packs of returned tickets from active games should be reissued. The response must include a description of the procedures that will be used to return, document, and store full and partial packs (including damaged tickets) returned from retailers.*

Scientific Games is responsible for the return of undeliverable, unaccepted, or unsold tickets in all of our CSP contracts. Returned tickets, dependant on ALC policy, may arrive at the warehouse and distribution facility either via courier, field representative or possibly the retailers themselves. Scientific Games utilizes secure procedures to preserve game integrity and account for the stock from the moment it is returned until it is sent for final destruction. Our procedures maintain constant status of pack locations for auditing purposes which enables us to locate any given ticket or pack, regardless of the status. Returned full and unopened packs of active games are reissued before any unopened boxes of inventory from that same game(s). Returned partial packs of tickets from active games may not be reissued. These partial packs, along with damaged and/or unsold tickets from ended games, are stored separately from active games until a final game reconciliation is completed.

#### RETURN PROCEDURES

##### *Returned Ticket Package Staging*

Return bags for full or partial packs of tickets will be of the same quality and design (Tyvek) used to deliver tickets for all of our CSP contracts will be provided to the ALC at no charge. Packages

containing returned tickets are logged in upon arrival at our warehouse and staged in a secure area until they are ready to be processed.

### *Return Procedures*

Designated Scientific Games personnel will be responsible for processing all ticket returns using the online vendor's instant ticket system. Scientific Games recommends using a scanner and system software module to perform all return ticket functions to ensure accuracy for this important task.

Assigned Scientific Games personnel will open all return ticket envelope/boxes to verify the number of returned tickets by comparing the physical amount of returned tickets to the enclosed return ticket invoice. Examples of a system generated full and partial return invoices are shown in **Figure 3-120**.

FULL RETURN		PARTIAL RETURN	
01	590-044198 OK	01	642-203384 ~ 125-299 OK
TOTAL TICKETS RETURNED:175		TOTAL TICKETS RETURNED:175	
02	644-407751 055-059 OK	02	644-407751 055-059 OK
TOTAL TICKETS RETURNED:005		TOTAL TICKETS RETURNED:005	
03	597-709315 033-149 OK	03	597-709315 033-149 OK
TOTAL TICKETS RETURNED:117		TOTAL TICKETS RETURNED:117	
04	643-304884 058-149 OK	04	643-304884 058-149 OK
TOTAL TICKETS RETURNED:092		TOTAL TICKETS RETURNED:092	
05	615-507649 103-149 OK	05	615-507649 103-149 OK
TOTAL TICKETS RETURNED:047		TOTAL TICKETS RETURNED:047	
06	620-025075 037-059 OK	06	620-025075 037-059 OK
TOTAL TICKETS RETURNED:023		TOTAL TICKETS RETURNED:023	
07	635-528697 005-059 OK	07	635-528697 005-059 OK
TOTAL TICKETS RETURNED:055		TOTAL TICKETS RETURNED:055	
RETAILER 37228 939-08344326-203113 FRI FEB20 2009 12:28:12		RETAILER 23715 022-41511680-201313 THU MAY14 2009 08:45:42	

Figure 3-120: Sample Full and Partial Return Invoice

Once they verify that the return count for a partial pack return is accurate; the assigned personnel will scan the first and last ticket number of all partial ranges to record them in the inventory control system. The same scanning process is used for full packs of return tickets. Full packs from ended games are secured with the partial returns in a secured area in preparation for end of game

destruction. As mentioned earlier, full packs of active games are returned to active game stock and reissued with a priority over unopened boxes of available stock.

### *Exception Returns (Damaged, Count Discrepancy and Invalid Pack Status)*

Lottery Security will be notified when tickets returned to the Scientific Games warehouse are damaged, the number of tickets returned does not match the quantity and/or pack range on the returned ticket receipt or the tickets are in a status that can not be processed as a return. Exception returns will be stored in a separate area within the secured return ticket area until final disposition is determined by the Lottery.

### DOCUMENTATION AND STORAGE OF ENDED OR DAMAGED TICKETS

Once returned tickets have been processed and recorded in the online vendor's system they are cataloged by game number and processing date and stored in a secured ticket returns area. Scientific Games catalogs tickets by game number and processing date to expedite the game end reconciliation process and to enable us to retrieve tickets quickly in the event of an auditing, security or other Lottery department request. Scientific Games will work closely with the ALC to develop any reports necessary to monitor return ticket activity and inventory control.

Unsold tickets from inactive games remain securely stored separately from active games until game reconciliation performed by the Lottery is completed. After a game has been reconciled and approved for destruction the tickets are destroyed by Scientific Games in accordance to procedures depicted in our response to **Section 3.11, page 3-287 through 3-291**.

Our established and proven procedures have expedited game end/destruction procedures in many jurisdictions and will help the ALC to reconcile ended games in a secure and efficient manner.

## 3.11 INSTANT TICKET DESTRUCTION

**RFP Requirement:** *The Successful Vendor must provide for the secure disposal of unsold, damaged, and/or returned tickets in an environmentally responsible manner. The ALC may also require for secure disposal of other similar materials, such as tickets returned for second chance drawings. This response must include a plan for ticket destruction and a description of all ticket destruction procedures.*

Scientific Games will destroy unsold, returned or unused tickets (after game close and reconciliation) utilizing our internal procedures and processes that have been fully vetted and approved by our existing U.S. lottery customers.

Our procedures ensure that the destruction of tickets and other materials are performed only with the permission of the ALC. The Warehouse Manager at the Arkansas warehouse facility and

designated representatives from the ALC coordinate their efforts to ensure that all materials are properly accounted for prior to the materials being shipped to our facility in Alpharetta for destruction.

Once game end authorization is received from the ALC, Scientific Games personnel conduct a game end audit and submit it to Lottery Auditing for final reconciliation. A designated representative from the Lottery must then authorize the shipment of these materials to our facility in Alpharetta by authorizing approval for their destruction.

Scientific Game's ISO-certified procedures and systems provide full control and audit ability for tickets under our control. Tickets pending return for destruction from the Arkansas warehouse will be securely stored prior to shipment to our Alpharetta facility for destruction. The procedures we describe below are used by all of our current warehousing and distribution customers.

Our ISO-approved procedures are as follows:

- Once a full shipment of returned tickets is amassed, the warehouse manager (or designee) and the ALC auditor (if required) perform a physical inventory of the ticket stock to be destroyed. After the initial audit/inventory is performed a second independent audit is conducted. Once both audits are completed and in agreement the tickets are wrapped in shrink-wrap and staged for pickup. Pallets are labeled with signs that the final audit has completed and the pallets are not to be opened.
- The ALC contacts Alpharetta staff to schedule return transportation of the tickets, request a Bill of Lading and a seal for the truck. Our Alpharetta Security department is also alerted to the scheduled return of the tickets.
- When our Arkansas operation receives the Bill of Lading it is completed and sealed and attached to the shipment to Alpharetta. When the truck arrives at the Arkansas warehouse, all returned tickets are loaded onto the truck under the supervision of the warehouse supervisor (and an ALC security officer if required). A seal is placed on the truck and the Bill of Lading is given to the truck driver. A copy of the Bill of Lading is retained in Arkansas.
- In Alpharetta, upon receiving the returns, the shipping and receiving department notifies the security control center. A security officer is



Figure 3-121: Alpharetta Ticket Destruction Facility

dispatched and verifies that the seal number corresponds with the seal number on the Bill of Lading.

- If the numbers match, the seal is cut and the shipment is unloaded.
- The tickets are securely staged inside the shredding room located in our secured Alpharetta manufacturing facility and physically segregated from all other shredding material pending authorization for destruction.
- A Scientific Games' security officer will ensure that all off-loaded material corresponds with the Bill of Lading. Once we receive the Lottery's authorization, returned tickets are logged-in on an ISO procedure form and shredded.

Personnel in the shredding room are assisted whenever possible by on-duty security personnel. At all times, the shredding operation is under CCTV surveillance and videotaped for ALC review.

The shredder operator must count all bales in the shredding room at the beginning of their shift and record the amount on the Shredding Operations Report. The number of bales the operator produces is also recorded on the report. This form displays who shredded the bale, which shift and the date the bale was produced.

Through the use of these procedures, inventories and reports, a clear audit trail is created to ensure full accountability in every step of the ticket destruction process.

***Shredder Make/Model and Destruction Rate*** – Scientific Games utilizes a Veco RG 62 heavy duty industrial grade rotary grinder and a baler system to destroy your game stock. The grinder was designed for PVC pipe destruction and has been modified to meet our paper and foil substrate destruction needs. The unit is capable of shredding 10,000 lbs/hour.

Waste enters the grinder and is cut into fine chips with a small percentage being pulverized into powder. These chips are automatically drawn into the baler system where waste is compressed into large bales and shipped to contracted mills for recycling.

Scientific Games processes approximately 9,000 tons of secure waste annually, to include customer game close out returns.

***Environmental Policy/Recycling*** – All of our waste bails to include paper and foil substrates are shipped to recycling facilities that have been audited and approved by Scientific Games' Security.

MRC Mississippi River Corporation in Natchez and MS and Boise-Cascade located in Jackson, AL operate in compliance with applicable environmental laws and regulations and with pollution

prevention and waste minimization programs. Their paper products containing our post-consumer fiber meet all federal and state guidelines for recycled content.

***Destruction Certificates*** – Scientific Games’ shred/baler room operations are monitored via a digital CCTV system with footage retained for a period of 90 days. Upon request Scientific Games will provide the ALC with a signed destruction certificate and or footage of destruction activities.

The destruction certificate sent to the customer by Scientific Games will reflect the level of detail found in the original customer provided manifest (Bill of Lading) unless a more detailed inventory is requested.

Typically destruction certificates include game number, skid number, box number and the start and stop time and date of the destruction process. Open partial boxes will be listed as such and intact sealed boxes will be assumed to contain all books listed on the outer box label inventory.

Should the customer choose to detail the manifest down to pack number and or loose ticket number, the necessary amount of inspection and reconciliation man hours will be quoted and extra labor charges may be applied.

***Back Up Document Destruction Service*** – Scientific Games has a back-up destruction services agreement with Peachtree Secure Shredding, Inc located in Atlanta Georgia in the event that our machinery goes down for an unsustainable length of time. The company has a state-of-the-art and highly secure facility with a daily destruction capacity well beyond its current waste streams.

This vendor’s operation has been audited and approved for use by Scientific Games’ Security Department, vetted by our Compliance Department and is regulated by NAID (National Association for Information Destruction). The company holds AAA certification which is given by NAID to members that have met rigorous requirements and uphold stringent document destruction and security standards.

The co-owner is a retired FBI agent and one of the founding members of IPSA, the largest AAA certified document destruction companies in the United States and the second largest American owned document destruction company in the world.

The destruction of tickets and other materials will be performed only with permission of the ALC and under the direct supervision of Lottery personnel (if required). In order to directly supervise this process, ticket destruction will be scheduled as necessary at our Alpharetta facility.



Once the destruction process has taken place and has been verified, a letter confirming this fact will be sent to the appropriate officials of the ALC by a member of Scientific Games' security department also signed by the applicable Lottery staff member who was present at the time of destruction. This letter confirms the Bill of Lading number for the shipment, the material that was destroyed and the date of destruction.



## 3.12 MARKETING SERVICES

**RFP Requirement:** The ALC expects the Successful Vendor to play a significant role in the ALC's marketing program. The Successful Vendor will work closely with the ALC as decisions are being made regarding games and implementation schedules.

The marketing support services associated with the design and implementation of an instant lottery game are to include, but not be limited to, the following items:

- Creative design of instant lottery games;
- Development of each instant game in detail, with accepted game design, prize structure and proposed "HOW TO PLAY" rules; draft proposed regulations for the purpose of defining the rules of the game for defining what constitutes a winning ticket in the game, for defining the security tests that claimed tickets must satisfy in order to be validated as a winner, for defining conditions which will invalidate a ticket;
- Mechanical art work and color separations for each game and specifications of the game ticket layout consistent with security requirements and methods;
- Conducting, coordinating, or providing support services for events associated with an instant games as may be requested by the ALC; and
- All support personnel required by the ALC for management consultation relating to the items above as needed before and during game design, the cost of which must be included in the specified price, since no additional charge will be allowed.

The Proposal should include a marketing plan for the first twenty-four (24) months of the Contract. The plan should address the overall strategy for marketing instant games in Arkansas including:

- Vendor staffing;
- Focus group testing;
- Prize structures/payouts and sequence in which proposed games are recommended;
- Incentives and promotions; and
- Sales data and trend analyses, etc.

The Vendor must conduct, at no charge to the ALC, focus groups involving lottery players, prospective players, non-players, and/or lottery retailers as directed by the ALC. The focus groups shall be scheduled, as directed by the ALC up to two (2) times per calendar year in at least three (3) geographic locations as designated by the ALC. Provided, however, that only one (1) focus group be held in 2009 in three (3) different geographic locations. Each series of focus groups will include at least nine (9) individual groups, three (3) each in three (3) different geographic locations as directed by the ALC. In addition, the ALC will require a minimum of two (2) full-time, on-site staff persons residing in Pulaski County, Arkansas, or a contiguous county, assigned to service this account. These staff individuals must be identified in the Proposal and complete resumes of such individuals must be submitted. The Successful Vendor may be required to rent office space at the ALC's headquarters for these individuals at the ALC's cost. Consideration will be given during the evaluation process to Vendors providing highly qualified personnel and services that add to the value of their Proposal.

The ALC is interested in knowing what service(s) or product(s) Vendors shall offer, over and above those which are specifically required in this RFP. A Vendor should explain why such service(s) or product(s) would benefit the ALC.

Services described in this Section must be included in the proposed ticket price.

Scientific Games' response to **Section 3.12, Marketing Services** is located in a separate volume, titled Marketing Services.

### 3.12.1 ADDITIONAL MARKETING SERVICES

***RFP Requirement:** Research projects may be requested by the ALC as needed or suggested by the Vendor. If done through a subcontractor, the written contract for research projects, the scope of the project, and the cost must be approved, in writing, by the ALC before any work is begun. The ALC shall pay the actual costs for each research project as a pass through cost to the ALC without mark-up. If a research project is to be done with the Contractor's personnel, the scope of the project and the cost must be approved by the ALC in writing, before any work is begun.*

*Retailer identification signage and other promotional items may be purchased by the vendor at a price and in a quantity as approved by the ALC and only at a pass-through cost to the ALC without mark-up.*

Scientific Games understands that research projects may be requested by the ALC as needed or upon our suggestion. If done through a subcontractor, the written contract for research projects, the scope of the project, and the cost will be approved, in writing, by the ALC before any work is begun. Scientific Games understands that the ALC will pay the actual costs for each research project as a pass through cost to the ALC without mark-up. If a research project is to be done with the Contractor's personnel, the scope of the project and the cost will be approved by the ALC in writing, before any work is begun.

Scientific Games further understands that we may purchase any retailer identification signage and other promotional items at a price and in a quantity approved by the ALC and only at a pass-through cost to the ALC without mark-up.

Please refer to the accompanying **Marketing Services Volume** for details regarding the additional marketing services offered by Scientific Games to the ALC.

### 3.13 START-UP PLAN

***RFP Requirement:** The Successful Vendor will have the responsibility for developing and implementing a plan to start-up instant ticket sales, and set up related facilities, arrange for necessary services and obtain the necessary inventory. As part of the Proposal, a Vendor shall include a start-up plan and timeline for the first twenty four (24) months following the execution of the Contract. Each Vendor should include recommendations for the number of games; and quantity of tickets for each game for this time period.*

If selected as the successful vendor, Scientific Games is fully prepared to develop and implement our plan to start-up instant ticket sales, and set-up related facilities, arrange for necessary services and obtain the necessary inventory. As part of our proposal response to Section 3.12 of the RFP, in the accompanying **Marketing Services Volume** we include a start-up plan and timeline for the first 24 months following the execution of the contract. Also, within our plan we include recommendations for the number of games, and the quantity of tickets for each game for this time period. In **Section 4.5, pages 4-25 through 4-43** of our proposal we provide a complete overview of Scientific Games' project implementation plan for the Lottery's start-up project.



### 3.14 INSTANT TICKET DISPENSERS

**RFP Requirement:** A Vendor's Proposal must include a plan to provide sufficient and appropriate dispensers that securely store, display, and dispense the required number of full packs of instant tickets using the best marketing and sales approaches. At least six thousand (6,000) twelve (12) game unit instant ticket dispensers at start-up, or their equivalent, with up to fifteen percent (15%) replacement units or their equivalent provided each year during the Contract term.

Instant tickets are a classic impulse item and visibility at the point of purchase is critical. While a well structured point-of-sale (POS) program consisting of items such as danglers, change mats, wobblers, and cash register toppers is important for product awareness, nothing can replace the impact of actually seeing an exciting mix of instant tickets. The most important point-of-sale item the Lottery will make available to its retailers will be clear acrylic dispensers.

The retail environment is the battleground where consumer goods manufacturers compete for the potential purchasers attention. This is especially true for items with any degree of impulse purchase characteristics. It is essential that the Lottery's products have optimum exposure as they compete for the consumers dollars. The dispenser configuration that Scientific Games will provide under this contract allows for the greatest amount of viewable game facing, while taking up a minimum of valuable retail space. Lottery games are artfully designed, and messages are carefully crafted to provide the consumer with an informed and inspiring purchase experience. However, that game design expertise will be wasted if the consumer is limited to viewing a minimal amount of the ticket face. Optimizing the retail presence of the ALC is critical at Lottery start-up as consumers will be getting their first look at your product.

To provide the ALC with an attractive and secure product display, we are proposing the Schafer Dual Bingo Snap-Together Modular Mini<sup>®</sup> Model #DSTB dispenser. The dimensions of this dispenser are 6.42" height, 8.91" width and 7.38" depth. These units are easy to manage, and place the instant tickets within the customer's prime visibility. The units have dual facings and can be stacked four high thereby displaying up to eight games in each set. Scientific Games will provide a 36,000 dual dispenser which is the equivalent of 6,000, 12 game units.



Figure 3-122: Schafer Dual Snap-Together Modular Mini<sup>®</sup> Model #DSTB Dispenser

Scientific Games will provide the dispensers to the ALC so they can be placed by the ALC field representatives in key/strategic positions at the retailer checkout counter.

Scientific Games agrees to provide up to 15% replacement units each subsequent year.

While a specific dispenser model is included in our proposal, we understand that the unique nature of retailers make it advantageous to have flexibility in dispenser types. For example, some retailers may benefit from counter-top dispensers while others may need a hanging dispenser or in-counter dispensers for security or layout reasons. Because of this needed flexibility, our proposal allows for the lottery to select dispenser types as needed within an equivalent cost of our proposal.

In our marketing plan, we are recommending 24 games be available for order at any time. This translates to an average of 30 facings needed at each retailer location. Of course, this is dependent upon retailer preference and demand, as some locations will display more than others.

On the following page we present a brochure showcasing our proposed dispenser unit.

## Snap-together dispensers



A crystal clear way to display tickets, the Modular Mini Snap-together dispensers are very versatile. They can sit alone on the counter, or can be stacked to create a column of lottery tickets. These dispensers fit almost anywhere and can accommodate many different ticket sizes. Mix and match these dispensers for increased capacity and game versatility.

The Modular Mini's are injection molded for extreme durability!

## Instant Ticket Dispensers



Single 4"



Single 6"



Dual 4"



Dual 6"



Dual Bingo



Security Doors

Security Doors can be added, restricting access to tickets when unattended

### Specs

#### Single 4"

product code # 19-1447

model # SST4

4.23"h x 4.70"w x 7.18"d

Recommended Stacking: 6 Unit

#### Single 6"

product code # 19-0005

model # SST6

5.77"h x 4.70"w x 7.36"d

Recommended Stacking: 4 Unit

#### Dual 4"

product code # 19-0002

model # DST4

4.23"h x 8.91"w x 7.18"d

Recommended Stacking: 6 Unit

#### Dual 6"

product code # 19-0004

model # DST6

5.77"h x 8.91"w x 7.36"d

Recommended Stacking: 4 Unit

#### Dual Bingo

product code # 11-0032

model # DSTB

6.42"h x 8.91"w x 7.38"d

Recommended Stacking: 4 Unit



## 3.15 RETAILER AND EMPLOYEE TRAINING

**RFP Requirement:** *The Proposal should include retailer and ALC employee training on the various aspects of handling the instant game process, as appropriate. Training may be provided in conjunction with an online gaming system vendor.*

*The Vendor must work with the ALC in the development and delivery of programs approved by the ALC for instant ticket game Retailers. The purpose of these events is to provide meaningful program content to Retailers regarding our entire product line, effective ways to enhance sales, Retailers concerns about challenges and compliance with licensure, and security or other play or regulatory matters. Although the Vendor is expected to have a presence and participate in the event, the ALC is primarily responsible for staffing and conducting the programs or activities that make up the substantive aspects of the events. Subject to the ALC's approval of the details necessary to conduct the events, the Vendor is responsible for reserving and paying the cost of event locations, catering services, risers, chairs, tables and table cloths, table skirting, podiums, audio/visual equipment rental, including set-up and breakdown needed to conduct and host a successful event as required herein. Full meals are not required at these events. Instead, a light buffet-style meal or tables set up with heavy hors d'oeuvres and various non-alcoholic beverages and cookies or similar light dessert may be provided. No alcoholic beverages may be purchased, provided or offered by the Vendor at or in association with these events.*

*The Vendor is responsible for providing a turn-key service and shall bear the cost for provision of the services necessary to conduct the event, except the actual program expenses or the expenses of the ALC personnel relating to meals or beverages before or after the time allotted for the event (the beginning and ending time for which Retailers have been invited) and any lodging needed by the ALC personnel. Although the Retailer event will include a half-day of activities, it may be necessary to set up the room(s) the day before the event. The ALC is responsible for inviting attendees and all costs associated with promoting the event. The Retailer events are held every two (2) years in nine (9) different geographic locations across the State.*

### SCIENTIFIC GAMES' TRAINING OBLIGATION

Scientific Games will provide the Arkansas lottery with retailer training content as well as training for ALC employees. Scientific Games' commitment as a company is to educate and excite your employees and retailers to successfully sell lottery products. Knowledgeable employees and retailers will in-turn motivate players to purchase lottery games.

We will work with the ALC to prepare material in the most cohesive manner. Scientific Games training, as has been done in many start-up situations over the past 20 years, may be provided in conjunction with the online gaming system training provided by the online gaming system vendor.

### SCIENTIFIC GAMES TRAINING PHILOSOPHY

At Scientific Games, our Educational Services Team utilize any number of innovative concepts to position our team to offer maximum benefits for the Lottery and your retailers. In addition, we embrace a training philosophy here at Scientific Games that requires each of our learning solutions to go through specific phases. We analyze, design, develop, implement and evaluate every learning solution to ensure that we provide measurable and intrinsic values to the Lottery, to your retailers and ultimately, the players. This training philosophy, commonly referred to as ADDIE (Analysis, Design, Development, Implementation, and Evaluation), is an instructional system design model that allows us to formulate an accurate and all encompassing training curriculum with our partners for all their learners.

At Scientific Games, we do not assume that there is simply one component of training that adds value: rather, we know that values can vary from one business segment to another. We utilize ADDIE for all our learning solutions. This ensures that we have addressed all the business segment concerns, and we have outlined each step and the output as it pertains to retailer training.

We will share this with the online vendor so that it can be incorporated into their training program. Scientific Games will provide input into the plan as well as cooperation with the Lottery to ensure that the overall training plan that is presented by the online vendor is complete.

### *Analyze*

In the analyze phase, the instructional problem is clarified, the goals and objectives are established and the learning environment and learner characteristics are identified. One of the main outputs of the analyze phase is the Training Requirements Document. The goal of the Training Requirements Document is to define all the requirements and responsibilities of all parties involved in training.

Among its primary features, the Training Requirements Document:

- Presents the overall vision for training including objectives and risks
- Defines user classes and characteristics
- Outlines the scope of the learning solution
- Defines all requirements for training including user requirements, customer constraints, and rules
- Provides an overview of the current and proposed technology that learners will utilize
- Identifies all assumptions and dependencies for the learning solution

### *Design*

Scientific Games designs learning solutions by working with lotteries to identify the required components including instructional strategies and media choices. Together, we develop comprehensive training plans, which is the main output of the design stage for domestic and international customers. Customer-specific training plans are drawn up for each jurisdiction we serve. The goal of training plans is to ensure that we have planned appropriately for all training and that the staff is competently prepared to operate all lottery systems, software and equipment that are part of the project.

The training plan is the “guide” that details the variables for every training class. Among its primary features, the training plan:

- Presents proposed training project schedules and deliverables
- Describes the intended audience for each training
- Presents proposed agendas for each segment of training
- Defines the implementation approach to develop and deliver training
- Identifies Scientific Games’ department(s) or resources that are responsible for materials and/or training delivery
- Identifies Lottery personnel who can serve as subject matter experts during training development

Additionally, the training plan serves as a vehicle for the Lottery to approve the training details.

### *Develop*

In the development phase, trainers work with technical writers and courseware developers to develop the materials according to decisions made during the design phase. There are several outputs from this stage including various retailer training materials and student guides to support each learning solution.

### *Implement*

Our learning solutions do not end with analysis, design and development. We also focus on the flawless implementation of the learning solution that covers all aspects of logistical planning.

This includes; Instructor-led learning solution:

- Arranging classrooms correctly
- Identifying necessary supplies and ensuring they are ready
- Verifying that facilitators have been trained

Some of these items may seem small and insignificant; however, when overlooked or handled poorly, these details can affect the entire outcome of your solution. One of the outputs of this stage is the Logistical Plan.



Among its primary features, the Logistical Plan:

- Presents dates and times of classes
- If instructor-led, lists the instructor's name and department
- Defines learning solution being presented
- Identifies attendees
- Lists all equipment and facilities requirements

### ***Evaluate***

The evaluation phase is necessary to obtain feedback from many different aspects of the learning solution. Class participants will complete the evaluation and rate the following areas:

- Instructional style
- Learning environment
- Course content
- Lessons learned

This is called summative evaluation. Summative evaluation consists of tests for criterion-related referenced items and provides opportunities for feedback from the users.

### **SUMMARY OF SCIENTIFIC GAMES' TRAINING PHILOSOPHY**

ADDIE is the Instructional Design Methodology utilized to formulate an accurate and effective training curriculum for our partners. This formal process allows us to partner together, in every step, to provide successful learning solutions based on the Lottery's objectives. This process ensures that effective communication and implementation occur and that no detail is left to chance or interpretation.

### ***Retailer Learning Solutions for the Life of the Contract***

This is what makes our learning solution so unique. While we know that training is an important step in getting your retailers prepared for their new technology and new games, Scientific Games does not approach learning as a one-time event. In fact, our experience tells us that the more often you expose a learner to something, the more effective the learning will be.

***ALC Employee Training*** – The ALC knows that a crucial element contributing to the overall success of the start-up and ongoing operations throughout the life of the contract is the initial training of the ALC staff. Start-ups call for more than just simple how to training sessions. Each



element of the training program that is being proposed (below) ensures that your staff comes away from their training sessions with the skills they need to do their jobs.

Upon contract award, our project manager and training coordinator will meet with ALC personnel to review each of these elements and incorporate comments.

ALC employees will need to become lottery experts for the ALC retailers in a very short time. Scientific Games proposes to use an experienced lottery sales and marketing veteran to conduct “Lottery 101” training sessions to accomplish this critical goal.

Scientific Games will develop and produce all the training materials for the “Lottery 101” training program.

Before training materials and schedules are finalized, they will be submitted to the ALC for your approval.

A staff that is trained on the features, functions, and proper use of the system will feel comfortable in the doing their new job and are better able to answers questions from ALC retailer partners.

*Our Experience* – We have a history of providing proactive training that gives our customers’ staff the knowledge they need, when they need it. **Since our inception in 1973, Scientific Games has trained over a quarter of a million people in every facet of lottery operations, from start-up to instant and online conversion.** We have the skill, competence, and capability to deliver a high-quality training program that eases the implementation effort of the instant ticket warehousing and distribution system.

ALC staff training will incorporate a mix of instructor-led presentations (**Figure 3-123**) and discussions, with interactive hands-on, activities and workshops. Workbooks and documentation will be provided in support of these activities. Described below are sample training classes that can be provided for Lottery 101. A final curriculum for Lottery training will be agreed upon once all the system requirements are finalized.

CLASS	PROPOSED TOPICS/METHODOLOGY	SUGGESTED AUDIENCE
Lottery 101	<p>This course provides your staff with insight into the inner workings of the lottery business world. This program will consist of the following:</p> <ol style="list-style-type: none"> <li>1. History of the lotteries.</li> <li>2. What is an instant ticket and how is it manufactured? (Alpharetta production video)</li> <li>3. How an instant ticket is played and the security levels that are incorporated into the ticket.</li> <li>4. How tickets are validated.</li> <li>5. The first ALC instant games. (This will include play styles, price points, etc.)</li> <li>6. Best practices of selling tickets at the retailers.</li> <li>7. Promotion of instant games and what to do when a ticket is presented for payment.</li> </ol>	All employees

Figure 3-123: Sample Training

### *Other ALC Employee Training*

- **Proposer Supplied Services** – Courses will be developed to cover any unique services that may be included in the ALC contract.
- **System Security Features** – We intend to provide thorough training to your staff for our proposed system. Training is provided by our professional staff who have extensive knowledge of the system, its operation and maintenance.
- **Other Training** – We will develop any other necessary training course required over the term of the contract which covers any relevant aspect of our proposed system and services.

**Ongoing Training** – As changes warrant, Scientific Games will provide ongoing training programs throughout the term of the contract, including extensions.

### *Retailer Training Plan*

Following ALC staff training Scientific Games', we will begin to train the retailers. We do this to ensure that if a retailer contacts the ALC through start-up, an ALC can address all the questions or concerns appropriately.

As stated earlier, Scientific Games understands that our training, as it has been done in many start-up situations, may be provided in conjunction with the online gaming system training provided by

the online gaming system vendor. Scientific Games uses online training sessions, to provide details specific to the instant ticket processes that retailers must learn to become ALC retailers.

### ***Retailer Training Content***

We will work with the ALC to finalize the content of retailer training but some of the suggested topics include:

- How to order tickets
- How tickets are shipped
- How to receive inventory
- How to display inventory
- Game specifics
- Ways to enhance sales

***Training Locations*** – The initial retailer training will be held in conjunction with the online gaming system training provided by the online gaming system vendor.

***Ongoing Training*** – As requested by the ALC, Scientific Games will provide ongoing training programs throughout the term of the contract, including extensions. We understand that these Retailer events will be held every two years in nine different geographic locations throughout the state. Scientific Game's will bear all the costs associated with these events (other than ALC personnel incurred costs). These costs, as outlined, may include: the cost of the event locations, catering services, rental equipment and labor costs associated with set-up and take down of the events.

***Updates*** – Scientific Games will provide periodic updates of all training materials, and provide the ALC with the latest approved version of training materials.

### ***Training Solution Summary***

As you can see by the information provided here, Scientific Games is fully prepared to deploy a well designed, customized training program for your retailers and your staff. The components detailed here combine to provide the ALC and its retailers with the most extensive training, documentation and follow up available in the industry for both the start-up and for the duration of the contract period.

### 3.16 ADDITIONAL REQUIRED OPERATIONAL ITEMS

**RFP Requirement:** *A Vendor must list in this section other significant services, procedures, materials, supplies, programs, policies, equipment, facilities, etc., necessary for the successful daily operational aspects of the proposed products and services, even though there are no specific requirements for those items listed in this RFP. The Successful Vendor is not released from the responsibility of providing all needed items to make the proposed products and services successful.*

---

As discussed and provided in our proposal response to Section 3 and Section 4 of the RFP, Scientific Games will provide significant services, procedures, materials, supplies, programs, policies, equipment, facilities, etc., necessary for the successful daily operational aspects of the proposed products and services, even though there are no specific requirements for those items listed in the RFP.

If selected as the successful vendor, Scientific Games understands that it is not released from the responsibility of providing all needed items to make the proposed products and services successful.

### 3.17 MATERIAL, SUPPLIES AND EQUIPMENT

**RFP Requirement:** *All material, supplies and equipment offered and furnished must be new except as otherwise specified herein.*

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Scientific Games will ensure that all material, supplies and equipment offered and furnished are new or certified new.

In order to meet the most aggressive lottery start-up times, Scientific Games plans to utilize some equipment from a recent Scientific Games' warehouse implementation. This equipment will be inspected and re-furbished to ensure "as new" product specifications and performance in its application.



## SECTION 4: Additional Vendor Requirements

Scientific Games discloses the following:

### 4.0 VENDOR PROFILE

Vendors must disclose the following:

#### 4.0.1 BUSINESS NAME

*RFP Requirement: Business Name;*

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Scientific Games International, Inc. is a wholly-owned subsidiary of Scientific Games Corporation, a publicly traded entity on NASDAQ.

#### 4.0.2 BUSINESS ADDRESS

*RFP Requirement: Business Address;*

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Scientific Games is located at 1500 Bluegrass Lakes Parkway, Alpharetta, Georgia 30004.

#### 4.0.3 ALTERNATE BUSINESS ADDRESS

*RFP Requirement: Alternate Business Address;*

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Scientific Games' parent company, Scientific Games Corporation is located at:

750 Lexington Avenue

New York, NY 10022



#### 4.0.4 PRIMARY CONTACT

*RFP Requirement: Primary Contact Name, Title, Telephone, Fax and E-mail address;*

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The primary contact for correspondence related to Scientific Games' proposal is:

- Mr. James C. Kennedy  
Senior Vice President, Sales and Global Marketing  
Tel.: 770-663-6735  
Fax: 678-624-4115  
Email: [jim.kennedy@scientificgames.com](mailto:jim.kennedy@scientificgames.com)

#### 4.0.5 YEARS IN BUSINESS

*RFP Requirement: How many years this company has been in this type of business;*

---

Through innovation and partnership with customers around the world, Scientific Games has been driving results for lotteries for over 36 years. From the introduction of the first secure instant lottery ticket in 1974 to the debut of the first interactive, full-function self service lottery kiosk, we have consistently been at the forefront of delivering business solutions to help lotteries increase sales and net revenue for good causes.

#### 4.0.6 BUSINESS QUALIFICATION

*RFP Requirement: Proof that the vendor is qualified to do business in this state;*

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On the following page we submit our current certificate to do business in the state of Arkansas.



# STATE OF ARKANSAS



**Charlie Daniels**  
SECRETARY OF STATE

To All to Whom These Presents Shall Come, Greetings:

I, Charlie Daniels, Secretary of State of Arkansas, do hereby certify that the following and hereto attached instrument of writing is a true and perfect copy of

## **Application for Certificate of Authority**

of

## **SCIENTIFIC GAMES INTERNATIONAL, INC.**

filed in this office July 1, 2009 to be a Foreign For Profit Corporation formed under the laws of the State of Delaware.

I further certify that said Foreign For Profit Corporation, having complied with all statutory requirements in the State of Arkansas, is qualified to transact business in this State.

**In Testimony Whereof**, I have hereunto set my hand and affixed my official Seal. Done at my office in the City of Little Rock, this 1st day of July 2009.



Secretary of State





## 4.0.7 VENDOR DISCLOSURE

**RFP Requirement:** A disclosure of the Vendor's name and address and, as applicable, the names and addresses of the following: If the Vendor is a corporation, the officers, directors, and each stockholder of more than a ten percent (10%) interest in the corporation. However, in the case of owners of equity securities of a publicly traded corporation, only the names and addresses of those known to the corporation to own beneficially five percent (5%) or more of the securities need be disclosed; if the Vendor is a trust, the trustee and all persons entitled to receive income or benefits from the trust; if the vendor is an association, the members, officers, and directors; and if the Vendor is a partnership or joint venture, all of the general partners, limited partners, or joint venturers;

Scientific Games Corporation, a publicly traded corporation, is the parent company of Scientific Games International, Inc. a privately held company. **Figure 4-1** represents the officers and directors of Scientific Games.

SCIENTIFIC GAMES' OFFICERS AND DIRECTORS	
Officers	
Joseph R. Wright, Jr. CEO Scientific Games Corporation 750 Lexington Avenue, 25th Floor New York, NY 10022	Michael Chambrello President and Chief Operating Officer Scientific Games Corporation 750 Lexington Avenue, 25th Floor New York, NY 10022
Ira H. Raphaelson VP, General Counsel & Secretary Scientific Games Corporation 750 Lexington Avenue, 25th Floor New York, NY 10022	Steven M. Saferin Senior Vice President Scientific Games International, Inc. 1500 Bluegrass Lakes Parkway Alpharetta, GA 30004
John J. Walsh Senior Vice President, Operations and Marketing Scientific Games International, Inc. 1500 Bluegrass Lakes Parkway Alpharetta, GA 30004	James C. Kennedy Senior Vice President Sales and Global Marketing Scientific Games International, Inc. 1500 Bluegrass Lakes Parkway Alpharetta, GA 30004
Gerard D. Scheinbach Senior Vice President, Finance Scientific Games International, Inc. 1500 Bluegrass Lakes Parkway Alpharetta, GA 30004	Robert C. Becker Treasurer Scientific Games Corporation 750 Lexington Avenue, 25th Floor New York, NY 10022

Figure 4-1: Scientific Games' Officers and Directors

SCIENTIFIC GAMES' OFFICERS AND DIRECTORS	
Jeff Lipkin Vice President, CFO Scientific Games Corporation 750 Lexington Avenue, 25th Floor New York, NY 10022	James R. Metcalfe Vice President, Tax Scientific Games International, Inc. 1500 Bluegrass Lakes Parkway Alpharetta, GA 30004
Steven W. Beason Vice President, Chief Technology Officer Scientific Games International, Inc. 1500 Bluegrass Lakes Parkway Alpharetta, GA 30004	Philip J. Bauer VP, Corporate Counsel & Assistant Secretary Scientific Games International, Inc. 1500 Bluegrass Lakes Parkway Alpharetta, GA 30004
Directors	
Joseph R. Wright, Jr.	Michael Chambrello
Ira H. Raphaelson	

Figure 4-1: Scientific Games' Officers and Directors

The following persons/entities own 5% or more of the outstanding common stock of Scientific Games Corporation (a publicly traded corporation):

**(As of April 1, 2009)**

- MacAndrews & Forbes Holdings Inc. 28.16%  
 35 East 62nd Street  
 New York, NY 10021

Ronald Perelman, a director of Scientific Games Corporation, is the sole shareholder of MacAndrews & Forbes Holdings Inc. When his holdings are included with the holdings of MacAndrews & Forbes Holdings, Inc., he may be deemed to own 28.20% of the outstanding Common Stock of Scientific Games Corporation.

- RS Investment Management Co., LLC 8.72%  
 388 Market Street  
 San Francisco, CA 94111
- Blackrock, Inc. 5.12%  
 40 East 52nd Street  
 New York, NY 10022

## 4.0.8 BUSINESS DISCLOSURE

**RFP Requirement:** A disclosure of all the states and jurisdictions in which the Vendor does business and the nature of the business for each state or jurisdiction;

**Figure 4-2** represents the states and jurisdictions in the U.S in which Scientific Games conducts business and the nature of the business for each.

STATE/JURISDICTION	NATURE OF BUSINESS
Arizona Lottery	Primary vendor for instant games and cooperative services
California Lottery	Primary vendor for instant games
Colorado Lottery	Primary vendor for instant games; online system & terminals
Connecticut Lottery	Secondary vendor for instant games; Primary vendor for online system & terminals
D.C. Lottery	Primary vendor for instant games and cooperative services
Delaware Lottery	Primary vendor for instant games and cooperative services; Primary vendor for online system & terminals
Florida Lottery	Primary vendor for instant games and cooperative services
Georgia Lottery Corporation	Primary vendor for instant games and cooperative services
Idaho Lottery	Primary vendor for instant games
Hoosier (Indiana) Lottery	Primary vendor for instant games; Primary vendor for online system & terminals
Illinois Lottery	Primary vendor for instant games
Iowa State Lottery	Primary vendor for instant games; Primary vendor for online system & terminals
Kansas Lottery	Secondary vendor for instant games
Kentucky Lottery Corporation	Primary vendor for instant games
Louisiana Lottery Corporation	Primary vendor for instant games
Maine State Lottery	Primary vendor for instant games and cooperative services; Primary vendor for online system & terminals
Maryland State Lottery	Secondary vendor for instant games; Primary vendor for online system & terminals
Massachusetts State Lottery	Primary vendor for instant games
Minnesota Lottery	Primary vendor for instant games

Figure 4-2: Current Clients

STATE/JURISDICTION	NATURE OF BUSINESS
Missouri Lottery	Primary vendor for instant games
Montana Lottery	Primary vendor for instant games
Nebraska Lottery	Primary vendor for instant games
New Hampshire Lottery	Primary vendor for instant games; Primary vendor for online system & terminals
New Jersey Lottery	Secondary vendor for instant games
New Mexico Lottery Authority	Primary vendor for instant games
New York State Lottery	Primary vendor for instant games
North Carolina Education Lottery	Subcontract with Gtech for instant game printing
North Dakota Lottery	Primary vendor for online system & terminals
Ohio Lottery	Primary vendor for instant games and cooperative services
Oklahoma Lottery Commission	Primary vendor for instant games and cooperative services; Primary vendor for online system & terminals
Oregon State Lottery	Primary vendor for instant games
Pennsylvania State Lottery	Primary vendor for instant games and cooperative services; Primary vendor for online system & terminals
Rhode Island Lottery	Primary vendor for instant games
South Carolina Education Lottery	Primary vendor for instant games and cooperative services
South Dakota Lottery	Primary vendor for instant games
Tennessee Education Lottery Corporation	Primary vendor for instant games and cooperative services
Texas Lottery	Primary vendor for instant games
Vermont Lottery	Primary vendor for instant games; Primary vendor for online system & terminals
Virginia Lottery	Primary vendor for instant games and cooperative services
Washington State Lottery	Primary vendor for instant games
West Virginia Lottery	Primary vendor for instant games
Wisconsin Lottery	Primary vendor for instant games

Figure 4-2: Current Clients

## 4.0.9 CONTRACTS

**RFP Requirement:** A disclosure of all the states and jurisdictions in which the Vendor has contracts to supply gaming goods or services, including without limitation lottery goods and services, and the nature of the goods or services involved for each state or jurisdiction;

In **Figure 4-3**, we provide Scientific Games' contracts to supply gaming goods and services, including without limitation lottery goods and services and the nature of the goods or services involved for each state or jurisdiction.

STATE/JURISDICTION	NATURE OF BUSINESS
Australia (Golden Casket)	Instant games, instant ticket gaming system
Austria (Osterreichische Lotterien)	Instant games
Azores	Instant games (game by game)
Belgium Ins	tant games
Canada (Atlantic Lottery Corporation)	Instant tickets
Canada (Loto Quebec)	Instant tickets
Canada (Western Canada Lottery Corporation)	Support services agreement
Czech Republic (Gamestar)	Instant games (game by game)
Denmark (Dansk Spil AS)	Instant games
Delaware	Video lottery
Estonia (Fortuuna Lotto)	Primary vendor of instant games (game by game)
Finland (Oy Veikkaus AB)	Instant games (game by game)
France (La Francaise des Jeux)	Instant games
Germany (Land Brandenburg Lotto)	Primary vendor of instant games
Germany (NordwestLotto Schleswig-Holstein)	Primary vendor of instant games
Germany (Sächsische Lotto GmbH)	Primary vendor of instant games
Germany (Staatliche Toto-Lotto GmbH Baden-Württemberg)	Primary vendor of instant games (game by game)
Germany (Staatliche Lotterieverwaltung München)	Primary vendor of instant games (game by game)
Germany (Deutsche Klassenlotterie Berlin)	Primary vendor of instant games (game by game)
Germany (Westdeutsche Lotterie GmbH & Co. OHG)	Primary vendor of instant games (game by game)

Figure 4-3: Current Contracts

STATE/JURISDICTION	NATURE OF BUSINESS
Germany (Lotterie-Treuhandgesellschaft mbH Hessen)	Primary Cooperative services vendor; marketing services, instant game design and production, telemarketing, logistics, distribution, field sales
Germany (Toto-Lotto Niedersachsen GmbH)	Primary Cooperative services vendor; marketing services, instant game design and production, telemarketing, logistics, distribution, field sales
Germany (LOTTO Rheinland-Pfalz GmbH)	Primary Cooperative services vendor; marketing services, instant game design and production, telemarketing, logistics, distribution, field sales
Germany (Lotto-Toto GmbH Sachsen-Anhalt)	Primary Cooperative services vendor; marketing services and instant game design and production
Hoosier Lottery (Indiana)	Pull-tab tickets
Hungary (Szerencsajáték RT)	Instant games (game by game)
Iceland (Happdraetti Haskola Islands)	Primary vendor of instant games; Online system and terminals; Video lottery maintenance
Ireland (Rehab Lotteries)	Primary vendor of instant games (game by game)
Independent Gaming Corporation Ltd.	Video
Italy (Consortio)	Instant games
Italy (Sisal)	Online terminals
Kentucky Pul	I-tab tickets
Luxembourg (Loterie Nationale)	Primary vendor of instant games (game by game)
Macedonia (Lotarija NA Makedonija)	Instant games (game by game)
Mexico (Televisa)	Instant games
Netherlands (De Lotto)	Primary Vendor of instant games
New Mexico	Video
Nicaragua	Instant games
Norway (Norsk Tipping)	Instant games; Online software maintenance
Norway (Ringen Forlag AS)	Instant games
Ontario Lottery and Gaming Corporation	Online system
Philippines	Online system and terminals
Poland (Totalizator Sportowy)	Instant games (game by game)
Portugal (SCML)	Primary vendor of instant games

Figure 4-3: Current Contracts

STATE/JURISDICTION	NATURE OF BUSINESS
Shanghai	Keno terminals and software license
Société des Loteries Vidéo du Québec, Inc.	Video
South Africa	Supply agreement
South Dakota	Video
Slovakia (TIPOS)	Primary vendor of instant games
Slovenia (Sportna Loterija D.D)	Instant games (game by game)
Spain (Loto Catalunya)	Instant games; Online system and terminals
Sweden	Global Operations & Lottery Distribution System
Switzerland (Swisslos)	Primary vendor of instant games (game by game); Online system software development and maintenance
Switzerland (Loterie Romande)	Instant games (game by game)
Ukraine	Primary vendor of instant games, marketing services, telemarketing, logistics, distribution
United Kingdom (Camelot)	Instant games
West Virginia	Video

Figure 4-3: Current Contracts

#### 4.0.10 GAMING LICENSES

**RFP Requirement:** A disclosure of all the states and jurisdictions in which the Vendor has applied for, has sought renewal of, has received, has been denied, has pending, or has had revoked a lottery or gaming license of any kind or had fines or penalties assessed to the Vendor's license, contract, or operation and the disposition of each instance in each state or jurisdiction. If any lottery or gaming license or contract has been revoked or has not been renewed or any lottery or gaming license or application has been either denied or is pending and has remained pending for more than six (6) months, all of the facts and circumstances underlying the failure to receive a license shall be disclosed;

In **Figure 4-4**, Scientific Games discloses all the states and jurisdictions in which we have applied for, have sought renewal of, have received and have pending a lottery or gaming license. Scientific Games has not been denied or had revoked a lottery or gaming license of any kind or had fines or penalties assessed to a Scientific Games' license, contract, or operation. Again, Scientific Games has not had any lottery or gaming license or contract revoked, un-renewed or denied. We list below licenses or applications that have been pending for more than six months, and circumstances underlying the application.

LICENSES AND BUSINESS ACTIVITIES				
CORPORATION	NAME & ADDRESS OF LICENSING AGENCY	TYPE OF LICENSE OR REGISTRATION	DATE OF CURRENT APPLICATION	DISPOSITION (GRANTED, DENIED, CANCELLED, WITHDRAWN)
Scientific Games International, Inc.	Ontario Provincial Police Investigation & Enforcement Commission of Ontario 90 Sheppard Avenue East Toronto, ON M2N0A4	Lottery Equipment Supplier	Filed 11/25/08	Pending - waiting for Scientific Games Corp's filing, which was done 7/6/09
Scientific Games International, Inc.	Province of British Columbia Gaming Policy and Enforcement Branch 3 <sup>rd</sup> Floor, 910 Government St. Victoria, BC V8W1X3 250-356-0663	Business Registration as Gaming Equipment Supplier	Initial filing submitted 10/01 – Renewal filing submitted January 2009	Granted 6/25/08 Expires 2/1/2013
Scientific Games International, Inc.	Connecticut Division of Special Revenue P.O. Box 310424 Newington, CT 06131-0424	Vendor License #42-1063 Class I & Class II Occupational Licenses	8/2008 Renewed	Annually granted by Joe Peplau, Licensing Coordinator, State of CT
Scientific Games International, Inc.	Quebec Gaming Commission c/o Surete du Quebec 1701, Parthenais Montreal, Quebec, Canada H2K 3S7 514-596-3645 Sgt. Robert Gavel	Gaming-Related Supplier	Initial filing submitted 6/05	Approval granted to Loto-Quebec to work with Scientific Games on 5/3/07
Scientific Games International, Inc.	Manitoba Gaming Control Commission 800-215 Garry St. Winnipeg, MB R3C 3P3 204/954-9400	Gaming Supplier	Filed 7/7/09	Pending (Interviewing Corporation officers in Oct., 2009)

Figure 4-4: Licenses and Business Activities



#### 4.0.11 FINDING, PLEA, CONVICTION OR ADJUDICATION

***RFP Requirement:** A disclosure of the details of any finding or plea, conviction, or adjudication of guilt in a state or federal court of the Vendor for any felony or any other criminal offense other than a traffic violation committed by the persons identified under Arkansas Code Annotated § 23-115-501 (b)(1). The commission may request that any or all of the persons identified under § 23-115-501 (b)(1) undergo a state and federal criminal background check. If requested, a state and federal criminal background check shall be conducted in the manner under § 23-115-601(e);*

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To the best of our knowledge, Scientific Games has nothing to disclose regarding any finding or plea, conviction, or adjudication of guilt in a state or federal court for any felony or any other criminal offense other than a traffic violation committed by the persons identified under Arkansas Coded Annotated §23-115-501 (b) (1). Scientific Games understands that the commission may request that any or all of the persons identified under §23-115-501 (b) (1) undergo a state and federal criminal background check. We also acknowledge that if requested, a state and federal criminal background check will be conducted in the manner under §23-115-601 (e).

#### 4.0.12 BANKRUPTCY, INSOLVENCY, OR REORGANIZATION

***RFP Requirement:** 12. A disclosure of the details of any bankruptcy, insolvency, reorganization, or corporate or individual purchase or takeover of another corporation, including without limitation bonded indebtedness, and any pending litigation of the Vendor;*

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To the best of our knowledge, Scientific Games has nothing to disclose regarding bankruptcy, insolvency, reorganization, or corporate or individual purchase or takeover of another corporation, including without limitation bonded indebtedness.

A listing of Scientific Games current pending litigation is detailed on the following pages. There is no legal impediment to Scientific Games' performance of all work required under the procurement.

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*CONFIDENTIAL INFORMATION BEGINS HERE.*















*CONFIDENTIAL INFORMATION ENDS HERE.*

## 4.0.13 FINANCIAL REPORT

***RFP Requirement:** A disclosure of the Vendor's most recent financial report, including any reports on internal control over financial reporting, and the most recent audit report of the vendor's operation as a service organization; and*

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In **Appendix 4** of our proposal response we submit our most recent financial report for 2008, which includes reports on internal control as well as the most recent audit report of Scientific Games' operation as a service organization.

## 4.0.14 ADDITIONAL DISCLOSURES

***RFP Requirement:** Additional disclosures and information that the commission may determine to be appropriate for the procurement involved.*

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Scientific Games understands that additional disclosures and information that the commission may determine to be appropriate for the procurement involved may be requested and we will respond to any request.

## 4.1 INSURANCE

***RFP Requirement:** The Successful Vendor shall be required to maintain the following types and amounts of insurance during the term of the Contract:*

- General liability insurance in the amount of at least \$5,000,000.00;
- Property insurance in the amount of at least \$5,000,000.00;
- Errors and omissions insurance, including over-redemption insurance, in the amount of at least \$5,000,000.00;
- Automobile liability insurance in the amount of at least \$2,000,000.00; and
- Such other types and amounts of insurance as the ALC shall from time to time reasonably require.

*The Successful Vendor shall provide the ALC with certificates of insurance before the contract award and evidence of any renewed bonds or insurance policies within five (5) days prior to the expiration of then existing bonds or insurance policies during the term of the Contract.*

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If selected as the successful vendor, Scientific Games will maintain the types and amounts of insurance during the term of the contract as outlined in the RFP. Furthermore, we will provide the ALC with certificates of insurance before the contract award and evidence of any renewed bonds or insurance policies within five days prior to the expiration of then existing bonds or insurance policies during the term of the contract.

## 4.2 CONVERSION

**RFP Requirement:** *It is contemplated that the ALC, prior to the expiration of the term of the Contract resulting from this RFP, will award a new contract for replacement of the games. The parties understand and agree that the ALC may utilize the last specified number of days of the Contract term, as agreed upon by the parties to the Contract, for conversion (transfer) of equipment, supplies, materials, ticket inventory, and functions. The successful Vendor must cooperate fully with this process.*

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Scientific Games acknowledges that it is contemplated that the ALC, prior to the expiration of the term of the contract resulting from the RFP, will award a new contract for replacement of the games. Scientific Games understands and agrees that the ALC may utilize the last specified number of days of the contract term, as agreed upon by the parties to the contract, for conversion (transfer) of equipment, supplies, materials, ticket inventory, and functions. If selected as the successful Vendor, Scientific Games will cooperate fully with this process.

## 4.3 BACKGROUND INVESTIGATION

**RFP Requirement:** *The ALC may conduct background investigations, as required by law. The successful Vendor shall be required to conduct background investigations on all subcontractors.*

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Scientific Games acknowledges that the ALC may conduct background investigations, as required by law. We further understand that the successful vendor will be required to conduct background investigations on all subcontractors.

## 4.4 DISCLOSURE OF LITIGATION

**RFP Requirement:** *A Vendor must include in its Proposal a complete disclosure of any civil or criminal litigation or indictment involving such Vendor. A Vendor must also disclose any civil or criminal litigation or indictment involving any of its joint ventures, strategic partners, prime contractor team members, and subcontractors. This disclosure requirement is a continuing obligation, and any litigation commenced after a Vendor has submitted a Proposal under this RFP must be disclosed to the ALC in writing within five (5) days after it is filed.*

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Scientific Games has included above in **Subsection 4.0.12, pages 4-14-4-22**, a complete disclosure of any civil or criminal litigation or indictment involving Scientific Games. Scientific Games has nothing to disclose regarding any civil or criminal litigation or indictment involving joint ventures, strategic partners, prime contractor team members or subcontractors. We acknowledge and understand that the disclosure requirement is a continuing obligation, and any litigation commenced after Scientific Games has submitted a proposal under the RFP will be disclosed to the ALC in writing within five days after it is filed.

## 4.5 IMPLEMENTATION ROLLOUT

**RFP Requirement:** A Vendor must provide a summary overview and an implementation plan for the entire project being proposed. The intent of this requirement is to provide the ALC with a concise but functional summary of (the "Executive Summary") discussion of each phase of the Vendor's plan in the order of progression. While the ALC expects a Vendor to provide full details in each of the sections in other areas of the RFP relating to its plan, the Executive Summary will provide a "map" for the ALC to use while reviewing the Proposal.

Each area summarized must be listed in chronological order, beginning with the date of Contract execution, to provide a clear indication of the flow and duration of the project. A Vendor may use graphics, charts, pre-printed marketing pieces, or other enhancements as a part of this section to support the chronology or add to the presentation. Any such materials must be included in the original and each copy of the Proposal.

### SUMMARY OVERVIEW AND IMPLEMENTATION

Scientific Games is at our highest state of readiness to implement our start-up plan to get instant ticket sales started on October 1, 2009 assuming the online vendor's system, terminals, and communications network is installed to support the instant game. We have formed a dedicated, experienced team that includes six lottery start-up specialists with experience from lottery start-up projects conducted around the world. They will focus their Experience, Speed and Performance on this important start-up project.

This section provides the ALC with an executive overview of Scientific Games' proposed start-up implementation plan. This overview lists the concrete steps we have already taken prior to contract award that allows us to meet your start-up dates in a well-conceived, rational and prudent manner.

This overview also includes the steps we will take after contract award to ensure that the ALC will sell instant tickets by October 1, 2009.

In order to achieve the ALC's goals associated with a successful start-up, there are two principal requirements: an experienced team and a well planned, proven strategy.

**The Strategy** – As a company, Scientific Games adheres to the methodologies and best practices identified by the Project Management Institute (PMI). In particular the following key project knowledge areas will be utilized in the creation and maintenance of the implementation plan and will be critical to the success of the Arkansas start-up project.

**Scope Management** – Scope management breaks the project down into the core processes that are required to successfully complete the project. Scope planning, scope definition, work breakdown structure (WBS) development, scope verification, and scope change control are all included as part of this discipline. The business and software requirements specifications that are approved then become the stringent guidelines to be used in project scope identification. Scope

management is a critical component to the overall success of the implementation because it ensures that the project team has addressed all issues and agreed with the ALC upon project objectives and deliverables.

**Integration Management** – A properly coordinated project is the result of integration management. Project organization structure and management definition, project plan development, project plan execution, integrated change control, and project closure are all included as part of this discipline. Integration management ensures that project stakeholders from the ALC, Scientific Games and vendors will achieve project objectives.

**Quality Management** – Quality planning, quality assurance, and quality control are all aspects of quality management that must be addressed for a successful implementation. Software is developed by prioritizing the riskiest and most complex changes first. This greatly reduces risk to the project and minimizes surprises at the end of the project.

**Risk Management** – This systematic process identifies all known “unknown” risks to the project. These risks are then analyzed and appropriate response strategies are assigned to each of them. For risk management to be successful, it must be an iterative process with inputs from all members of the joint project team to ensure the project’s success. Scientific Games will assign a member of its delivery team as its risk manager. This resource will be responsible for the continuous maintenance of the risk management plan through project completion.

**Communications Management** – Project communications management includes the processes required to ensure the timely and appropriate generation, collection, dissemination, storage, and disposition of project information. Communications planning, information distribution, and performance reporting are included as part of this discipline. This includes regularly scheduled events such as project implementation reviews, weekly project status reports, executive reports, as well as more spontaneous events such as change management requests and issue escalation.

**Time Management** – MS Project is used by the Scientific Games project management team in the planning and tracking of specific tasks which together comprise the entire project. Dependencies between tasks are assigned and allow for changes to any given task to be reflected in the overall schedule and alert project management to any effect on the project critical path.

**Resource Management** – To ensure that the ALC receives the highest level of services, Scientific Games’ project management team shall determine the overall resource requirements based on the defined scope of the project. Once assigned, these professional resources shall be assigned to specific tasks in MS Project and their actual work complete entered against baseline

estimations. This process allows for the efficient allocation of Scientific Games' experienced resources and alerts the project manager when additional resources may be required to complete the work on schedule.

### ***Project Management (Ongoing throughout the Project Lifecycle)***

Getting off on the right foot is important to both Scientific Games and the ALC. That is why Scientific Games has placed its emphasis on engaging highly skilled project managers to build solid, integrated project plans. The plan for Arkansas will allow for identification, management and delivery of entire scope of the project, it will define roles and responsibilities for all project stakeholders and delivery team members, and will detail the methods of communication necessary to ensure the work gets done and done right.

### ***Preplanning***

Well before contract award, Scientific Games began preparing its plan to start-up the ALC. All department heads were tasked to develop preliminary plans, estimate resources and commit capital to order long lead items, coordinate vendors, and commence minority business recruitment efforts to deliver an accelerated start-up.

Each department's plans were compiled into a comprehensive, step-by-step, preliminary plan and updated as information became available and as tasks were accomplished. The proposed start-up plan in our proposal is the result of these ongoing preparations. As we explain the major steps of our plan we start with the preplanning steps that have allowed us to propose this fast track schedule with minimum risk.

**Implementation Plan** – The project timeline presented in the form of a Gantt chart will be an important tool to monitor start-up progress. The preliminary Gantt chart for our proposed start-up is presented at the end of this section. Using this plan, tools and documentation, our start-up team and our corporate resources, the ALC can track the progress of the start-up project every day. After award, we will work with the ALC to amend the proposed timeline as necessary. The following discussion describes the major stages and elements of our proposed plan in chronological order. As the ALC will realize most of the steps in our plan occur, and are managed, simultaneously.

The implementation plan developed is designed to prevent inconvenience to the ALC, retailers and players. The plan also minimizes the risk to the ALC's ability to generate revenue for education. Our plan is designed to promote a minimum of implementation difficulty for lottery

retailers and a controllable environment for your staff. The final implementation schedule will be jointly approved by Scientific Games and the ALC.

We have included a detailed implementation time chart in Microsoft Project that identifies the major milestones to be accomplished so that our warehouse facility is operational by the dates required in the agreement.

### ***What We Have Done To Prepare***

Several subprojects of the overall plan were well underway before the proposal was submitted. The proposed work plan was completed based on the requirements of the RFP. Activities and tasks in progress during the proposal evaluation to position us for immediate response when the contract is awarded are listed below.

### **Implementation Management**

- Organized start-up team
- Developed preliminary project plan for proposal submission

### **Facilities**

- Prepared floor plan for warehouse
- Prepared building lease to be signed

### ***What We Plan To Do Post Proposal Submission Phase***

Activity intensifies during this phase on all subprojects of the implementation plan. Preliminary estimates of manpower and resources are reevaluated and plans fine-tuned to meet the start-up objectives proposed to the ALC. These subprojects and their activities are listed below.

### **Minority Recruitment**

- Minority business recruitment efforts commenced during proposal submittal
- Actively interview and qualify minority vendors

### **Human Resources**

- Identified key on-site personnel
- Finalize organizational charts



### ***How We Will Proceed Post Contract Award Phase***

Contract award is when Scientific Games' plan kicks into high gear. All task managers and team leaders will have made their final preparations to begin the implementation immediately. Assembling the most experienced start-up team is a critical step to ensure a smooth start-up that is accomplished on time and with minimal impact on your staff and retailers. We adhere to the following precepts when we assemble the team in the context of the job at hand.

For Scientific Games: Risk avoidance begins with:

- **Experience** – A strong project team, thorough planning and total preparedness

And continues with:

- **Commitment** – Adequate resources sharing the many of tasks to be completed; sound policies, procedures and tools to support the effort; and periodic reviews to monitor progress

Then concludes with:

- **Efficiency** – Having adequate time and using it effectively is the ultimate asset. Scientific Games' implementation plan is founded on these principles

To ensure success, Scientific Games:

- Drives the project forward from contract execution, not backward from implementation (start of sales)
- Provides professional project management with proven lottery and implementation experience
- Dedicates experienced resources with relevant expertise for the tasks to be performed
- Supports the project team with additional resources from our company's other divisions who operate in similar "project-oriented" environments
- Administers and documents the implementation cooperatively with the ALC staff, through regular reporting, open communications and disciplined record keeping to permit meaningful review and total control of critical milestones.

### ***Project Management Team Leader***

***Project Management*** – Our proposed Senior Instant Project Manager is Cherie Peyton. She brings five years of proven industry leadership from an operational and project management point

of view. Cherie has numerous successful implementations domestically and internationally. Some examples include Oklahoma, Pennsylvania, China, and Florida.

Cherie's working experience allows Scientific Games to build a trusting relationship with the customer assuring you that his team will demonstrate professionalism in the best interest of achieving the customer goals. Project success comes from due diligence of what the customer wants, extensive planning with the ALC, local management staff and corporate delivery teams. Scientific Games knows that the ALC will demand effective communications on a weekly basis, identifying risks and providing risk mitigation, reemphasizing the success that our project plan will bring, and allow for proactive plans for future tasks. During the project, Cherie will mentor and communicate to the delivery team your expectations.

### **Task Completed**

- Implementation interview with all departments
- Collection of all departmental costs
- Implementation Plan
- All PMO Standard operational templates created
- Alignment to process management standard operational requirements
- All verification of pre-contracted business decision and purchases with task assignment completed

### **Risk Mitigation for Successful Delivery of all Project Deliverables**

- Proper allocated resources
- Approval of detailed project plan
- Proactive review of weekly assignments
- Approval of agreed upon functional specification
- Internal Management Checkpoint audits
- Agreed upon communication plan, between all key contributors responsible for deliverables
- Agreed upon decision chain of command, both Scientific Games, ALC and vendors
- Experienced project managers for adjusting to unpredicted events— “Acts of God”

***Human Resources (06/22/09 - 09/14/09)***

Our Project Management department has been working with our Director of Human Resources by carefully aligning our specific project resource needs with the hiring program for the ALC operations. Human resources has completed their plan for execution. It includes screening, interviewing and hiring all staff within the first few weeks. Upon contract award, Human Resources will assemble a team that will deliver superior service above and beyond ALC expectations.

**Task Completed**

- Employee Guide
- Policy and procedures
- Job descriptions
- Alignment with recruiters
- Internal candidate interview and decisions
- Management team completed

**Risk Mitigation for Successful Delivery of all Project Deliverables**

- Timely hiring of qualified staff
- Effective management of Communications and Notification of change
- Proper training of staff
- Evaluations of knowledge retention
- Ramp up of staff responsibilities
- Staff adherence to new policy and procedures
- Weekly proactive assessment of risk
- Appropriate go-live technical and administrative emergency support
- Continue post live transitional support

***Minority Business Plan (Ongoing)***

Identify and qualify potential businesses to provide goods and services in support of Scientific Games' operations.

***Implementation Management (08/17/09 - 08/21/09)***

- Project kick-off with Instant implementation team and ALC staff
- Finalize team members
- Initialize Gap Analysis
- Finalize budgetary reporting
- Finalize project plan

***Facilities Design And Construction (07/06/09 - 09/18/09)***

- Send drawings out for construction bid
- Review bids to determine budget
- Contractors selected
- Completed design and begin construction
- Order, receive and install warehouse equipment
- Receive approval from ALC of security systems
- Install security systems
- Bid construction work and select contractors
- Finalize layout and receive ALC approval
- Build out facility
- Receive Certificate of Occupancy
- Order and install all ancillary equipment, phone systems, AC, fire suppression systems, etc.

**INSTANT TICKET SERVICES**

Project management has been working with John Schulz, Vice President, with over 23 years of combined Lottery and Cooperative Services experience. John has completed his due diligence and executed all plans with realtors, architect, and contractor. Assisting John will be Teli Parionos, Director of Security and Moe Corrette, Director of Logistics. They are responsible for designing the facility security systems and developing the facility security plans for our instant warehouses across the U.S. and our online data centers.

**Task Completed**

- All designs are completed
- Purchase Orders have been created for execution

Scientific Games will present our plan immediately after contract award to the ALC for review, input, adjustment and final approval.

**Risk Mitigation for Successful Delivery of all Project Deliverables**

- Timely approval of facility designs
- Proper assessment of documented issues with corrective action plan
- Detailed attention to and execution of planned task
- Empower deployment team to make decisions
- Timely assessment of facility needs
- Monitoring of all equipment installation
- Preparation and execution of all Project Management Internal audits with documented findings and correction plan
- Prepared Lottery Readiness Presentation
- Appropriate go-live technical and administrative emergency support
- Continue Post Live Transitional support

***Instant Warehouse Operations (08/18/09 - 09/18/09)***

***Equipment Procurement and Installation*** – Project Management has conducted a due diligence review against the RFP requirement. Every departmental delivery team was challenged to not only fulfill the requirements, but exceed the requirements to provide the best technical solution. Based on the project management team's past start-up experience we challenged each of the project teams to not only convince the management team that they had the correct solution, but to prove that their solution was the most suitable for the task. Each group was asked to present their solution to the corporate management team. Once presented this allowed the Scientific Games' management team to prove that the correct solution will be provided to the ALC and to approve its implementation. All purchase orders have been created and are ready for execution upon award of the contract.

## ***Furniture, Fixtures and Equipment***

### **Task Completed**

- All communications equipment LAN/WAN connectivity is identified, documented and purchase orders have been completed and await contract award.
- Security system hardware is identified and procured and purchase orders have been completed and await contract award.
- All furnishings have been reviewed against proposed plans and wait for lottery approval. Purchase orders have been completed and await contract award.
- All facility long-lead items are identified, i.e., HVAC environmental equipment. Approval for purchase has been given in advance of award.
- Forklift, pallet jack and associated warehouse equipment is identified and purchase orders have been completed and await contract award.
- Phone systems have been identified and purchase orders have been completed and await contract award.

### **Risk Mitigation for Successful Delivery of all Project Deliverables**

- Timely review and lottery approval of all plans and equipment needs.
- All long lead items have been identified and management have already made critical path purchase on HVAC equipment, this will allow for immediate execution of all plan.
- Proper assessment of documented issues with corrective action plan.
- Detailed attention and proper, timely execution of planned tasks.
- Timely assessment of all facility needs.
- Monitoring of all equipment installation.
- Preparation and execution of all Project Management internal audits with documented finding and correction plan.
- Preparedness for Lottery Readiness presentation.
- Appropriate go-live technical and administrative emergency support.
- Continue post live transitional support.

***Courier Distribution Management (08/14/09 - 09/30/09)***

***Distribution/Courier*** – The ALC will have the opportunity to review the performance of the domestic account provider prior to their providing services to deliver ALC instant games and other materials to the retailer network.

**Task Completed**

- National accounts vendor has established new account for immediate start-up.

**Risk Mitigation for Successful Delivery of all Project Deliverables**

- Scientific Games currently has no mitigated risk for courier distribution and all accounts have been established. The ALC reserves the right to review any service provider's performance records.

***New Game Inventory Shipment And Receiving Plan (09/07/09 - 09/22/09)***

The following plan is ready for execution. Initial allocations will be timed perfectly with the marketing and launch material designed for start-up. Scientific Games' experience in these types of deliveries can only reassure the ALC that you have made the correct choice in selecting Scientific Games as your instant ticket and distribution provider.

**Risk Mitigation for Successful Delivery of all Project Deliverables**

- Proper assessment of documented issues with corrective action plan
- Detailed attention and proper, timely execution of planned tasks
- Timely assessment of all completed facility needs
- Monitoring of all equipment installation
- Preparation and execution of all Project Management internal audits with documented finding and correction plan
- Preparedness for Lottery Readiness presentation
- Appropriate go-live technical and administrative emergency support
- Continue post live transitional support

### ***Seek Bids From Minority Vendors (Ongoing)***

Scientific Games' manager of minority affairs has contacted state agencies for minority vendor listings and has performed searches of NMSDC databases for qualified minority suppliers located in Arkansas. We have compiled a list of vendors whom we are now interviewing and qualifying for participation in the start-up and ongoing operations in Arkansas.

#### **Task Completed**

- Research and communication with in-state agencies and minority vendors.

#### **Risk Mitigation for Successful Delivery of all Project Deliverables**

- Scientific Games currently has no mitigated risk. Full disclosure of business decision will be available for ALC review.

### ***Training (08/17/09 - 09/25/09)***

In the first days we will present all educational needs and procedures to the ALC. This allows the ALC to identify any necessary changes required in the retailer training modules and procedures. Given the critical path of this project, Scientific Games has begun assembling training material and matching it to the scoped system delivery. The instant ticket operations module is designed to maximize retention of material. Feedback forms will be reviewed to incorporate any improvements in course curriculum if necessary.

#### **Tasks Completed**

- Employee Security training material – completed
- Lottery 101 training curriculum – completed
- Operations training prepared – completed
- Return pack procedure and training



**Risk Mitigation for Successful Delivery of all Project Deliverables**

- Proper assessment of documented issues with corrective action plan
- Detailed attention to and execution of planned tasks
- Monitoring of all equipment installation
- Preparation and execution of all Project Management internal audits with documented finding and correction plan
- Preparedness for Lottery Readiness presentation
- Appropriate go-live technical and administrative emergency support
- Continue post live transitional support

***Warehouse/Ticket Distribution Plan (07/10/09 - 08/25/09)***

Scientific Games is the leading industry leader when it comes to warehousing and distributing instant tickets. The ALC can be assured that our plan is very extensive, management will oversee the execution of this plan and adjust to any needs that are found, to properly fulfill the lottery expectations.

**Task Completed**

- Defined Inventory & Control plans
- Defined Inventory Procedures
- Defined Reporting Procedures
- Defined Packing Procedures
- Defined Courier Distribution Plan
- Defined Game return and Destruction Plan

Instant game activities, tasks and sub projects are implemented or are in their final stages in preparation for an October 1, 2009 launch of instant games.

To ensure that tickets are available for the October 1, 2009 start-up, Scientific Games will have tickets printed and in the warehouse at least a week prior to launch. This provides us with sufficient days to pack ticket orders and distribute tickets to all retailers state-wide. The instant warehouse in Arkansas will be ready by October 1st.







On the following pages we have included a detailed Gantt chart. Below we have provided a summary of our highlights.

2009	SUMMARY OVERVIEW HIGHLIGHTS
8/14	Contract Execution
9/10	Warehouse Facility Build-out Complete
9/11	Certificate of Occupancy
9/14	Staffing Complete
9/18	Warehouse Equipment and Office Furnishings Installation Complete
9/22	Instant Tickets Delivered to Warehouse
9/23	Warehouse Staff Training Complete
9/29	Instant Tickets Packed and Ready for Distribution to Retailers
9/30	Instant Tickets Arrive at Retailer Locations

ARKANSAS INSTANT TICKET LOTTERY GAME SERVICES PROJECT

ID		Task Name	Duration	Start	Finish	Predecessors	Resource Names
1		ARKANSAS INSTANT TICKET LOTTERY GAME SERVICES PROJECT	75 days	Fri 6/19/09	Thu 10/1/09		
2	✓	RFP RELEASED	1 day	Fri 6/19/09	Fri 6/19/09		ALC
3		PROPOSAL SUBMISSION	0 days	Wed 7/29/09	Wed 7/29/09	2FS+28 days	SGI
4	☐	CONTRACT EXECUTION	0 days	Fri 8/14/09	Fri 8/14/09		ALC
5		PROJECT MANAGEMENT	46 days	Fri 6/19/09	Fri 8/21/09		SGI
6		Project Management Plan	46 days	Fri 6/19/09	Fri 8/21/09		SGI
7	✓	Develop Preliminary Project Plan for Proposal Submission	15 days	Fri 6/19/09	Thu 7/9/09		SGI
8	✓	Develop Preliminary Project Budget	10 days	Fri 7/10/09	Thu 7/23/09	7	SGI
9		Initialize Gap Analysis	1 day	Tue 8/18/09	Tue 8/18/09	13	SGI
10		Finalize Budgetary Reporting	1 day	Tue 8/18/09	Tue 8/18/09	13	SGI
11		Finalize Project Plan	3 days	Wed 8/19/09	Fri 8/21/09	9,10	SGI
12		Project Implementation Schedule	5 days	Mon 8/17/09	Fri 8/21/09		SGI
13	☐	Hold Kick-off meeting to review plan	1 day	Mon 8/17/09	Mon 8/17/09	4FS+1 day	ALC/SGI
14	☐	Review Implementation Schedule	1 day	Tue 8/18/09	Tue 8/18/09	13	ALC/SGI
15	☐	Revise Implementation Schedule as Required	3 days	Wed 8/19/09	Fri 8/21/09	14	SGI
16		Project Team	42 days	Mon 6/22/09	Tue 8/18/09		SGI
17	✓	Organize Start-up Team	10 days	Mon 6/22/09	Fri 7/3/09	2	SGI
18	☐	Assign Resources to Project Team-See SGI Proposal	1 day	Mon 8/17/09	Mon 8/17/09	4FS+1 day	SGI
19	☐	Assign Deliverables to Project Team-See SGI Proposal	1 day	Tue 8/18/09	Tue 8/18/09	18	SGI
20		IMPLEMENTATION OF TICKET PRINTING PLAN	27 days	Mon 8/17/09	Tue 9/22/09		SGI
21	☐	Game Design Color Approval	3 days	Mon 8/17/09	Wed 8/19/09	4FS+1 day	SGI/ALC
22	☐	Prize Structure Approval	3 days	Mon 8/17/09	Wed 8/19/09	4FS+1 day	SGI/ALC
23	☐	Execute Working Papers for Games 1, 2, 3, 4, 5, 6, 7, 8 & 9	6 days	Mon 8/17/09	Mon 8/24/09	4FS+1 day	SGI/ALC
24		Account Services Tasks	11 days	Mon 8/31/09	Mon 9/14/09		SGI
25	☐	Order Oversize Samples	1 day	Mon 8/31/09	Mon 8/31/09	23FS+4 days	SGI
26		Receive Oversize Samples Games 1,2,3,4,5,6,7,8 & 9	10 days	Tue 9/1/09	Mon 9/14/09	25	SGI
27		Game Programming Tasks	17 days	Mon 8/17/09	Tue 9/8/09		SGI
28	☐	Instant Programming Validation Specs From Online Vendor	4 days	Mon 8/17/09	Thu 8/20/09	4FS+1 day	SGI/ONLINE VENDOR
29	☐	Test Game Delivered to Online Vendor	2 days	Fri 8/21/09	Mon 8/24/09	28	SGI/ONLINE VENDOR
30		Test Game Approval From Online Vendor	2 days	Tue 8/25/09	Wed 8/26/09	29	ONLINE VENDOR
31		Program/Audit Games 1, 2, 3, 4, 5, 6, 7, 8 & 9	7 days	Thu 8/27/09	Fri 9/4/09	30	SGI/E&Y
32	☐	Create Validation Files	2 days	Mon 9/7/09	Tue 9/8/09	31	SGI
33		Production Tasks	12 days	Mon 9/7/09	Tue 9/22/09		SGI
34	☐	Print Tickets	5 days	Mon 9/7/09	Fri 9/11/09	31	SGI
35	☐	Package Tickets	5 days	Mon 9/14/09	Fri 9/18/09	34	SGI












ARKANSAS INSTANT TICKET LOTTERY GAME SERVICES PROJECT

ID		Task Name	Duration	Start	Finish	Predecessors	Resource Names
36		Ship Tickets	1 day	Mon 9/21/09	Mon 9/21/09	34,35	SGI
37		Receive Tickets at Warehouse	1 day	Tue 9/22/09	Tue 9/22/09	36	SGI
38		<b>TICKETS MANUFACTURED/RECEIVED IN WAREHOUSE</b>	0 days	Tue 9/22/09	Tue 9/22/09	37	SGI
39		<b>WAREHOUSE FACILITIES</b>	53 days	Mon 7/6/09	Wed 9/16/09		SGI
40		<b>Design and Construction</b>	<b>53 days</b>	<b>Mon 7/6/09</b>	<b>Wed 9/16/09</b>		<b>SGI</b>
41		Negotiate Lease Terms	5 days	Mon 7/6/09	Fri 7/10/09	2FS+10 days	SGI / LANDLORD
42		Prepare Building Lease to be Signed	10 days	Mon 7/13/09	Fri 7/24/09	41	SGI/LANDLORD
43		Design Building Layout, including Architect drawings	10 days	Mon 7/13/09	Fri 7/24/09	41	SGI
44		Bid out the Build to area Contractors	5 days	Mon 7/27/09	Fri 7/31/09	43	SGI
45		Contractors Selected	1 day	Mon 8/3/09	Mon 8/3/09	44	SGI
46		Apply for Permits	8 days	Mon 8/3/09	Wed 8/12/09	45SS	CONTRACTOR
47		Layout Finalized and Approved by ALC	1 day	Thu 8/13/09	Thu 8/13/09	46	SGI/ALC
48		Warehouse Build out of Facility	20 days	Fri 8/14/09	Thu 9/10/09	47	SGI
49		Certificate of Occupancy	1 day	Fri 9/11/09	Fri 9/11/09	48	CITY
50		<b>Site Build out</b>	<b>24 days</b>	<b>Fri 8/14/09</b>	<b>Wed 9/16/09</b>		<b>SGI</b>
51		Order Racking	20 days	Fri 8/14/09	Thu 9/10/09	48SS	SGI
52		Receive Racking	1 day	Fri 9/11/09	Fri 9/11/09	51	SGI
53		Install Racking	3 days	Mon 9/14/09	Wed 9/16/09	52	CONTRACTOR
54		Order Flow Racks, Packing Tables, Packing Materials	20 days	Fri 8/14/09	Thu 9/10/09	48SS	SGI
55		Receive Flow Racks, Packing Tables, Packing Materials	1 day	Fri 9/11/09	Fri 9/11/09	54	SGI
56		Install Flow Racks, Tables and Packing Materials	3 days	Mon 9/14/09	Wed 9/16/09	55	SGI
57		Order Incidental Industrial Warehouse Equipment	20 days	Fri 8/14/09	Thu 9/10/09	48SS	SGI
58		Receive Incidental Industrial Warehouse Equipment	1 day	Fri 9/11/09	Fri 9/11/09	57	SGI
59		Install Incidental Industrial Warehouse Equipment	3 days	Mon 9/14/09	Wed 9/16/09	58	SGI
60		Order Forklift	5 days	Fri 9/4/09	Thu 9/10/09	48SS+15 days	SGI
61		Receive Forklift	1 day	Fri 9/11/09	Fri 9/11/09	60	SGI
62		Order Phone System	20 days	Fri 8/14/09	Thu 9/10/09	48SS	SGI
63		Receive Phone System	1 day	Fri 9/11/09	Fri 9/11/09	62	SGI
64		Phone System Installed	3 days	Mon 9/14/09	Wed 9/16/09	63	SGI
65		Order Office Equipment and Furnishings	20 days	Fri 8/14/09	Thu 9/10/09	48SS	SGI
66		Office Equipment & Furnishings Delivered	1 day	Fri 9/11/09	Fri 9/11/09	65	SGI
67		Office Equipment & Furnishings Installed	3 days	Mon 9/14/09	Wed 9/16/09	66	SGI
68		<b>WAREHOUSE FACILITY READY</b>	<b>0 days</b>	<b>Wed 9/16/09</b>	<b>Wed 9/16/09</b>	<b>67</b>	<b>SGI</b>
69		<b>COMPUTER SYSTEMS AND WAREHOUSE EQUIPMENT</b>	<b>8 days</b>	<b>Mon 9/14/09</b>	<b>Wed 9/23/09</b>		<b>SGI</b>
70		<b>ONLINE VENDOR'S INSTANT TICKET SYSTEM</b>	<b>8 days</b>	<b>Mon 9/14/09</b>	<b>Wed 9/23/09</b>		


ARKANSAS INSTANT TICKET LOTTERY GAME SERVICES PROJECT

ID		Task Name	Duration	Start	Finish	Predecessors	Resource Names
71		Online Vendor Installs Communications	3 days	Mon 9/14/09	Wed 9/16/09	49	SGI/ONLINE VENDOR
72		Online Vendor Install Picking & Packing System	2 days	Thu 9/17/09	Fri 9/18/09	71	SGI/ONLINE VENDOR
73		Online Vendor Provides System Training	3 days	Mon 9/21/09	Wed 9/23/09	72	SGI/ONLINE VENDOR
74		<b>SECURITY SYSTEM</b>	<b>35 days</b>	<b>Mon 7/27/09</b>	<b>Fri 9/11/09</b>		<b>SGI</b>
75		Produce Security Drawings	10 days	Mon 7/27/09	Fri 8/7/09	43	SGI
76		Bid out the Security installation to contractors	5 days	Mon 8/10/09	Fri 8/14/09	75	SGI
77		Contractor Selected	1 day	Mon 8/17/09	Mon 8/17/09	76	SGI
78		ALC Approval of Security System	1 day	Fri 8/14/09	Fri 8/14/09	47	ALC/SGI
79		Secure Permitting Required	5 days	Mon 8/17/09	Fri 8/21/09	78	CONTRACTOR
80		Order Security Equipment	5 days	Mon 8/24/09	Fri 8/28/09	79	SGI
81		Receive Security Equipment	1 day	Mon 8/31/09	Mon 8/31/09	80	SGI
82		Install Security Cameras, Entries, Motion Detectors	7 days	Tue 9/1/09	Wed 9/9/09	81	CONTRACTOR
83		Test Security / Fire System	2 days	Thu 9/10/09	Fri 9/11/09	82	SGI / CONTRACTOR /ALC
84		Train Security Staff on Operation of Equipment	2 days	Thu 9/10/09	Fri 9/11/09	82	CONTRACTOR
85		<b>SECURITY SYSTEM INSTALLED &amp; OPERATIONAL</b>	<b>0 days</b>	<b>Fri 9/11/09</b>	<b>Fri 9/11/09</b>	<b>84</b>	<b>SGI</b>
86		<b>MINORITY RECRUITMENT</b>	<b>10 days</b>	<b>Fri 7/31/09</b>	<b>Thu 8/13/09</b>		<b>SGI</b>
87		Identify, Interview and Qualify Minority Vendors	10 days	Fri 7/31/09	Thu 8/13/09	3FS+1 day	SGI
88		<b>HUMAN RESOURCES</b>	<b>61 days</b>	<b>Mon 6/22/09</b>	<b>Mon 9/14/09</b>		<b>SGI</b>
89		<b>HUMAN RESOURCE MANAGEMENT</b>	<b>22 days</b>	<b>Thu 6/25/09</b>	<b>Fri 7/24/09</b>		<b>SGI</b>
90		<b>Employee Guide</b>	<b>15 days</b>	<b>Thu 6/25/09</b>	<b>Wed 7/15/09</b>		<b>SGI</b>
91		Policy and Procedures	15 days	Thu 6/25/09	Wed 7/15/09	2FS+3 days	SGI
92		Job Descriptions	15 days	Thu 6/25/09	Wed 7/15/09	2FS+3 days	SGI
93		Alignment with recruiters	7 days	Thu 7/16/09	Fri 7/24/09	92	SGI
94		<b>STAFFING</b>	<b>61 days</b>	<b>Mon 6/22/09</b>	<b>Mon 9/14/09</b>		<b>SGI</b>
95		Identify key on-site personnel	5 days	Mon 6/22/09	Fri 6/26/09	2	SGI
96		Internal candidates interviews and decisions	10 days	Mon 6/29/09	Fri 7/10/09	95	SGI
97		<b>MANAGEMENT TEAM COMPLETE</b>	<b>0 days</b>	<b>Fri 7/10/09</b>	<b>Fri 7/10/09</b>	<b>96</b>	<b>SGI</b>
98		Finalize Organization-See SGI Proposal	5 days	Mon 8/17/09	Fri 8/21/09	4FS+1 day	SGI/ALC
99		Post and Advertise Job Openings	5 days	Mon 8/24/09	Fri 8/28/09	98	SGI
100		Interview for Open Management Positions	5 days	Mon 8/31/09	Fri 9/4/09	99	SGI
101		Background Investigations	2 days	Mon 9/7/09	Tue 9/8/09	100	SGI
102		Present Management Candidates for ALC approval	2 days	Wed 9/9/09	Thu 9/10/09	101	SGI/ALC
103		Hire Management Positions	1 day	Fri 9/11/09	Fri 9/11/09	102	SGI
104		Interview for staff positions	5 days	Mon 8/31/09	Fri 9/4/09	99	SGI
105		Background Investigations	5 days	Mon 9/7/09	Fri 9/11/09	104	SGI

ARKANSAS INSTANT TICKET LOTTERY GAME SERVICES PROJECT

ID		Task Name	Duration	Start	Finish	Predecessors	Resource Names
106		Lottery approves staff positions	1 day	Mon 9/14/09	Mon 9/14/09	105	ALC
107		<b>STAFFING COMPLETE</b>	<b>0 days</b>	<b>Mon 9/14/09</b>	<b>Mon 9/14/09</b>	<b>106</b>	<b>SGI</b>
108		<b>TRAINING</b>	<b>44 days</b>	<b>Fri 7/24/09</b>	<b>Wed 9/23/09</b>		<b>SGI</b>
109		<b>Instant Ticket Operations Training Plan Modules</b>	<b>10 days</b>	<b>Fri 7/24/09</b>	<b>Thu 8/6/09</b>		<b>SGI</b>
110		Employee Security Training Material	10 days	Fri 7/24/09	Thu 8/6/09	128	SGI
111		Lottery 101 Training Curriculum	10 days	Fri 7/24/09	Thu 8/6/09	128	SGI
112		Retailer Training Module	10 days	Fri 7/24/09	Thu 8/6/09	128	SGI
113		Pick and Pack & Return Pack Procedure Training Module	10 days	Fri 7/24/09	Thu 8/6/09	128	SGI
114		<b>Training Plan Review</b>	<b>10 days</b>	<b>Mon 8/17/09</b>	<b>Fri 8/28/09</b>		<b>SGI</b>
115		Training Plans Reviewed and Approved With ALC	10 days	Mon 8/17/09	Fri 8/28/09	4FS+1 day	ALC/SGI
116		<b>Training</b>	<b>28 days</b>	<b>Mon 8/17/09</b>	<b>Wed 9/23/09</b>		<b>SGI</b>
117		<b>Retailer Training</b>	<b>16 days</b>	<b>Mon 8/17/09</b>	<b>Mon 9/7/09</b>		<b>ALC/SGI</b>
118		Instant Ticket Training Module Review	6 days	Mon 8/17/09	Mon 8/24/09	4FS+1 day	ALC
119		Lottery Approval of Instant Ticket Training Module	5 days	Tue 8/25/09	Mon 8/31/09	118	ALC/SGI
120		Provide Instant Ticket Training Module to Online Vendor	5 days	Tue 9/1/09	Mon 9/7/09	119	ALC/SGI
121		<b>ALC Training</b>	<b>1 day</b>	<b>Wed 9/9/09</b>	<b>Wed 9/9/09</b>		<b>SGI/ALC</b>
122		ALC Validation File Training	1 day	Wed 9/9/09	Wed 9/9/09	32	SGI/ALC
123		<b>SG CSP Staff Training</b>	<b>10 days</b>	<b>Thu 9/10/09</b>	<b>Wed 9/23/09</b>		<b>SGI</b>
124		Online Vendor Provides System Training	3 days	Mon 9/21/09	Wed 9/23/09	72	SGI/ONLINE VENDOR
125		Train Security Staff on Operation of Equipment	2 days	Thu 9/10/09	Fri 9/11/09	82	CONTRACTOR
126		<b>TRAINING COMPLETE</b>	<b>0 days</b>	<b>Wed 9/23/09</b>	<b>Wed 9/23/09</b>	<b>124</b>	<b>SGI</b>
127		<b>DISTRIBUTION SYSTEM PLAN</b>	<b>58 days</b>	<b>Fri 7/10/09</b>	<b>Tue 9/29/09</b>		<b>SGI</b>
128		<b>Warehouse / Ticket Distribution Plans</b>	<b>10 days</b>	<b>Fri 7/10/09</b>	<b>Thu 7/23/09</b>		<b>SGI</b>
129		Inventory Control Plans	10 days	Fri 7/10/09	Thu 7/23/09	7	SGI
130		Inventory Procedures	10 days	Fri 7/10/09	Thu 7/23/09	7	SGI
131		Reporting Procedures	10 days	Fri 7/10/09	Thu 7/23/09	7	SGI
132		Packing Procedures	10 days	Fri 7/10/09	Thu 7/23/09	7	SGI
133		Courier Distribution Plan	10 days	Fri 7/10/09	Thu 7/23/09	7	SGI
134		Game Return and Destruction Plan	10 days	Fri 7/10/09	Thu 7/23/09	7	SGI
135		ALC Approval of Distribution Plan	1 day	Mon 8/17/09	Mon 8/17/09	4FS+1 day	ALC/SGI
136		Courier Selection Evaluation	5 days	Tue 8/18/09	Mon 8/24/09	135	SGI/ALC
137		Review with Courier Delivery Expectations/Guidelines	1 day	Tue 8/25/09	Tue 8/25/09	136	SGI
138		Pack Ticket Orders	4 days	Thu 9/24/09	Tue 9/29/09	73	SGI
139		<b>TICKETS PACKED AND READY FOR DISTRIBUTION</b>	<b>0 days</b>	<b>Tue 9/29/09</b>	<b>Tue 9/29/09</b>	<b>138</b>	<b>SGI</b>
140		<b>DISTRIBUTE INSTANT TICKETS TO RETAILERS</b>	<b>2 days</b>	<b>Tue 9/29/09</b>	<b>Wed 9/30/09</b>		<b>SGI</b>

ARKANSAS INSTANT TICKET LOTTERY GAME SERVICES PROJECT

ID		Task Name	Duration	Start	Finish	Predecessors	Resource Names
141		INSTANT TICKET SALES BEGIN	1 day	Thu 10/1/09	Thu 10/1/09	140	SGI





## 4.6 PROJECT STAFF

***RFP Requirement:** A Vendor's Proposal shall include an organization diagram and a staffing plan. Key staff must be identified, the nature and scope of each person's responsibilities and duties must be outlined, and detailed resumes must be provided. Vendor must identify six (6) experienced start-up professionals who will be made available to the ALC for general start-up assistance from the time of contract award through the first two (2) months after start-up.*

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Scientific Games understands the ALC's objective to select a partner who, in a timely and competent manner, will deliver dependable, secure, quality products and services that will provide the greatest long-term benefit to the state.

Since 2000, Scientific Games has provided start-up services for four of the last five U.S. lotteries—and we stand ready to provide and deliver a successful start-up program for the ALC.

The success of the ALC depends on its ability to connect with consumers by providing them with a wide variety of instant game choices that meet their desires, needs, and lifestyle choices. The Lottery's success further depends on the ability of its instant game partner to assist in developing the right instant games for the Lottery's market and bring those games to market quickly to maximize sales.

**To meet this challenge, Scientific Games has over 634 years combined experience among our instant product personnel, game developers, production professionals, programming professionals, sales and marketing team, and warehousing and distribution staff to support the start-up and ongoing operations of the ALC.**

Moreover, Scientific Games understands the critical nature of CSP lottery implementations. The assigned team of CSP personnel is selected from Scientific Games' dedicated division of over 200 CSP professionals. Their skills and experience will be drawn on throughout the contract term to perform the services necessary to securely and efficiently warehouse and distribute instant ticket games for the ALC.

Herein, we provide a detailed description of the proposed key personnel who will be assigned to staff and manage the ALC start-up project and ongoing operations.

### ARKANSAS START-UP TEAM

Scientific Games will dedicate six primary lottery professionals for the ALC's start-up operations. Combined, this talented group represents 118 years of lottery experience with an average of 19.5 years individually. Furthermore, our start-up team has collectively been involved in over 47 start-ups.



Figure 4-5: Arkansas Start-Up Team

**Senior Regional Director, Toben Molica**

With over 12 years in the lottery industry, Toben Molica is well-versed and fluent in day-to-day lottery operations and is currently responsible for a multitude of areas including:



- Marketing and sales
- Oversight of game design and prize structures
- Administration
- Market and product research
- Industry trends
- Contract negotiations and management
- Strategic planning

Working with Toben, you will interact with a person with start-up and ongoing operations knowledge and full authority to make decisions and speak for Scientific Games. Your needs will always be met on the spot, quickly and professionally. Toben will be your primary contact should any questions arise concerning sales, marketing and operations. Toben's combined technical and customer-orientated skills ensure that a strong partnership is maintained and the ALC's objectives are achieved. His responsibilities include:

- Represent products and services of the company
- Manage development and maintenance of tactical sales and marketing analysis reports
- Monitor and review master schedule for production accuracy
- Review status reports
- Organize and participate in strategic meetings
- Monitor contractual obligations and procedures

**Arkansas General Manager, Scott Ross**

Mr. Scott Ross will oversee daily on-site activities and operations. With over 27 years of lottery experience, Scott is the obvious choice to help continue to assist the Lottery in achieving its sales goals and objectives. His industry knowledge ensures that the ALC has direct access to an expert well-versed in instant ticket games and services. He will be devoted to the ALC instant ticket games and account related services exclusively.



Scott is charged with providing the ALC a level of service required to ensure the Lottery's contractual obligations are exceeded. Specifically, Scott will:

- Manage operational budget
- Support game planning and marketing functions
- Oversee warehousing and distribution operations
- Oversee return operations
- Monitor inventory control
- Collaborate with the ALC staff to assure that the development and implementation of game launch schedules meets the Lottery's needs

### ***CSP General Manager, Al Gibson***

Al Gibson, the current on-site General Manager in Florida, will be available to provide daily support during start-up operations. With over 26 years of lottery knowledge and more specifically seven years as the General Manager with the Florida CSP operation, Al brings invaluable expertise to the ALC project. Al is charged with ensuring that the ALC's start-up is conducted in an efficient, thorough and timely manner. In his role as CSP General Manager, Al will:



- Support overall project implementation
- Support senior project management team
- Assist in warehouse start-up activities

### ***Manager, Marketing & Operations, Tom Brewer***

With over 27 years of lottery-specific experience and more specifically having supported 18 start-ups, Tom brings an innate understanding of the critical tasks required to start-up and operate a successful lottery. Most recently in his role as Senior Project Consultant, Tom provided primary on-site project management and was responsible for program design and implementation of instant game sales for the China Sports Lottery. He was instrumental in ensuring the on-time roll-out in all 31 provinces. During start-up operations for the ALC Tom will be available in Arkansas and specifically charged with:



- Daily on-site support of marketing-related functions
- Assist in the development of security plan

- Instant ticket game product support
- Overall support of project management tasks

### ***Vice President, Instant Ticket Services, John Schulz***

During his 23 year tenure with Scientific Games, John, has overseen the conversions/implementations of 32 lotteries, as well as five new lottery start-up projects.



Currently John serves as the Vice President of Instant Ticket Services and is responsible for overseeing account management and the ongoing support of all domestic CSP operations. John's first introduction to CSP operations began in 1985 with the New York Lottery start-up. More recently John has also been part of the recent conversions of the Ohio Lottery, D.C. Lottery, Delaware Lottery, Oklahoma, and Pennsylvania and the implementation of five new lottery start-ups, Georgia, Tennessee, South Carolina, Nebraska, and Oklahoma. John brings with him a wealth of implementation support and service experience to the ALC. In addition, John will supervise the project management team assigned to direct the Lottery's implementation plan.

### ***Senior Project Manager, Cherie Peyton***

Acting as Scientific Games' Senior Project Manager for the ALC start-up will be, Cherie Peyton. Cherie joined Scientific Games in 2004 as a project administrator working for our vice president of Worldwide Projects. In her role she coordinated daily and weekly project meetings with both internal and external customers and managed all software maintenance releases worldwide. She took on full time project management in 2005. She managed the rollout of three hundred new online retailers for the Iowa Lottery and was the deputy project manager for the successful start-up for the Oklahoma Lottery in 2005. Cherie is now responsible for corporate support of CSP sites with respect to systems, communications, vending machines and special projects. Most recently in Pennsylvania and Florida she provided full project management support to deliver an implementation plan that was completed in a timely and efficient manner. Cherie will be on the ground in Arkansas during the project phase through start of sales. She will manage the day-to-day facility build-out and procurement of all equipment.



**ARKANSAS' CUSTOMER SERVICE TEAM*****Account Executive, Martha Hernandez***

As your Account Executive, Martha Hernandez is responsible for the management of the instant game throughout the manufacturing process. Martha has been with Scientific Games for two years and in the lottery industry for eight years. Martha brings an innate understanding of the instant lottery ticket game production cycle to her role as Account Executive. From game development to delivery, she is familiar with all facets of the process. Martha is very experienced in key components of the game development process. As a primary point of contact for the ALC, her duties include:



- Coordinate all aspects of instant lottery ticket game-related requirements with the Lottery, regional director, game programming and manufacturing departments
- Marketing support for focus groups and game planning activities
- Ensure that all facets of game development, production and delivery are accomplished within established time frames
- Track and report upon all phases of game development, production and delivery of games; Key customer advocate for day-to-day issues
- Coordinate and create working papers and art development
- Participate/plan customer quarterly game planning meetings and/or focus groups
- Travel to marketing planning meetings to review current product mix, distribution, sales, forecast, and marketing plan

Martha is your advocate within Scientific Games. She ensures that every game produced by Scientific Games meets all ALC requirements for quality, integrity, and entertainment by overseeing the game through the entire production process—development, printing, and delivery. It is her job to know the ALC completely and to ensure that your wants and needs are met by the rest of the company.

***Graphic Designer, Rick Tidwell***

As your Graphic Designer, Rick will work in tandem with Martha, your Account Executive, to design instant games of the highest quality, security and marketability. Supporting Rick is our team of 22 designers and illustrators that create and render complex backgrounds with industry-standard software, Adobe Illustrator and Adobe Photoshop. The





combination of layering, special effects and image manipulation in the latest versions of these applications has opened up new creative options. Combining his own talents with the advanced features of this software, Rick is exploring new ways to present game graphics, thereby providing you with the highest quality graphics in the industry. Rick's responsibilities include:

- Work with the Lottery and its advertising agencies, account manager and internal departments production in the development and modification of artwork and design requirements
- Examine illustrations and layouts proposed and suggest possible approaches to more viable artwork
- Coordinate with internal departments to ensure that the artwork is developed within production capabilities
- Develop press-ready artwork, which is used to make printing plates for the press
- Develop and create fonts and font tables as needed
- Create original illustrations and other art as needed (digital/conventional) to support lottery printing projects

#### ARKANSAS' ON-SITE CSP OPERATIONS TEAM

##### ***Warehouse and Security Manager, Jason Edgmon***

With over six years of lottery knowledge, Jason Edgmon is fluent in the current daily lottery warehouse/distribution activities. In addition, Jason has also worked in various distribution management positions. Since 1999, he has been responsible for tracking the movement of product from initial delivery, transfer, return, and in the case of lottery tickets, final reconciliation in preparation for secure destruction. Jason has also assisted in several start-ups operations throughout the U.S. He will be devoted exclusively to the ALC instant ticket games account.



In his role as Warehouse and Security Manager Jason will:

- Oversee warehousing and distribution operations
- Monitor Inventory control
- Oversee the return operation
- Oversee customer service operations
- Serve as an additional ALC point-of-contact

**Product Manager, Ben Bauman**

Ben Bauman will provide day-to-day contact with the ALC and work as a liaison between the Lottery and the Scientific Games home office staff to ensure all requests are met in a timely manner. With over two years of lottery experience, he is fluent in the current day-to-day operations of the Lottery. Ben will design and present the yearly instant ticket launch schedule, provide up-to-date inventory reporting and analysis and also provide marketing analysis reports and prize structure development and support. He will be devoted to the Arkansas instant ticket games account exclusively. Ben is charged with providing the Lottery an extra level of attention to ensure the Lottery's contractual obligations are met with an attention to account details and to provide full Cooperative Services support.



In his role as Product Manager Ben will:

- Assist in the development and implementation of an annual instant product launch strategy for the ALC
- Develop all prize structures for the Lottery's instant product
- Provide instant sales and game data information to the ALC on a weekly basis
- Manage lottery instant product inventory on a weekly basis
- Manage the loading of validation files for all instant games
- Manage ticket issues in the unlikely event that these are encountered on the instant games
- Facilitate the production, distribution and maintenance of working papers for the ALC account including participation in working paper page turnings
- Collaborate with the ALC product manager to assure that the development and implementation of game launch schedules meets lottery needs
- Develop and distribute "red copy" working papers to ALC staff

**Figure 4-6** depicts the start-up and ongoing operations account team that are specifically assigned to service the Arkansas contract. **Figure 4-7** represents the management, supervisory and key technical personnel that will support the ALC. **Figure 4-8** shows our proposed key sales and marketing account team and additional game development, production and CSP support.

**Figure 4-9** lists the key professionals proposed for the delivery and ongoing operations and support of the ALC contract. The table provides the name and title of the individual, the individual's location, their responsibilities and the number of years of experience.



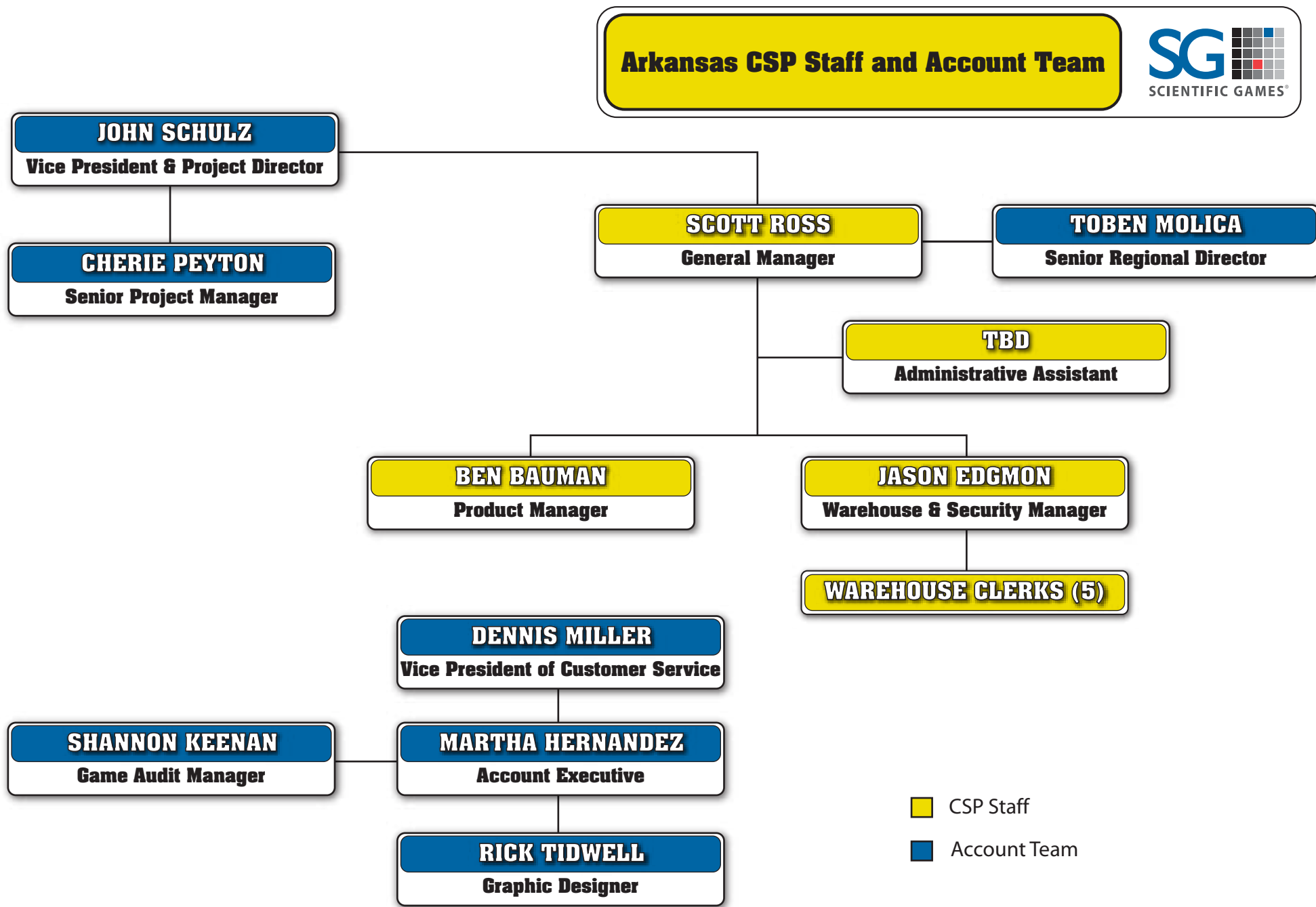


Figure 4-6: Arkansas CSP Staff and Account Team



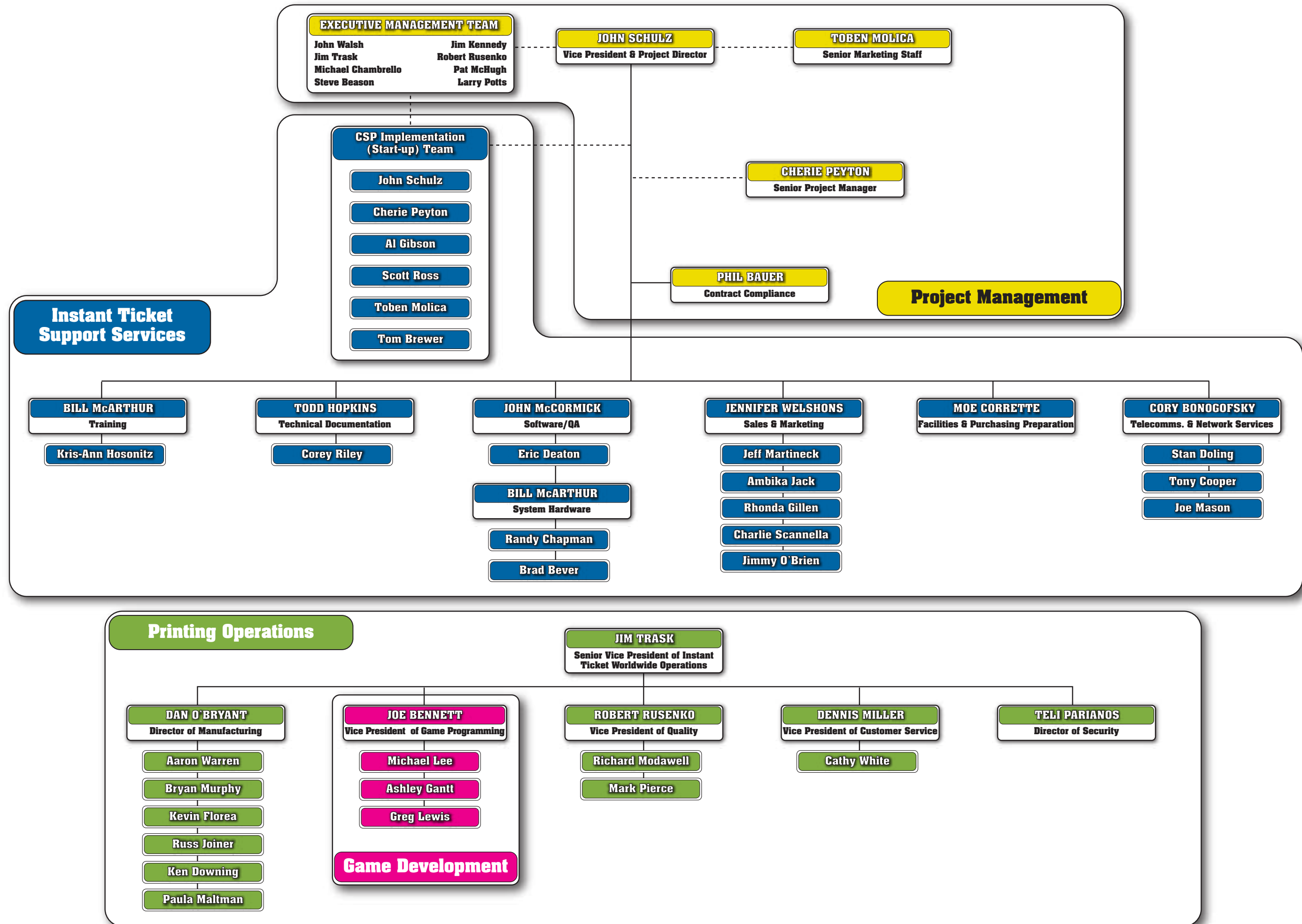


Figure 4-7: Arkansas Management, Supervisory, and Key Technical Personnel



- Arkansas Key Account Personnel
- Alpharetta, Georgia
- Alpharetta, Georgia
- Alpharetta, Georgia

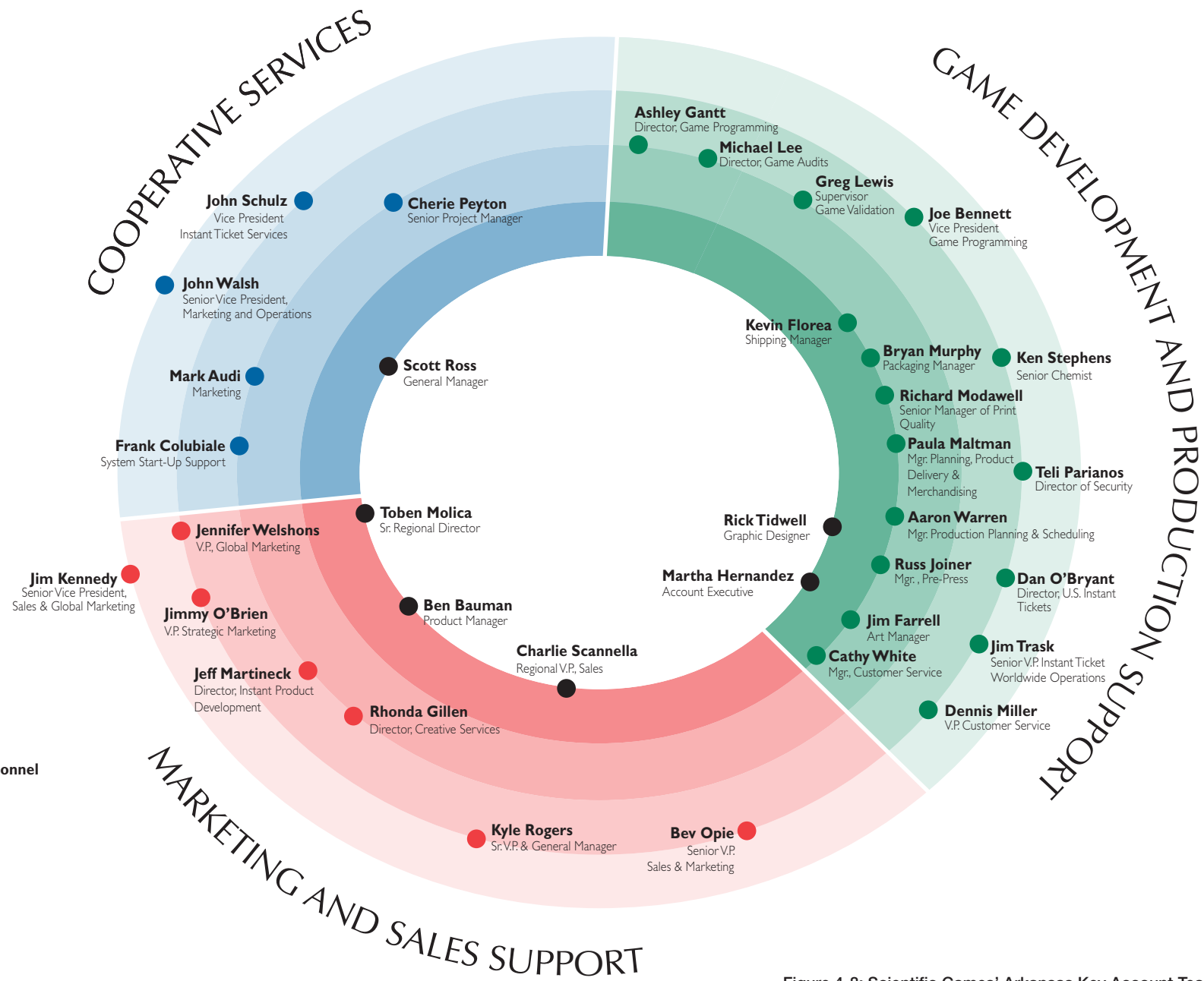


Figure 4-8: Scientific Games' Arkansas Key Account Team and Resources



NAME/TITLE	LOCATION	RESPONSIBILITIES	YEARS OF LOTTERY EXPERIENCE
<b>Start-Up and Key Account Personnel</b>			
Toben Molica, Senior Regional Director	Arkansas/Georgia	<ul style="list-style-type: none"> <li>■ Represent Lottery to company senior management</li> <li>■ Coordinate with company management and production</li> <li>■ Resolve critical scheduling and shipment issues</li> <li>■ Follow through on security issues</li> <li>■ Ensure customer satisfaction</li> </ul>	12 years
Martha Hernandez, Account Executive	Georgia	<ul style="list-style-type: none"> <li>■ Notify the Lottery of any operational printing issue</li> <li>■ Review prize structure designs</li> <li>■ Generate and review working papers</li> <li>■ Track games from manufacturing through delivery</li> </ul>	8 years
Rick Tidwell, Graphic Designer	Georgia	<ul style="list-style-type: none"> <li>■ Day-to-day development of game graphic designs</li> </ul>	7 years
Scott Ross, General Manager, Arkansas CSP Operations (on-site)	Arkansas	<ul style="list-style-type: none"> <li>■ Contract compliance for CSP</li> <li>■ Work with the Lottery to analyze inventory management, delivery, and handle production issues on a daily basis</li> <li>■ Work in Arkansas with the Lottery's instant product group</li> </ul>	28 years
Ben Bauman, Product Manager	Arkansas	<ul style="list-style-type: none"> <li>■ Overall sales and marketing assistance</li> <li>■ Create prize structure designs</li> <li>■ Develop lottery annual game plan</li> </ul>	2 years
Jason Edgmon, Warehouse and Security Manager	Arkansas	<ul style="list-style-type: none"> <li>■ Oversees entire warehouse operation</li> </ul>	6 years
John Schulz, Vice President, Instant Ticket Services	Georgia	<ul style="list-style-type: none"> <li>■ Corporate oversight of all CSP operations and management</li> </ul>	22 years

Figure 4-9: Scientific Games' Proposed ALC Key Account Team and Additional Resources

NAME/TITLE	LOCATION	RESPONSIBILITIES	YEARS OF LOTTERY EXPERIENCE
Cherie Peyton, Senior Project Manager	Arkansas/Georgia	■ Oversees new contract operations and start-up activities	5 years
Tom Brewer, Manager, Marketing and Operations	Arkansas/Georgia	■ Overall start-up support	27 years
Al Gibson, CSP General Manager	Arkansas/Florida	■ Overall start-up support	26 years
<b>Sales and Marketing</b>			
Jim Kennedy, Senior Vice President, Sales and Global Marketing	Georgia	■ Guide overall sales and marketing efforts ■ Consult with Lottery management on marketing issues	23 years
Jim O'Brien, Vice President of Strategic Marketing	Georgia	■ Consult with Lottery management on lottery industry trends and practices	25 years
Jeff Martineck, Director, Instant Product Development	Georgia	■ Development of added-value products and services	17 years
Rhonda Gillen, Director, Creative Services	Georgia	■ Develop new game content and designs ■ Responsible for creative services team	15 years
<b>Customer Service</b>			
Dennis Miller, Vice President, Customer Service	Georgia	■ Consult with Lottery regarding working paper development and customer service ■ Monitor adherence to working paper development quality procedures ■ Manage work load distribution	23 years

Figure 4-9: Scientific Games' Proposed ALC Key Account Team and Additional Resources



NAME/TITLE	LOCATION	RESPONSIBILITIES	YEARS OF LOTTERY EXPERIENCE
Jim Farrell, Art Manager	Georgia	<ul style="list-style-type: none"> <li>■ Oversee the development of graphic designs and ticket artwork</li> <li>■ Consult with the Lottery regarding graphic compatibility</li> <li>■ Monitor adherence to quality control and security procedures for game artwork development</li> </ul>	4 years
Cathy White Manager, Customer Service	Georgia	<ul style="list-style-type: none"> <li>■ Manage the day-to-day game development procedures; ensure the customer service supervisors and game coordinators have the tools and training they need to meet customer requirements</li> </ul>	21 years
<b>Research and Development</b>			
Jennifer Welshons, Vice President, Research and Planning	Georgia	<ul style="list-style-type: none"> <li>■ Provide strategic oversight of market research—focus groups, sales analysis, etc.</li> </ul>	8 years
Ambika Jack, Research Manager	Georgia	<ul style="list-style-type: none"> <li>■ Coordinates research, design surveys, and analyses qualitative and quantitative data</li> </ul>	3 years
Eric Mitchell, Director, Marketing Information Systems	Georgia	<ul style="list-style-type: none"> <li>■ Designs modules and systems to guide marketing efforts</li> </ul>	10 years
<b>Game Programming</b>			
Joe Bennett, Vice President, Game Programming	Georgia	<ul style="list-style-type: none"> <li>■ Oversee the development of game programming and information technology</li> </ul>	14 years
Ashley Gantt, Director, Game Generation	Georgia	<ul style="list-style-type: none"> <li>■ Supervise the game generation software architecture</li> </ul>	10 years

Figure 4-9: Scientific Games' Proposed ALC Key Account Team and Additional Resources

NAME/TITLE	LOCATION	RESPONSIBILITIES	YEARS OF LOTTERY EXPERIENCE
Michael Lee, Director, Game Audit	Georgia	■ Supervise the review of the game programming for “Spirit of the Game” and accuracy	15 years
Greg Lewis, Supervisor, Game Validation	Georgia	■ Supervise the development and transmission of the validation files and response to Lottery questions	2 years
<b>Production and Quality Control</b>			
Jim Trask, Vice President, Manufacturing Operations	Georgia	<ul style="list-style-type: none"> <li>■ Oversee production and quality of instant lottery games</li> <li>■ Consult with the Lottery regarding manufacturing and production issues</li> </ul>	39 years
Robert Rusenko Vice President, Quality	Georgia	■ Ensure quality and continuous improvement on a corporate-wide basis	21 years of quality industrial experience
Dan O’Bryant, Director, U.S. Instant Tickets	Georgia	<ul style="list-style-type: none"> <li>■ Oversee and guide the manufacturing processes</li> <li>■ Oversee the secure instant ticket manufacturing processes</li> </ul>	9 years of lottery experience 34 years in the printing industry
Richard Modawell, Senior Manager, Print Quality	Georgia	<ul style="list-style-type: none"> <li>■ Oversee instant ticket quality control and assurance</li> <li>■ Implement instant ticket quality and security procedures</li> </ul>	12 years
Ken Stephens, Senior Chemist	Georgia	■ Develop and oversee ink formulation and development	4 years

Figure 4-9: Scientific Games’ Proposed ALC Key Account Team and Additional Resources

NAME/TITLE	LOCATION	RESPONSIBILITIES	YEARS OF LOTTERY EXPERIENCE
Teli Parianos, Director, Security	Arkansas/Georgia	<ul style="list-style-type: none"> <li>■ Maintain a secure production facility for the manufacture of instant games</li> <li>■ Provide written security plan that describes the security measure associated with game design, game generation, ticket production, ticket storage, ticket transportation, plant security, data security and disposition of waste</li> </ul>	15 years
Russ Joiner, Manager, Pre-Press	Georgia	<ul style="list-style-type: none"> <li>■ Oversee the conversion of game artwork into press plates</li> <li>■ Provide ink drawdowns and color keys</li> <li>■ Review press instructions developed from executed working papers</li> </ul>	2 years
Paula Maltman, Manager, Planning Product Delivery & Merchandising	Georgia	<ul style="list-style-type: none"> <li>■ Develop finishing schedules that provide quick turnarounds and flexibility</li> </ul>	17 years
Aaron Warren, Manager, Planning, Production and Scheduling	Georgia	<ul style="list-style-type: none"> <li>■ Responsible for scheduling five presses</li> <li>■ Review press schedule to ensure adequate lead times for all deliveries</li> <li>■ Work with customer service team for cost effective production of high quality products with on-time delivery</li> </ul>	7 years
Bryan Murphy, Packaging Manager	Georgia	<ul style="list-style-type: none"> <li>■ Oversee daily packaging operations</li> </ul>	19 years logistics experience
Kevin Florea, Shipping Manager	Georgia	<ul style="list-style-type: none"> <li>■ Oversee daily shipping operations</li> </ul>	8 years in shipping operations

Figure 4-9: Scientific Games' Proposed ALC Key Account Team and Additional Resources

NAME/TITLE	LOCATION	RESPONSIBILITIES	YEARS OF LOTTERY EXPERIENCE
<b>MDI Promotions and Licensed Properties</b>			
Kyle Rogers, Senior Vice President and General Manager	Georgia	■ Oversee management of licensed properties	14 years
Charlie Scannella, Regional Vice President, Sales	Georgia	■ Plan and execute licensed property games	19 years
<b>Cooperative Services Management</b>			
John Walsh, Senior Vice President, Global Sales and Services	Georgia	■ Corporate oversight of all CSP contracts	26 years

Figure 4-9: Scientific Games' Proposed ALC Key Account Team and Additional Resources

## UNIQUE STAFF FUNCTIONS

Scientific Games is rich in personnel resources and more specifically start-up experience. **Our proposed start-up and ongoing account team represents over 140 years of lottery-specific knowledge.** In addition to this team, Scientific Games has additional unique staff/department functions that are dedicated to assist the ALC with achieving maximum net revenue from the sale of instant ticket games. Below we identify many distinct staff functions that we will make available to the Lottery to ensure that your net revenue goals and objectives are achieved.

## SALES AND MARKETING

Scientific Games' ongoing commitment to assist lotteries with strategic planning, game planning and marketing has earned us the distinction as the leader for providing total business solutions to support the instant product category. To Scientific Games the instant game is much more than a ticket—it is a product that requires a sound marketing and distribution plan, provides an entertaining experience and compliments the lottery's other products.

Our value-added support includes, but is not limited to:

- State-of-the-industry presentations that provide insight into current instant game marketing strategies and tactics of the top 16 per capita U.S. lotteries
- Sales and individual game attribute analyses
- Industry analyses of prize payouts and their effect on sales and net revenue

The professionals within our sales and marketing department are listed in **Figure 4-10**.

NAME	TITLE	RESPONSIBILITY
<b>Sales and Marketing</b>		
Jim Kennedy	Senior Vice President, Sales and Global Marketing	<ul style="list-style-type: none"> <li>■ Guide overall sales and marketing efforts</li> <li>■ Consult with Lottery management on marketing issues</li> </ul>
Jimmy O'Brien	Vice President of Strategic Marketing	<ul style="list-style-type: none"> <li>■ Consult with Lottery management on lottery industry trends and practices</li> </ul>
Jeff Martineck	Director of Instant Product Development	<ul style="list-style-type: none"> <li>■ Develop added-value products and services</li> </ul>
Rhonda Gillen	Director, Creative Services	<ul style="list-style-type: none"> <li>■ Develop new game content and designs</li> </ul>

Figure 4-10: Scientific Games' Senior Sales and Marketing Resources



## RESEARCH AND DEVELOPMENT

Instant games that generate buzz in the marketplace must have a strong marketing plan. To build a strong marketing plan, you must have accurate local, state and industry information as well as data that tells you the likes and dislikes of the lottery consumer. Scientific Games believes that one of the best ways to access this information is through market research. Decisions regarding game development, game planning, marketing advertising, distribution and promotions can all be influenced by market research.

Virtually any type of market research that the ALC requires—qualitative or quantitative—is available through Scientific Games. Some of the research methodologies we use are:

- Segmentation Studies
- Custom Studies
- Tracking Studies
- Concept Testing
- Consumer Focus Group Testing
- Retailer Focus Group Testing

Leading the company's research programs for lotteries is Ms. Jennifer Welshons, Vice President of Research and Planning. Jennifer manages all aspects of client research projects with internal personnel, as well as outside vendors. She works with clients on overall project design, questionnaire design and analysis to best meet their research needs. In addition, she conducts various ad-hoc analyses for lottery clients.

The primary management research professionals in this department are listed in **Figure 4-11**.

NAME	TITLE	RESPONSIBILITY
<b>Research and Development</b>		
Jennifer Welshons	Vice President, Research and Planning	■ Provide market research – focus groups, sales analysis, etc.
Eric Mitchell	Director, Marketing Information Systems	■ Provide demographic, spatial and statistical analyses on consumer and customer data
Ambika Jack	Research Manager	■ Coordinates focus groups and collects and analyzes lottery sales data



Figure 4-11: Scientific Games Primary Research Resources

## MDI PROMOTIONS AND LICENSED PROPERTIES

MDI Entertainment is a division of Scientific Games that specializes in creating and implementing entertainment-based promotions for the lottery industry and extensive experience in aiding lotteries in their promotional efforts. MDI has the largest library of licensed brands in the lottery industry which are used to bring in new players and to heighten awareness of the instant game category among players.



Assigned to the ALC account from MDI, is Regional Vice President of Sales, Charlie Scannella.

The key MDI professionals are listed in **Figure 4-12**.

NAME	TITLE	RESPONSIBILITY
<b>MDI Promotions and Licensed Properties</b>		
Kyle Rogers	Senior Vice President and General Manager	■ Oversee management of licensed properties
Charlie Scannella	Vice President, Regional Sales	■ Plan and execute licensed property games
Bob Kowalczyk	Vice President, Internet Services	■ Manage 2nd Chance internet services

Figure 4-12: Scientific Games/MDI Promotion Resources



## RETAIL SOLUTIONS

Formed in September 2003 to create and deliver new products and services in the retailer market, Scientific Games' Retail Solutions has an array of innovative lottery products, including:

- **SalesMaker™** – A focused, comprehensive training program for increasing lottery product sales and profits at retail
- **PlayCentral®** – The world's first interactive, self-service full function lottery kiosk, featuring vibrant graphics, touchscreen technology, state-of-the-art accounting and security, and capable of selling all online lottery games and up to 24 instant games.
- **ConvenienceCentral™** – A totally customizable clerk-operated vending system selling online and instant games directly through the cash register accounting system.

Our most recent addition to this group is Jeff Sinacori, Vice President of Retail Solutions.

Through a combination of retailer education programs, combined with a benchmarking system, retailers are shown the dramatic difference SalesMaker can make to their business and profits. SalesMaker is designed to train retailers on how to implement Lottery best practices to achieve significant retail sales growth. In addition, and as desired, Lottery sales staff can be trained in the program.



NAME	TITLE	RESPONSIBILITY
<b>Retail Solutions</b>		
Jeff Sinacori	Vice President, Retail Development	<ul style="list-style-type: none"> <li>Responsible for SalesMaker, a focused, comprehensive program designed to increase lottery-product sales and profits at retail</li> </ul>
Janine Whiteman	Senior Director, Retail Solutions	<ul style="list-style-type: none"> <li>Recommend appropriate ticket distribution devices</li> <li>Implement Scientific Games' ITVMs (PlayCentral) and retail lane devices (ConvenienceCentral)</li> </ul>



Figure 4-13: Scientific Games' Retail Solutions Team

## 4.7 COMPUTATION OF LIQUIDATED DAMAGES

**RFP Requirement:** A Vendor must propose a program of liquidated damages to cover the damages listed in Section 1.8 and provide the rationale and the computation formula used to determine the level of damage penalties that are included in this response. All proposed liquidated damages amounts shall be subject to approval of the ALC.

Scientific Games understands and agrees that it is difficult to ascertain actual damages arising from the occurrence of the following events. Therefore, Scientific Games offers the following amounts as reasonable estimates of damages that may be incurred by the Lottery should such event take place, which amounts shall not be imposed as a penalty by the Lottery. Liquidated damages shall not be assessed in the event the Lottery is not damaged. In the event such liquidated damages are assessed by the Lottery, it shall be the Lottery's sole remedy for the corresponding incident. The parties agree that liquidated damages will not be assessed by the Lottery under multiple provisions relating to a single incident. Scientific Games shall not be liable for liquidated damages to the extent the incident was caused by the Lottery, its retailers, third parties, communications failures or events of Force Majeure.

The Lottery shall notify Scientific Games in writing of a proposed assessment of liquidated damages prior to such assessment becoming due and payable. Such assessment must be made within six months of the incident, or such liquidated damages are deemed waived by the Lottery. Scientific Games shall have the right to object to any such assessment within ten business days following its receipt of the notice. In the event Scientific Games does object to any such

assessment, the parties shall schedule a time to discuss such assessment. Any portion of liquidated damages assessed to which Scientific Games does not object shall be due and payable.

Scientific Games proposes the following liquidated damages:

- A. **Delay in the start of the lottery:** In the event the date on which instant lottery tickets sales are to commence as mutually agreed upon between the vendor and ALC (or such later date as may be subsequently determined by the ALC in its sole discretion) is delayed as a result of Scientific Games facility being unavailable for distribution of tickets, Scientific Games will be assessed liquidated damages in an amount of up to \$50,000 per day with respect to each day from the mutually agreed upon instant ticket sales date until the date on which instant lottery ticket sales commence.
- B. **Delay in the start of a new game:** In the event the start of any lottery instant ticket game occurs after the start date established in the executed working papers for such game (a “Game Start Date”) as a result of vendor’s actions or omissions, vendor will be assessed liquidated damages in an amount equal to \$10,000.00 per day with respect to each day after such Game Start Date until the date on which the ALC can reasonably begin such instant ticket game.
- C. **Shortage of tickets:** In the event the ALC is unable to fill orders from its retailers for lottery instant tickets for any lottery instant ticket game as a result of vendor’s actions or omissions, vendor will be assessed liquidated damages in an amount equal to \$10,000.00 per day that such shortage continues.
- D. **Failure to distribute tickets within two business days of ordering:** In the event vendor fails to distribute tickets in accordance with this agreement within two business days of notice of the ALC ordering, vendor will be assessed liquidated damages in an amount equal to \$50.00 per day, per retailer, with respect to each day after such two day period until the date on which such lottery instant tickets are actually delivered by vendor.
- E. **Security violations:** In the event of any unauthorized access by any person to any lottery instant ticket printing, storage, packaging or warehousing areas, or any theft of or tampering with any lottery instant tickets in any such area, vendor will be assessed liquidated damages in an amount equal to \$1,000.00 per occurrence. Vendor shall take steps to prevent unauthorized access to the computer system and data files used in its duties. Upon detection of any attempt of unauthorized access to the computer system and/or data files, the vendor shall notify the ALC’s chief security officer immediately upon detection and shall take all actions requested by the ALC to limit or minimize the disruption, threat or damage resulting there from. Vendor will be assessed liquidated damages in an amount equal to \$10,000.00 per occurrence for

failure to follow the agreed upon procedures. Should any one of the security systems at the warehouse fail, the vendor shall report the outage to the ALC's chief security officer immediately upon detection and shall take all actions requested by the ALC to limit or minimize the disruption, threat or damage resulting there from. Vendor will be assessed liquidated damages in an amount equal to \$5,000.00 per occurrence for failure to follow the agreed upon procedures.

- F. **Untimely reports:** Vendor and the ALC will mutually agree as to the types of reports to be provided and the time of delivery of such reports. In the event vendor fails to deliver such reports to the ALC by the agreed upon time, vendor will be assessed liquidated damages in an amount equal to \$100.00 per day that it is late per report.
- G. **Working papers–untimely or unauthorized modifications:** Vendor and the ALC will mutually agree as to the format of working papers to be provided and the time of delivery of such working papers. In the event vendor fails to deliver such working papers to the ALC by the agreed upon time, vendor will be assessed liquidated damages in an amount equal to \$1,000.00 per day that it is late per working papers. Vendor shall not make any material modifications to executed working papers without the prior written approval of the ALC. In the event vendor breaches the foregoing sentence, vendor will be assessed liquidated damages in an amount of \$1,000.00 per occurrence.
- H. **Defective or nonconforming tickets:** In the event an ALC instant ticket appears on its face to be a winning ticket, but has not been validated as such, is presented for payment and payment is authorized and made by the Lottery, vendor will be assessed liquidated damages in an amount equal to the prize paid on such ticket, unless such apparent winning ticket is a counterfeit ticket, or the caption does not match the prize symbol, or it has been tampered with in any manner; and in any event, such ticket shall be presented to vendor for examination and analysis.
- I. **Incomplete or incorrect game validation files:** In the event an ALC instant ticket validation file produced by vendor is incomplete or incorrect, vendor will be assessed liquidated damages in the amount of \$1,000.00 per occurrence.

Scientific Games understands that all liquidated damages will be subject to approval of the ALC.

## 4.8 VENDOR EXPERIENCE

**RFP Requirement:** A Vendor, and its joint ventures, strategic partners, and prime contractor team members must outline their experience in the marketing, creative design, computer programming for ticket generation, imaging, ticket production, distribution, warehousing, and inventory control and security of instant lottery games, including instant ticket game start-up experience, as well as that of their subcontractors.

A Vendor must demonstrate overall experience in the functions described in this RFP. In addition, the joint ventures, strategic partners, prime contractor team members, and subcontractors proposed to perform specific tasks, duties or functions must clearly document that they possess the qualifications and experience necessary to fulfill the relevant requirements of the RFP.

The ALC reserves the right to verify all information provided via direct contact with a Vendor's joint venture's, strategic partner's, prime contractor team member's, and subcontractor's prior project or client personnel, and a Vendor and its joint ventures, strategic partners prime contractor team members, and subcontractors agree to provide any release necessary for the ALC to check on any previous projects. Misstatements of experience, scope of prior projects, or results thereof may result in the disqualification of the Proposal.

### SCIENTIFIC GAMES IS THE MOST EXPERIENCED START-UP PARTNER IN THE INDUSTRY TODAY

With 36 years in the lottery industry, Scientific Games has gained a wide range of experience in the creative design, game programming, inventory control, warehousing, distribution, overall product security and production of instant lottery games. Since 1974, Scientific Games has printed 300 billion lottery tickets for over 120 lotteries worldwide. In addition, Scientific Games has been the start-up provider for 34 of the 44 U.S. lotteries. No other vendor can make this claim. While evaluating our experience please consider these important facts:

#### ***Start-Up And Instant Ticket Game Facts***

- Over our 35+ year history, Scientific Games has helped start-up 68 lotteries around the world.
- Most recently we started up the last four new lotteries including, Oklahoma, Tennessee, South Carolina and North Dakota—as well internationally, for the China Sports Lottery.
- We were the start-up provider for 34 of the 44 U.S. lotteries (including District of Columbia and U.S. Virgin Islands).
- In fact since 2002, no lottery vendor has more domestic start-up experience than Scientific Games.
- Start-up projects successfully completed since 2002 includes:
  - Oklahoma Education Lottery: Online and Instant Gaming and Cooperative Services (October 2005)
    - This lottery was launched in then-industry-record time but also ahead of schedule and without any major issues.
    - The gaming system for both instant and online was up and running in 51 days.
    - Lottery sales topped \$3 million on the Lottery's third day.

- North Dakota Lottery: Online Services (March 2004)
- Tennessee Education Lottery, Instant Gaming and Cooperative Services (January 2004)
  - Contract was signed on December 2, 2003 and instant sales start-up was on January 20, 2004: just 55 days!
- South Carolina Education Lottery, Online and Instant Gaming and Cooperative Services (January 2002)
  - Contract was signed on November 1, 2001 and instant sales start-up was on January 7, 2002: 68 days!
- Please note that since 2002, Scientific Games also provided the start-up of video gaming in Maine in 2005.
- Our start-up experience includes lottery jurisdictions as large as California (population 35 million) and as small as West Virginia (1.8 million).
- Currently we operate Cooperative Services programs for 11 U.S. lotteries and seven lotteries internationally.
- Scientific Games provides instant lottery tickets for 41 U.S. lotteries—more than all other of our competitors combined.
- Our proposed team of customer service, game programming, instant ticket production, security and cooperative services professionals represents over 634 years of combined lottery knowledge.
- We provided more games than all other suppliers combined, approximately 2,200 games produced in 2008 alone.
- With five presses and 14 packaging lines, Scientific Games prints, packages and ships over 22 million 2" x 4" equivalent tickets a day with a top end capacity of 28.6 million per day.
- Our net production of 24 billion tickets at our Alpharetta print facility alone exceeds all U.S. vendors combined.

## SCIENTIFIC GAMES' LOTTERY START-UPS

**Figure 4-14** represents the lottery jurisdictions for which Scientific Games provided start-up services.

YEAR	STATE
2005	Oklahoma
2004	North Dakota (online only), Tennessee
2002	South Carolina
1996	New Mexico
1994	U.S. Virgin Islands
1993	Nebraska, Georgia
1989	Kentucky
1988	Florida, Virginia, Wisconsin
1987	Montana, South Dakota
1986	West Virginia, Missouri
1985	Oregon, Iowa, California
1983	Colorado
1982	District of Columbia, Washington
1981	Arizona
1980	Maine and Vermont (online)
1976	Scientific Games provides New York Lottery with its first Instant Lottery game (125 million tickets). Quantity hastened search for technology to replace sheet-fed printing.
1975	Develops first back-office system for Instant Lottery game accounting and validation (Illinois, Michigan and Maryland lotteries).
1974	Prints world's first secure Instant Lottery game (25 million tickets for Massachusetts Lottery).
1971	New Jersey: World's first on-line lottery system

Figure 4-14: U.S. Lottery Start-Ups

## CSP Start-Ups

Scientific Games has transitioned existing lotteries to CSP since 1985, when we pioneered the privatization of instant warehousing and distribution for the New York Lottery.

We have also started up four of the last four new lotteries under a CSP contract.

Since 1985, Scientific Games has transitioned the following domestic lotteries to CSP: Arizona, Delaware, D.C., Florida, Kentucky, Maine, New Mexico, New York, Ohio, Pennsylvania, Virginia and West Virginia.

## Scientific Games – Unmatched Printer of Instant Lottery Games

From our production of the world's first instant lottery game ticket in 1974 to generating the industry's highest output of over 35 billion 2" x 4" equivalent tickets from our North American facilities for 2008, Scientific Games' experience is unmatched in the industry today.

Since its founding in 1973, Scientific Games has specialized in the secure development and production of instant lottery games for lotteries across the globe. In our 36-year history we have succeeded in becoming the largest and most experienced supplier in the world, printing over 300 billion instant game tickets since our inception.

In addition, Scientific Games also has access to the largest library of instant games, over 20,000, from which to select and/or build game plans.

With the acquisition in 2007 of OGT, Scientific Games now has six printing facilities on five continents—with two printing plants located in North America. **These facilities combined represent 12 presses, 1,800 employees dedicated to the instant product, 820,000 square feet of manufacturing space, and a total worldwide print capacity of 51 billion 2" x 4" equivalent tickets.**

Through innovation and partnership with customers around the world, Scientific Games has been driving results for lotteries for over 36 years. From the introduction of the first secure instant lottery ticket in 1974 to the debut of the first interactive, full-function self-service lottery kiosk, we have consistently been at the forefront of delivering business solutions to help lotteries increase sales and maximize revenue for beneficiaries.



Figure 4-7: First Secure Instant Lottery Ticket Ever Printed in 1974



Scientific Games is capable of meeting the needs of the ALC through its proven industry experience and resources as the world's leading instant ticket printer. Scientific Games has the industry's largest most modern lottery presses in the world and has invested over \$55 million over the past eight years to ensure that lotteries will have the highest quality and secure instant tickets from our operations. With such resources of equipment and seasoned, experienced lottery personnel, Scientific Games delivers instant tickets with the assurance that the games will deliver on-time, every time.

Our manufacturing facility in Alpharetta, Georgia offers unsurpassed print technology in the industry and combining this with our sales and marketing support personnel, Scientific Games can deliver on the promise of exciting instant games for the ALC instant game players. Our facility operates under a complete ISO-9001 Quality Assurance program that assures customers of the highest standards of manufacturing excellence along with secure manufacturing processes focused on game integrity and physical security.

Our operation has secure warehousing and shipment areas that further ensure the highest level of control and accountability of the product as it prepares to move from our facility to your warehouse.

With over 36 years of lottery printing, a library of over 21,000+ instant ticket games, and the marketing knowledge that comes from partnering with lotteries in the fastest growing instant ticket markets of the past five years, Scientific Games looks forward to bringing its industry leading resource to the Arkansas marketplace to support the ALC in its efforts to maximize revenues for the support of higher education scholarships.

### ***Scientific Games' Industry Firsts***

After producing over 300 billion lottery tickets, Scientific Games has had the opportunity to provide our customers every possible ticket feature and service. We've even introduced many innovations to the industry that are now considered standard instant ticket features. **Figure 4-8** lists some of the innovations Scientific Games has made to the instant ticket lottery industry.

<b><i>SCIENTIFIC GAMES' FIRSTS</i></b>	
<b>1972</b>	Develops and produces pouch games
<b>1973</b>	Develops algorithmic solution that permits production of world's first secure Instant Lottery game

Figure 4-8: Scientific Games' Firsts



<i>SCIENTIFIC GAMES' FIRSTS</i>	
<b>1974</b>	Prints world's first secure Instant Lottery game (25 million tickets for Massachusetts Lottery)
<b>1975</b>	Develops first back-office system for Instant Lottery game accounting and validation (Illinois, Michigan and Maryland lotteries)
	Introduces retailer validation codes, a security method allowing retailers to confirm low-tier winning tickets and correct prize amount, safeguarding them against fraudulent attempts to cash non-winning tickets
<b>1976</b>	Pioneers collector cards in connection with the Instant Lottery game
	Provides New York Lottery with its first Instant Lottery game (125 million tickets); Quantity hastened search for technology to replace sheet-fed printing
<b>1977</b>	Implements first computer-controlled ink-jet imagers for printing variable data in the play area; innovation would soon render obsolete the sheet-fed method of printing Instant Lottery tickets
	Pioneers marketing concept of keeping Instant Lottery games on sale at all times; previously, a game was allowed to sell out before replaced with a new one
<b>1978</b>	Introduces label games, in which self-adhesive labels are applied to various products in creative ways
	Design lottery games for Loto Canada
	Prints industry's first ink-jet imaged tickets (United Kingdom, Littlewoods)
<b>1979</b>	Pioneers concept of offering players multiple play styles on a single ticket (Ladbrokes – United Kingdom)
<b>1980</b>	Introduces doubling and add-up features on instant games (Michigan)
<b>1981</b>	Introduces ZIP Code-based analysis as a lottery market research tool
	Start-up supplier to Arizona Lottery
	Develops software to meet customer demand for more system functionality; initial implementation in Arizona paves way for telemarketing (Tel-Sell) and Guaranteed Low-End Prize Structure (GLEPS) accounting

Figure 4-8: Scientific Games' Firsts

<i>SCIENTIFIC GAMES' FIRSTS</i>	
<b>1982</b>	Introduces computerized weekly analysis of sales trends as another market research tool for lotteries
	Introduces off-line dual pass printing, significantly enhancing instant game security once tickets are distributed to retailers
	Start-up supplier to DC Lottery
	Start-up supplier to Washington State Lottery; implements industry's first automated Tel-Sell marketing system
	Introduces retailer validation codes on instant tickets to further enhance security of the product
<b>1983</b>	Introduces lottery industry to Values and Lifestyles (VALS) psychographic consumer research
	Introduces Bonus Play, a direct mail coupon promotion based on market analysis
	Introduces enhanced computerized accounting system for instant tickets
	Produces games with multiple scenes
	Produces games on paper stock (foil-free)
	Design Hybrid games (instant and passive)
	Start-up supplier to Colorado Lottery; introduces instant game progressive jackpot prize wheel
<b>1984</b>	Introduces video instant games in Illinois
	Introduces Instant Lottery System (ILS), the industry's first integrated software package for accounting, distribution, inventory control, marketing and validation
<b>1985</b>	Pioneers Cooperative Services Program (CSP) concept in New York, a shared-risk concept to streamline a lottery's operations, reduce its costs and maximize its revenue
	Debuts the first multi-state online lottery game in the U.S. (for Maine, New Hampshire and Vermont)
	Introduces LION, the industry's first online retail terminal with a built-in, animated, full-colour consumer display for advertising to the consumer at the point-of-sale
	Develops and introduces multi-coloured benday patterns
	Start-up supplier to Oregon, Iowa and California lotteries
<b>1986</b>	Introduces Winner Integrity Number (WIN) code system to detect delaminated tickets
	Prints multi-coloured variable overprint designs
	Start-up supplier to West Virginia and Missouri lotteries

Figure 4-8: Scientific Games' Firsts

<i>SCIENTIFIC GAMES' FIRSTS</i>	
<b>1987</b>	Start-up supplier to Montana Lottery
	Develops and introduces technology enabling ink-jet imaging of bar codes on instant tickets (Vermont)
	Scientific Games system helps launch LottoAmerica, predecessor to Powerball® game
<b>1988</b>	Start-up supplier to Florida, Virginia and Wisconsin lotteries
	Introduces synchronized ink-jet imaging technology enabling lotteries to print play data and validation information on the front of the ticket and move the bar code to the back (Maine)
	Produces multiple games across the web
	Develops and produces die-cut lottery tickets
	Integrates first-ever bar code system into ILS II (system) for instant ticket validation and full cross-redemption with GLEPS accounting (players no longer required to cash winning tickets at same retailer where purchased)
<b>1989</b>	Debuts industry's first open online lottery system for Austrian lottery
<b>1990</b>	Start-up supplier to national lotteries in Mexico and Taipei, Taiwan
	Introduces games on secure recycled paper stock
<b>1991</b>	Invents and patents two-pass imaging process for unlimited play patterns on Bingo and Crossword games
	Develops first Bingo scratch ticket in the world for the Atlantic Lottery Corporation
	Produces Bingo ticket with unlimited play patterns
<b>1992</b>	Introduces industry's first bar coded pull-tab tickets (Kentucky)
	Produces first Bingo ticket in U.S. for the Kentucky Lottery
	Develops Thermochromatic Ink (anti-photocopy)
	Pioneers technology (Terra 2000™) allowing instant tickets to be printed securely on recyclable, plain paper instead of non-environmentally friendly foil-laminated card stock
<b>1993</b>	Develops ticket design contest with college credit – WINNING CONCEPTS®
	Start up supplier to the Netherlands and Virgin Islands lotteries
	Start-up supplier to Georgia, Nebraska and Greece lotteries
<b>1994</b>	Invents and patents Simulated Foil™ process on paper tickets
	Creates Monopoly® game using the original board concept
	First U.S. industry supplier to receive ISO 9002 certification of its quality management system

Figure 4-8: Scientific Games' Firsts

<i>SCIENTIFIC GAMES' FIRSTS</i>	
<b>1995</b>	Introduces automatic, one-step, keyless validation of instant tickets (SciScan Technology) that eliminated retailers' required a three-step manual process
	Invents and develops MegaColor™ integrated graphic process
	Develops and patents four-colour process overprint (FouReal®)
	Start-up supplier to the United Kingdom National Lottery
	Produces first full-function bar coded pull-tab tickets (Kentucky) enabling them to be validated the same way as instant tickets
<b>1996</b>	Introduces dual-colour imaging on instant tickets (Delaware)
	Develops and patents FailSafe™ multi-dimensional bar code system
	Develops Crossword in Australian business unit
	First supplier to bring open system solution (AEGIS®) to U.S. lottery industry; previously, proprietary closed systems dominated online lottery operations
	Introduces first secure instant probability games (Winner's Choice™)
<b>1997</b>	Start-up supplier to National Lottery in Zimbabwe
	Develops water-based gloss coatings
<b>1999</b>	Create Dream Team™ – a game development “think tank”
	Develop secure probability games for testing and product roll-out
	Develop Smart Card applications for lottery products
	Implement secure probability game validation process
	Industry's first simultaneous, dual online system conversion (Maine and Iowa)
<b>2000</b>	Fullline™ start-up supplier (instant and online) to South Carolina Lottery; introduces industry's first Internet Protocol Virtual Private Network (IP VPN) telecommunications system to securely transmit data between central system and online terminals for greater communications cost efficiencies and flexibility
	Produce (in partnership with the Oregon Lottery), pouch game with two separately numbered and tracked inserted game pieces
	Conduct successful Probability Game field test of two games with Rhode Island Lottery retailers
	Introduce original, new pop-up product design featuring an interactive play action on one ticket
	Sign agreement with Ingenio to sell and distribute CD-ROM games in the lottery industry

Figure 4-8: Scientific Games' Firsts

<i>SCIENTIFIC GAMES' FIRSTS</i>	
<b>2001</b>	Introduces Colormark™ marking system so players can more easily identify winning patterns on Extended Play games (e.g., Bingo, Crossword)
	Sign exclusive contract with Slingo® to adapt and sell patented game play format in the lottery industry
	Develop revolutionary, modular cooperative services for warehousing, distribution, inventory control and tele-services called Global Operations Lottery Distribution System (GOLDS)
<b>2002</b>	Introduces Remote Color Signoff™ system allowing lotteries to sign-off on press proofs from their own offices without travel
	Develop first catalog of unique holiday game designs and innovations
	Form strategic alliance with Netgame to offer m-gaming
	Receive ISO 9001:2000 certification
<b>2003</b>	Introduces Touch-Tabs™ (electronic pull-tab games) and Touch-Tabs kiosk (self-service electronic pull-tab dispensing device)
	Introduces PlayCentral®, the world's first interactive, full-function, self-service lottery kiosk as a total solution for the retail automation of the sale and accounting of all lottery products, including up to 28 instant games and multiple online games
	Introduces ConvenienceCentral™, a new vending solution that brings lottery vending right to the cash register at large, multi-lane stores
	First supplier to bring real-time online transaction processing to Latin America; first to deploy a fully cellular wireless lottery communications network in Peru
	Introduces LC3™ as the first electronic game cards in Iowa
	Begin printing multiple imaging colours under the scratch-off
	Develop CyberSlingo® interactive instant/web-based game
<b>2004</b>	Start-up supplier to the Tennessee Education Lottery Corporation
	Create and patent the new play action for Double Dare
	Produce promotional pouch with baseball cards for the Maryland Lottery
	Form a strategic alliance with Bell Canada to offer web hosting
	Launch first Internet lottery game, Cyber Slingo in North America with New Jersey Lottery

Figure 4-8: Scientific Games' Firsts

<i>SCIENTIFIC GAMES' FIRSTS</i>	
<b>2005</b>	Start-up instant warehousing distribution and systems supplier for the Oklahoma Education Lottery Corporation
	Converted Ohio Lottery to CSP warehousing and distribution operation
	Receive SMART-TECH award for Mobile Gaming "Bright Idea"
<b>2006</b>	Acquired Global Draw a leading supplier of fixed odds betting terminals and systems, and interactive sports betting terminals and systems
	Acquired EssNet AB an international online lottery technology provider
	Acquired TeleCom Game Factory a leader and innovator in lottery gaming and drawing systems
	Acquisition of Games Media, a UK based company developing, publishing and selling "Amusement With Prizes" (AWP) machines, "Skill With Prizes" (SWP) machines and related content for the UK public house market
	Develop unique Sudoku™ game play action
	Launch first two-sided scratch-off game with Idaho Lottery
<b>2007</b>	Conversion of Pennsylvania Lottery warehouse operations to new SciTrak sorter system
	Inauguration of newest flexo press (Press 6) in Alpharetta, Georgia
	Acquisition of Oberthur Gaming Technologies
	First lottery vendor to achieve NASPL certifications for software development and quality best practices
	Formation of joint venture with leading Chinese technology company, Inspur, to launch instant tickets in the Shandong Province of China
	Acquisition of a 50% interest in the ownership of Guard Libang, a leading provider of instant lottery ticket cooperative services in China
<b>2008</b>	Successful launch of China Sports Lottery instant tickets
	Contract to provide 25,000 Leonardo/WAVE™ terminals to Sisal in Italy

Figure 4-8: Scientific Games' Firsts

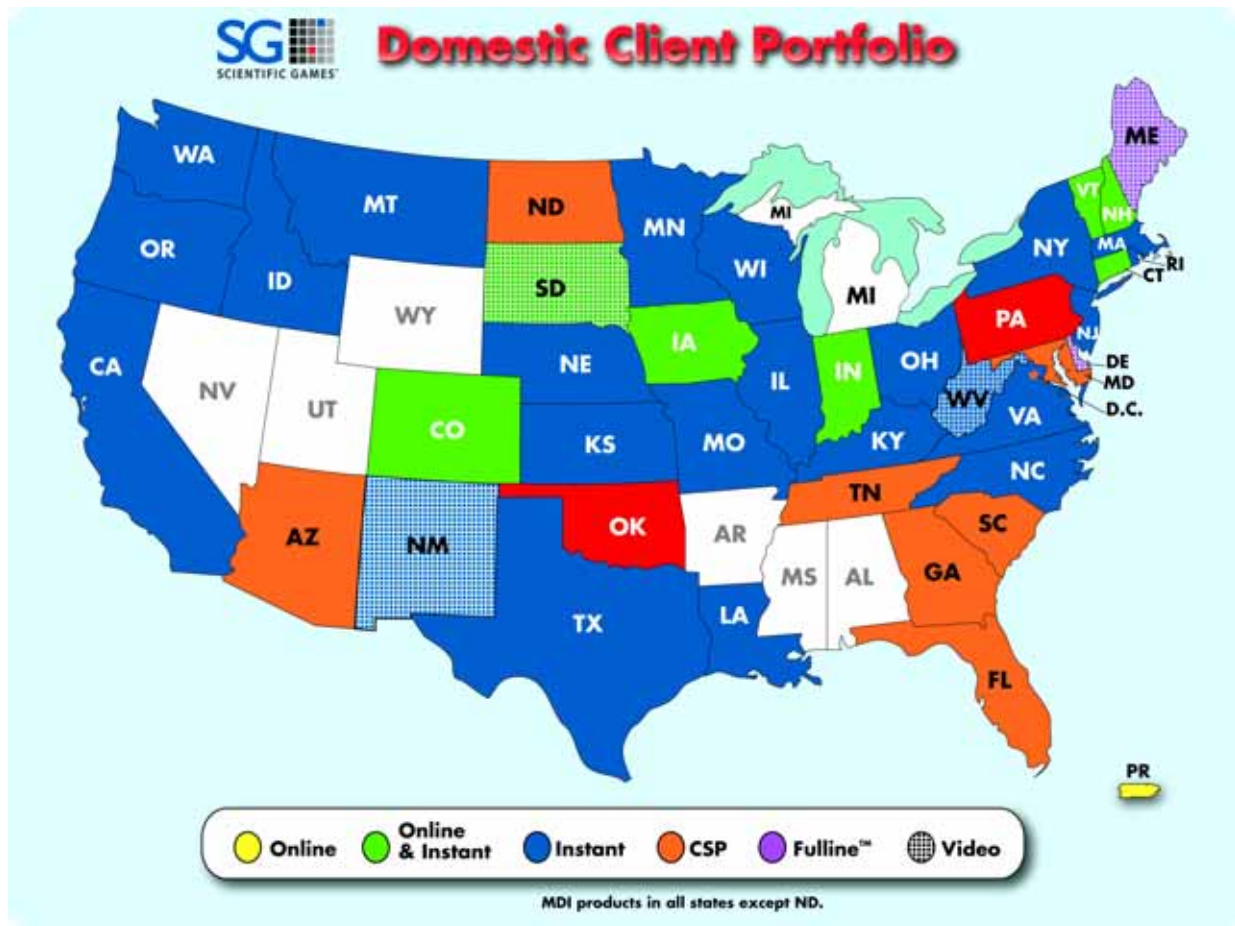


Figure 4-9: CSP Map

In the following subsections, we highlight Scientific Games' capabilities and experiences in each of the requested areas. As a Fullline™ Lottery vendor, Scientific Games works in close partnership with our customers to analyze all aspects of your business and ensure maximum revenue is achieved, thus resulting in more money for education.

## MARKETING SUPPORT

Scientific Games has the most experienced marketing team ready to support the ALC with a highly talented and market proven process. This interdisciplinary team (made up of members of the sales, account management, marketing and creative teams) draws on market-proven theories and practices to formulate plans that will assist lotteries in driving their sales upwards.



The most important tool available to the marketing support team is the annual marketing plan. The key to a successful marketing plan is to understand your business and product line and know when and where to take advantage of revenue opportunities. We believe our process in developing the state-focused marketing plan works and we are excited and ready to put it to work for the ALC.



Our marketing plan addresses all elements of the marketing mix, not just product.

Scientific Games knows that it is very difficult to implement a single marketing element and expect to see results. The key to maximizing success is not to pick and choose elements, but to implement all “15 Determinants of Demand” within a lottery’s capability. A thorough discussion of the 15 Determinants are contained within our marketing plan. Many lotteries have enjoyed the success that resulted from this strategic marketing approach and the results have been rewarding as their instant sales and net revenues to beneficiaries have grown in tandem.

Arizona, Illinois, Kentucky, Missouri, New York, Pennsylvania, Texas and West Virginia have all been states wherein the marketing plan support team of Scientific Games provided key strategic insights and helped to implement specific changes that led to some of the most dramatic instant ticket sales growth of the past 10 years.

Scientific Games is the vendor of choice with the resources and the people to support the ALC to grow their sales, increase their net return to the beneficiary and to continue to bring fun to instant players with innovative games.

## CREATIVE DESIGN

Designing a game to sell is both an art form and a science. Each design decision has an impact on sales. On a structural level, each ticket must meet production and security requirements to preserve the integrity of the game. From a game play point of view, a game should present a play action that excites players and does not confuse them. A game should also present players with



the perception that they have a good chance of winning a prize. These are parts of the science of developing an instant ticket game design.

Artistically, there are many ways to combine graphic elements to enhance the game. Many of these artistic elements are tied to local player preferences and expectations, such as game names, color combinations or even play instruction wording.

Some factors are more universal and have been learned through years of industry experience.

Scientific Games understands that the Lottery will work closely with the selected vendor to design instant tickets consistent with our printing requirements and your market specifications. Each game design we produce enhances our knowledge of instant games. Every lottery customer relationship allows us to maintain continuous dialogue with lottery staff, customers and retailers on what game elements achieve the most impact at retail. We constantly focus on what attributes in a game work well and what attributes need more improvement to generate the most consumer sales. Scientific Games actively researches, creates and tests new instant game ideas with consumers and retailers to generate the most precise feedback prior to bringing new games to the market.

Our staff of 22 Alpharetta-based designers and illustrators and two remote designers is available to assist your Scientific Game Designer, Rick Tidwell in generating unique and exciting designs to introduce in the Arkansas marketplace. Additionally, Rick will have access to our Scientific Games library of some 19,000 games spanning an 11 year period as well as historical games of the past 35 years for use in generating new and exciting instant games.

#### **GAME PROGRAMMING FOR TICKET GENERATION**

To date, our industry has not experienced the devastating consequences of a major instant ticket security breach. The impact on our industry of such an event is difficult to imagine, but it is nevertheless important to recognize that threats do exist. Scientific Games recognizes that security threats are real, and we have taken decisive action by investing the resources necessary to build a game programming system that is founded on security. This system is in use today and protects Scientific Games and all of its customers from compromise.

Our well-educated, well-trained, ever-alert and highly-motivated Game Development consists of 70 professionals with a track-record of tens of thousands successful instant ticket games delivered to our customers worldwide.

Our Game Programming process is ISO-9001 certified, so each phase of programming has specific ISO procedures and work instructions. These procedures provide the general workflow and process for game generation, game conversion, game audit programming and game review.

No other company in the world can provide the experience, the expertise, and the depth in the critical field of game programming.

## IMAGING

Scientific Games uses state-of-the-art Scitex 3700 computer-controlled imagers to image data on the front and back of instant tickets. Synchronization between the front and back imaging process is an intrinsic function of the imagers. The variable data is imaged at 240 dots per inch so that it is sharp and easy to read.

Because of the critical nature of the imager ink and to meet our instant ticket production volume, Scientific Games has worked with our primary supplier for this ink to develop and enhance our secure imaging ink. In addition, the use of high-resolution Scitex 3700 imagers allows us to image play symbols with intricate features that are very difficult to alter. High-resolution play spots imaged with the Scitex 3700 imagers incorporate fine lines and shading. We have the largest symbol library in the industry by virtue of the quantity of games we produce each year. Literally thousands of symbols are cataloged and available to the ALC to meet your game design security requirements.

## TICKET PRODUCTION

Scientific Games' press equipment is designed specifically for instant lottery game ticket production. Our North American presses have a total capacity of over 35 billion 2" x 4" equivalent tickets, scheduling flexibility and game design options. With a total of five presses in our main Georgia plant, Scientific Games provides our clients the largest selection of instant ticket features from which to choose.

This wide range of print capabilities enables our graphic arts department greater flexibility in the design and function of your instant games. Our newest state-of-the-art in-line printing press (P6) is an industry leading press with the most modern technological printing features of any lottery press in the world. In addition, three of our state-of-the-art presses are the newest in the industry



Figure 4-10: Press 2  
*Longer than a football field, Press 2, in Alpharetta, features Flexo-Offset printing capability for maximum game design flexibility.*

(including P-5 at our UK facility) and feature the latest print options available today. Also, we now have an offline lithographic press in Montreal that further expands the range of products Scientific Games offers the industry, including unique packaged/pouched products, as well as multi-fold specialty games. This facility also offers back-up capabilities for our Alpharetta printing plant.

With our capital investment over the past six years, Scientific Games' Alpharetta facility has demonstrated a commitment to continue to play a vital role in our supply chain solution for the ALC in terms of ticket printing capability, manufacturing, scheduling and game delivery to meet the needs of today's and tomorrow's marketplace.

With our printing facility in Montreal, Canada, Scientific Games now has a fully compatible back-up instant printing facility in North

America to supplement the output of the Alpharetta facility should the need arise. The Montreal facility has a fully functional instant ticket design, printing, and finishing capacity that could step in to supplement the Alpharetta facility in an emergency.

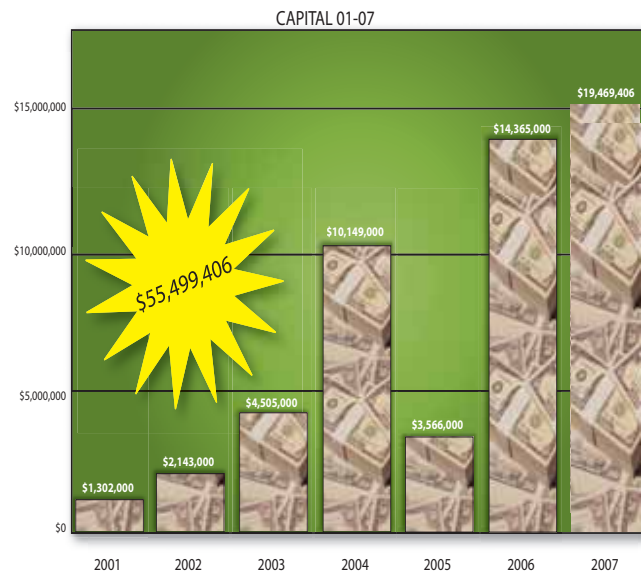


Figure 4-11: Capital Investment

## WAREHOUSING

### ***Proven, Efficient and Cost-Effective Warehousing and Distribution Support Services***

In the mid 1980's Scientific Games answered the call to improve inefficient distribution service with an all-inclusive, turnkey approach that has become known as the Cooperative Services Program (CSP). As a leading provider of CSP operations, Scientific Games provides services including inventory control, Tel-Sell or Distribution programs for 12 U.S. lotteries to manage their instant operations including Arizona, Delaware, D.C., Florida, Georgia, Maryland, Maine, Oklahoma, Pennsylvania, South Carolina, Tennessee, and Virginia.

Scientific Games' CSP program administers and manages instant game operations that provide services including, Sales Analysis, Tel-Sell, Warehousing and Distribution and forecasting to shape orders, vending machines and inventory control for more than 59,500 retailers resulting in more than \$10 billion in instant sales in FY07.

Many of our customers have witnessed astounding results that include improved on-time delivery, expedited retail ticket order fulfillment, and elimination of ticket inventory shortages. Most importantly, utilization of our sophisticated CSP processes has helped our customers realize **sales growth that is 7% higher than the industry as a whole. Figure 4-13** represents our current CSP partners.



Figure 4-12: The Pennsylvania Lottery CSP distribution facility is just one successful example of the impact CSP can have on a lottery's revenue.

CUSTOMER NAME	ADDRESS	TELEPHONE	CONTACT PERSON
Arizona Lottery	4740 East University Drive Phoenix, AZ 85034	(480) 921-4505	Art Macias Executive Director
Delaware State Lottery	1575 McKee Rd, Suite 102 Dover, DE 19904	(302) 744-1600	Wayne Lemons Director
D.C. Lottery	2101 Martin Luther King, Jr. Ave Washington, D.C. 20020	(202) 645-9244	Jeanette Michael Executive Director
Florida Lottery	250 Marriott Drive Tallahassee, FL 32399	(850) 487-7728	Leo DiBenigno Secretary
Georgia Lottery Corp.	250 Williams St., Suite 3000 Atlanta, GA 30303	(404) 215-5020	Margaret DeFrancisco President and CEO
Lotterie-Treuhandgesellschaft MBH Hessen	Rosenstrasse 5-9 Postfach 4007 Wiesbaden, Germany 65030	(49) (611) 361 20	Dr. Heinz-Georg Sundermann Managing Director
Maine State Lottery	10-12 Water Street Hallowell, ME 04347	(207) 287-8289	Dan Gwadosky Director

Figure 4-13: Current Cooperative Services (CSP) Contracts

CUSTOMER NAME	ADDRESS	TELEPHONE	CONTACT PERSON
Oklahoma Education Lottery	3817 N. Santa Fe Oklahoma City, OK 73118	(405) 522-7710	Jim Scroggins Executive Director
Pennsylvania State Lottery	2850 Turnpike Industrial Park Dr. Middletown, PA 17057	(717) 702-8009	Edward Trees Executive Director
South Carolina Education Lottery	1201 Main Street #830 Columbia, SC 29201	(803) 737-2082	Tony Cooper Chief Operating Officer
Toto-Lotto Niedersachsen GmbH	Am Tür 2 und 4 Hannover, Germany 30519	(49) (511) 840 20	Dr. Rolf Stypman Managing Director
Tennessee Education Lottery Corporation	200 Athens Way Nashville, TN 37228	(615) 324-6500	Rebecca Paul Hargrove President and CEO
Virginia Lottery	900 E. Main Street Richmond, VA 23219	(804) 692-7000	Frank Ferguson Acting Director

Figure 4-13: Current Cooperative Services (CSP) Contracts

## DISTRIBUTION

**Order Packing** – As a provider of Cooperative Services for over 23 years, Scientific Games understands the critical nature of operating efficient and innovative order packing and distribution systems for lotteries like Arkansas. In fact, for the past 23 years we have partnered closely with numerous lotteries in providing these services.

**Distribution** – For the past 15+ years, Scientific Games has partnered with UPS to provide prompt, professional delivery service to lottery retailers. In addition to this long-term partnership, we propose to work with a Certified Minority Business Enterprise (CMBE) firm for distribution related operations. Combined, these two entities ensure that retailers have access to accurate tracking/delivery information, and more importantly, all shipments are delivered in a timely and efficient manner.

**Returns** – Scientific Games will assume full responsibility for returns.

**Destruction** – Under our ISO certified procedures and systems we will provide full control and accountability for the secure destruction of tickets at our Alpharetta plant.

## **INVENTORY CONTROL**

A crucial component of our Cooperative Services program is inventory control. As a leading provider of real-time inventory management systems and operations for 16 lotteries, Scientific Games has the industry expertise, qualified personnel and state-of-the-art systems to provide the tools necessary to monitor retailer inventory levels, confirm deliveries, and provide reports to effectively manage your daily operations. Should the Lottery select our SciTrak system as an option, it will receive a state-of-the-art system designed to process and update instant game information in real-time so that you have direct access to accurate information at your fingertips. In addition, this system also interfaces to our courier systems' for delivery tracking information.

## **TICKET SECURITY**

Security impacts all aspects of producing an instant game. The security measures Scientific Games employs are the result of over 35 years of printing instant games and having billions of tickets on sale in the marketplace. The exposure of our games to numerous threats and compromise techniques keeps Scientific Games vigilant to the ever present risk that exists. Not only do our security measures reflect our own experiences, they also incorporate the experiences of our customers. This is because security is not a one-sided issue; it is a concern of all members of the lottery community. We have worked closely with our customer's security experts so that their concerns and solutions are incorporated in our products. Thus, our security measures built into each of our instant tickets results from an ongoing effort to ensure product integrity in the retail marketplace.

Scientific Games instant tickets are produced under highly controlled and exacting standards of ticket construction designed to meet the high security needs of today's lottery industry and the needs of tomorrow's marketplace.

## **START UP EXPERTISE**

The complexity of starting up a lottery as a Cooperative Services contract cannot be over-emphasized. These start-ups require a well designed plan that is skillfully implemented so that the start is smooth for the lottery, its retailers and its players so that the optimum revenue is generated. Start of sales revenue lost due to implementation errors can never be regained.

Since 2000, we have started up four of the last five new U.S. lotteries. These start-ups include:

- Tennessee
- South Carolina



- Oklahoma
- North Dakota

Most recently we also started up an instant ticket and CSP program with the China Sports Lottery in 2008.

All of these lotteries have benefited from a smooth start-up plan that only years of experience can shape. Our plans are developed with a single overriding concern—to offer our customers an implementation plan that meets or exceeds their obligations to both their players and retailers. To achieve this objective, we prepare a comprehensive outline of tasks to ensure all facets of a typical implementation are addressed, including assignment of a responsible project manager and adequate support resources. Once major task efforts are identified, each is broken down into components, and finally into elements in the implementation plan that is presented to the lottery for approval.

No other vendor has performed the tasks to successfully implement current lotteries to Cooperative Services more times than Scientific Games. **The implementation plan that we present in Section 4.5, pages 4-25-4-43 describes all of the tasks, contingencies and considerations to successfully provide a fully operational and tested instant ticket operation by October 1, 2009, with the ability to begin sales on October 1, 2009. This date assumes a contract is signed on August 15, 2009, and that online vendor will have the system, terminal and communications network installed.**

Scientific Games understands that the ALC reserves the right to verify all information provided via direct contact with Scientific Games' joint venture's, strategic partner's, prime contractor team member's, and subcontractor's prior project or client personnel, and Scientific Games and its joint ventures, strategic partners prime contractor team members, and subcontractors agree to provide any release necessary for the ALC to check on any previous projects. We further acknowledge that misstatements of experience, scope of prior projects, or results thereof may result in the disqualification of the proposal.

## 4.9 BACKGROUND AND FINANCIAL VIABILITY

**RFP Requirement:** *A Vendor must provide evidence of financial responsibility and stability for performance of a Contract of this magnitude. A Vendor must demonstrate the ability to finance the project described by the Vendor's submission and must also disclose any outside financial resources that will be utilized. In addition, a Vendor must submit a copy of its last three (3) years financial statements that have been audited by an independent public accounting firm.*

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As a wholly-owned subsidiary, we rely on the considerable financial resources of Scientific Games Corporation, our parent organization. The 2008 revenue disclosed in the 10-K filed with the SEC was \$1,118.8 M, verifying that we have the financial means to support the contract.

In **Appendix 4** of our proposal we submit copies of our last three years financial statements that have been audited by an independent public accounting firm.

As a vendor in the lottery industry for the past 36 years, Scientific Games has demonstrated the financial stability and resources to provide lottery products and services covering the instant and warehousing/distributing areas that this RFP covers. We have the necessary internal financial resources to undertake this contract and perform all of the necessary duties to the requirements of the ALC.





## SECTION 5: Evaluation Criteria for Selection

Within our response to Section 3 and Section 4, Scientific Games has addressed each item listed in the RFP as a means to permit a complete evaluation. We understand that after initial qualification of proposals, selection of the successful vendor will be determined in Committee by evaluation of several factors.

Furthermore, we acknowledge that in order to ensure the maximization of revenue for higher education scholarships and grants during start-up, the ALC has developed evaluation criteria that will be used by the ALC evaluation committee which is incorporated in Section 5.0 of the RFP. Other agencies and consultants of the ALC may also examine documents.

Scientific Games understands that the ALC requires that instant ticket sales begin on or before October 29, 2009. We further acknowledge that since time is of the essence, in addition to other stated evaluation criteria, the ALC will evaluate our response of a date before October 29, 2009 (“Early Start-Up Date”) that Scientific Games believes the ALC could begin the sale of instant tickets. In the table on the following page, we clearly identify Scientific Games’ proposed “early start-up date.” Specifically, in **Section 4.5, pages 4-25 through 4-43** of our response, we provide an explanation of how Scientific Games will reasonably and responsibly achieve the early start-up date proposed.

By submission of Scientific Games’ proposal we accept the evaluation technique and recognize that subjective judgments must be made by the ALC evaluation committee during the assignment of rating points.

The ALC reserves, and Scientific Games by submitting a proposal grants to the ALC, the right to obtain any information from any lawful source regarding the past business history, practices and abilities of Scientific Games, its officers, directors, employees, owners, team members, partners, and/or subcontractors.

**Evaluation Criteria:** Lowest Overall Cost Proposal(s) and Earliest Start Date Proposal(s):

Scientific Games understands that the Lowest Overall Cost Proposal will receive the maximum allocated points (Fifty - 50 points). All other proposals will receive a percentage (%) of the points available based on the following formula: The base cost relationship to the lowest overall costs



proposal submitted will be allocated according to the following formula:  $\text{Lowest Overall Costs Proposed} / \text{Other Overall Proposed Costs Response(s)} \times \text{Fifty (50) Evaluation Criteria Points} = \text{Points Awarded}$ .

The Earliest Start Date Proposal asks the Vendor to place such a proposed start date on which they will offer a fully functional system in the appropriate column and comply with all other aspects of the Request For Proposal. Scientific Games understands that the formula will be as follows:  $\text{Other Proposed Instant Game Start Date Response(s)} / \text{Earliest Proposed Instant Games Start Date Response(s)} \times 5 \text{ Evaluation Criteria Points} = \text{Points Awarded}$ .

Scientific Games acknowledges that a start date of 10/29/09 or beyond will receive zero (0) evaluation criteria points for the Instant Ticket Lottery Game Services Contract.

## 5.0 EVALUATION POINTS

CRITERIA	POINTS
Experience, including start-up experience	10
Early Start Up Date <b>October 1, 2009</b>	5
Marketing Plan	5
Operations Plan, including printing, warehousing, distribution, ticket inventory control and management	10
Security plan	5
Proposed technical solution	5
Background and financial viability	5
Minority Owned Business Participation	5
Subtotal	50
Cost	50
Total Points	100

## 5.1 COST

**RFP Requirement:** *The ALC will offer a compensation package that is based on percentage of sales. A Proposal must meet both the immediate and long-term needs of the ALC. Therefore, the objective of this RFP is to develop a program of compensation that rewards the successful Vendor for excellent performance while ensuring that the ALC will achieve its desired goals regarding start-up of the lottery including annually increasing revenue and associated net lottery proceeds.*

The ALC will offer a compensation package that is based on percentage of sales. Scientific Games' proposal is designed to meet both the immediate and long-term needs of the ALC. We understand therefore that the objective of the RFP is to develop a program of compensation that rewards the successful vendor for excellent performance while ensuring that the ALC will achieve its desired goals regarding start-up of the lottery including annually increasing revenue and associated net lottery proceeds.

### 5.1.1 PRICING FORMULA

**RFP Requirement:** *The method of compensation that will be utilized is a percentage of total Net Sales achieved by the ALC during the term of the Contract. A Vendor must state the percentage of total sales required for compensation to accomplish the tasks specified in the Proposal. Bidders must include all pricing information on the Official Instant Ticket Lottery Game Services Proposal Price Sheet and must clearly mark said page(s) as pricing information. The electronic version of the Official Instant Ticket Lottery Game Services Proposal Price Sheet must also be sealed separately from the electronic version of the proposal.*

*The Single cost quotation should be presented on the "Official Proposal Price Sheet" and be expressed as a numeric percentage of Net Sales carried to no more than four (4) decimal places (i.e. 1.0000%). Vendors are reminded that the cost quotation should cover all of the following products and services covered by this RFP and to be provided by the Successful Vendor during the seven (7) year term of the Contract:*

- *Marketing support services;*
- *Instant ticket printing;*
- *Distribution and warehousing;*
- *A minimum of twenty thousand (20,000) single unit instant ticket dispensers annually;*
- *Distribution, along with other instant ticket products, of a maximum of up to seven (7) times a year, to package, warehouse and distribute up to seven (7) instant ticket games purchased by the ALC from other Vendors, which will include as part of their bid price up to three (3) licensed properties of the ALC choice each year of the contract; and*
- *All other services deemed necessary as determined by the Vendor.*

**ALL PRICES QUOTED ARE APPLICABLE FOR SEVEN (7) YEARS FROM THE DATE OF CONTRACT AWARD.**

The method of compensation that will be utilized is a percentage of total net sales achieved by the ALC during the term of the contract. Within our Official Proposal Price Sheet we state the percentage of total sales required for compensation to accomplish the tasks specified in the proposal. *Scientific Games has included all pricing information on the Official Instant Ticket Lottery Game Services Proposal Price Sheet and has clearly mark said page(s) as pricing information. The electronic version of Scientific Games' Official Proposal Price Sheet is sealed separately from the electronic version of the proposal.*

The single cost quotation is presented on the "Official Proposal Price Sheet" and expressed as a numeric percentage of net sales carried to no more than four decimal places (i.e., 1.0000%).

Scientific Games' cost quotation covers all of the following products and services covered by the RFP and to be provided during the seven year term of the contract:

- Marketing support services
- Instant ticket printing
- Distribution and warehousing
- A minimum of 6,000 12-game unit instant ticket dispensers annually, or equivalent
- Distribution, along with other instant ticket products, of a maximum of up to seven times a year, to package, warehouse and distribute up to seven instant ticket games purchased by the ALC from other vendors, which will include as part of our bid price up to three licensed properties of the ALC choice each year of the contract
- All other services deemed necessary as determined by Scientific Games

Scientific Games understands that all prices quoted are applicable for seven years from the date of contract award.

### 5.1.2 DETERMINATION OF NET SALES

***RFP Requirement:** At the end of each full week of sales, Net Sales will be calculated to determine the amount subject to compensation. "Net Sales" shall equal:*

- *The total face value of the Vendor's tickets activated for sale during the week (exclusive of any activations from instant tickets purchased by the ALC from other Vendors);*
- *LESS the total face value of activated tickets returned by retailers during the given week, as well as the total face value of defective tickets or stolen tickets based on numbers reported to the ALC during the given week; and*
- *LESS the total face value of promotional tickets issued by ALC during the given week.*
- *Adjustments for active field inventory will be made at the Contract conclusion.*

Scientific Games acknowledges that following determination of net sales:

- At the end of each full week of sales, net sales will be calculated to determine the amount subject to compensation. "net sales" will equal:
  - The total face value of Scientific Games' tickets activated for sale during the week (exclusive of any activations from instant tickets purchased by the ALC from other vendors).
  - LESS the total face value of activated tickets returned by retailers during the given week, as well as the total face value of defective tickets or stolen tickets based on numbers reported to the ALC during the given week.
  - LESS the total face value of promotional tickets issued by ALC during the given week.
  - Adjustments for active field inventory will be made at the Contract conclusion.

## 5.2 PAYMENT

**RFP Requirement:** Upon determination of the amount due to the successful Vendor for any week, payment (less applicable damages and penalties which may be deducted) will be processed in an expedited manner. Vendors may propose any alternative methods or schedules of payments, which will be considered during contract negotiations with the apparent Successful Vendor.

Scientific Games understands that upon determination of the amount due to the successful vendor for any week, payment (less applicable damages and penalties which may be deducted) will be processed in an expedited manner. Within our Official Proposal Price Sheet we propose alternative methods or schedules of payments (as applicable), which will be considered during contract negotiations with the apparent successful vendor.

## 5.3 PRICING ASSUMPTIONS

**RFP Requirement:** The following assumptions and estimates should be factored into the calculation of the percentage of sales compensation formula:

- At start-up of instant ticket sales, the ALC plans to have approximately seven (7) games for sale simultaneously, and an additional seven (7) games within two (2) weeks of start-up;
- The ALC anticipates that it will introduce forty (40) to seventy (70) new games each year. Successful games may be reordered/reprinted during the year.
- At start-up of instant ticket sales, the ALC plans to have approximately two thousand five hundred (2,500) retailers selling instant tickets;
- The ALC will pay the successful Vendors the same percentage of sales for instant tickets, regardless of font, price point, ticket size, or shape.

Scientific Games has factored in the following assumptions and estimates into the calculation of the percentage of sales compensation formula:

- At start-up of instant ticket sales, the ALC plans to have approximately seven games for sale simultaneously, and an additional seven games within two weeks of start-up.
- The ALC anticipates that it will introduce 40 to 70 new games each year. Successful games may be reordered/reprinted during the year.
- At start-up of instant ticket sales, the ALC plans to have approximately 2,500 retailers selling instant tickets.
- The ALC will pay the successful vendors the same percentage of sales for instant tickets, regardless of font, price point, ticket size, or shape.

## 5.4 PROGRAM OPTIONS

***RFP Requirement:** The Successful Vendor may be requested by the ALC to perform tasks, provide equipment, or otherwise perform in a manner that was not originally contemplated in the Contract. By mutual agreement, those functions may be performed for a specific fee to be mutually agreed upon. This procedure is not intended to avoid a competitive solicitation for goods and services that might appropriately be provided by other potential suppliers. However, the ALC may decide to separately procure any option not covered in the Successful Vendor's Proposal.*

*As part of the basic compensation that has been proposed by the Successful Vendor, all items represented in the Proposal must be provided for unless specifically identified as options. If programs, equipment or services represented in the Proposal are not clearly indicated as options, the ALC will rightfully assume that the cost is included in the percentage of sales quotation in the Proposal.*

---

Scientific Games understands that the successful vendor may be requested by the ALC to perform tasks, provide equipment, or otherwise perform in a manner that was not originally contemplated in the contract. By mutual agreement, those functions may be performed for a specific fee to be mutually agreed upon. We acknowledge that this procedure is not intended to avoid a competitive solicitation for goods and services that might appropriately be provided by other potential suppliers. However, the ALC may decide to separately procure any option not covered in Scientific Games' proposal.

As part of the basic compensation proposed by Scientific Games, all items represented in our proposal will be provided for unless specifically identified as options. We understand and agree that if programs, equipment or services represented in our proposal are not clearly indicated as options, the ALC will rightfully assume that the cost is included in the percentage of sales quotation in the proposal.

Herein, we feature detailed descriptions of the many Scientific Games' products and technologies available to the ALC, above and beyond the requirements of the RFP, as **OFFERED OPTIONS, not included in the percentage of sales quotation of our Official Proposal Price Sheet.**

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initiated (over 8,000 new players per month in Tennessee),





































































































































*CONFIDENTIAL INFORMATION ENDS HERE.*



## APPENDIX 1: References

Enclosed please find the completed Vendor Reference form.



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## Appendix 1

### Vendor's References

1. Company Name: Oklahoma Lottery Commission
  2. Contact Name: Mr. Jim Scroggins
  3. Contact's Title: Executive Director
  4. City: Oklahoma City State: Oklahoma
  5. E-Mail Address: [jim.scroggins@lottery.ok.gov](mailto:jim.scroggins@lottery.ok.gov)
  6. Telephone Number and Area Code: 405-521-0520
  7. Description of Services Furnished: Primary vendor of cooperative services (CSP) program which includes; lottery start-up, instant ticket games, instant ticket system, licensed properties, cooperative services, online system, lottery terminals
- 
1. Company Name: Tennessee Education Lottery Corporation
  2. Contact Name: Ms. Rebecca Paul Hargrove
  3. Contact's Title: President and CEO
  4. City: Nashville State: Tennessee
  5. E-Mail Address: [Rebecca.p.hargrove@tnlottery.com](mailto:Rebecca.p.hargrove@tnlottery.com)
  6. Telephone Number and Area Code: 615-324-6500
  7. Description of Services Furnished: Primary vendor of cooperative services (CSP) program which includes; lottery start-up, instant ticket games, licensed properties, warehousing, distribution, vending machines, ticket dispensers, telemarketing, inventory management, research, advertising support, attribute analysis, sales analysis, sales forecasting, inventory monitoring, state of the state review/best practices, AEGIS-MAP
- 
1. Company Name: South Carolina Education Lottery
  2. Contact Name: Mr. Tony Cooper
  3. Contact's Title: Chief Operating Officer
  4. City: Columbia State: South Carolina
  5. E-Mail Address: [tony.cooper@sclot.com](mailto:tony.cooper@sclot.com)
  6. Telephone Number and Area Code: 803-737-2082
  7. Description of Services Furnished: Primary vendor of cooperative services (CSP) program which includes; lottery start-up, instant ticket games, instant system, licensed properties, telemarketing, inventory management, focus group testing, promotional assistance, sales analysis, sales training, ticket dispensers, ongoing distribution support, AEGIS-MAP, annual and long-term strategic plans, distribution of play stations through UPS at a savings to the Lottery, immediate distribution of correspondence to retailer through ticket orders

1. Company Name: North Dakota Lottery
2. Contact Name: Ms. Randy Miller
3. Contact's Title: Director
4. City: Bismark State: North Dakota
5. E-Mail Address: [rmiller@nd.gov](mailto:rmiller@nd.gov)
6. Telephone Number and Area Code: 701-328-1574
7. Description of Services Furnished: Primary online vendor providing services which include; lottery start-up, full facilities management contract including online gaming system, data center management, reporting services, instant and online transaction management, network communications management, retailer terminal installation and management (450 terminals), call center services, field operations services, lottery management services, game design, marketing and research

1. Company Name: China Sports Lottery
2. Contact Name: Ms. Baiping
3. Contact's Title: Instant Marketing Director, CSL
4. City: Beijing Country: CHINA
5. E-Mail Address: [baiping@lottery.gov.cn](mailto:baiping@lottery.gov.cn)
6. Telephone Number and Area Code: +86 10 8773 1876
7. Description of Services Furnished: Printing Agreement for instant games/cooperation agreement regarding project of sales, operation and promotion of China Sports Lottery instant game tickets



## APPENDIX 2: Laboratory Test Reports

Enclosed please find two recent laboratory test reports.



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AFFILIATED  
FORENSIC  
LABORATORY  
Incorporated

William J. Flynn, B.S., D-ABFDE  
Kathleen Annunziata Nicolaidis, B.A., D-ABFDE  
3030 N. Central Avenue, Suite 1206  
Phoenix, AZ 85012-2719  
602-241-1890 (Voice) • 602-241-1932 (Fax)

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*Security Test Report on*

**Solitaire CONFIDENTIAL FDJ**

Solitaire CONFIDENTIAL FDJ, Number 44101

Solitaire CONFIDENTIAL FDJ, Number 44101

Solitaire CONFIDENTIAL FDJ, Number 44101

Solitaire CONFIDENTIAL FDJ, Number 44101

Solitaire CONFIDENTIAL FDJ, Number 44101

Solitaire CONFIDENTIAL FDJ, Number 44101

Solitaire CONFIDENTIAL FDJ, Number 44101







Solitaire CONFIDENTIAL FDJ, Number 44101

Solitaire CONFIDENTIAL FDJ, Number 44101



## **Appendix A**











## **Appendix B**

Solitaire CONFIDENTIAL FDJ, Number 44101

Solitaire CONFIDENTIAL FDJ, Number 44101

Solitaire CONFIDENTIAL FDJ, Number 44101

Solitaire CONFIDENTIAL FDJ, Number 44101

Solitaire CONFIDENTIAL FDJ, Number 44101



## **Appendix C**

### Ticket Testing Examples

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April 17, 2009

450-0409-SOL-044101-6299

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April 17, 2009

450-0409-SOL-044101-6299





## APPENDIX 3: Resumes

Enclosed please find the resumes of the proposed key staff.



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# BEN BAUMAN

## INSTANT PRODUCT MANAGER

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### ***Contract Role***

Mr. Bauman will provide overall sales and marketing assistance for the ALC.

### **Summary**

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Mr. Bauman has more than two years of lottery experience as the Product Manager in Tennessee. As part of Tennessee Cooperative Services Program (CSP) team, he works with Tennessee Education Lottery Corporation (TEL) executives to manage the instant game portfolio. Mr. Bauman is proficient in instant game development and management, sales analysis and database development, and the creation and presentation of sales analysis.

### **Relevant Experience**

---

#### ***2007-Present, Scientific Games – Instant Product Manager, Tennessee CSP***

- Develops instant games: concepts, play styles and prize structures
- Designs and develops prize structures for all TEL instant games
- Works closely with TEL executives to assure instant game strategy meets lottery needs
- Works with Lottery management regarding game schedules, sales strategies, inventory management, and ticket distribution
- Develops and maintains TEL instant product sales information in several databases
- Creates, analyzes, and distributes sales reports
- Coordinates focus groups to research lottery player buying habits
- Coordinates the development of advertising support for instant games with the TEL and their advertising agency

### **Education/Certifications**

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- Vanderbilt University, Nashville, TN – B. S. Economics, 2006

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# JOSEPH WALDO BENNETT

## VICE PRESIDENT, GAME PROGRAMMING

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### ***Contract Role***

Mr. Bennett manages programming function to create instant lottery ticket games.

### **Summary**

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Mr. Bennett has over ten years of computer programming experience. He has 16 years experience programming instant lottery ticket games with Scientific Games. His expertise helped to develop the computer systems and software that are used to generate instant ticket games.

### **Relevant Experience**

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#### ***2002-Present, Scientific Games – Director, Game Programming***

- Provided game programming oversight for over 3,000 instant ticket games
- Oversees the maintenance of the shipping control system and the data general operating system
- Modified inventory and winner validation procedures to include providing information on CD-ROM in addition to tape or diskette
- Interacts with account services to verify prize structures, play styles and other variable data in the each game's working papers
- Directs day-to-day efforts of staff of 25 game programmers and auditors
- Develops procedures and policy to ensure instant ticket accuracy and playability
- Interacts with Scientific Games lottery customers regarding data processing issues and works to identify and develop effective programming solutions

#### ***1991-2002, Scientific Games – Game Programmer***

- Responsible for programming for game development of instant ticket games
- Converts generated game data into computer language for the computer imager that transfers the data onto printed tickets
- Developed programs that created hundreds of different game files
- Created programs that were designed to audit game files

### **Additional Related Experience**

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Before Mr. Bennett joined Scientific Games in 1991, he worked for five years as a senior analyst with Gerber Alley Healthcare. Prior to that, he was in the technical support department of International Business Machines.

### **Education/Certifications**

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- University of Georgia, Athens, GA – B.S. Computer Science, 1987

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## **CORY BONOGOFSKY (PMP & CPM)**

**DIRECTOR, GAMING SYSTEMS IMPLEMENTATION AND  
SUPPORT**

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### ***Contract Role***

Mr. Bonogofsky is responsible for gaming systems, corporate operations support, and network deliverables.

### **Summary**

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Mr. Bonogofsky was the infrastructure project manager for the Pennsylvania and Connecticut online conversions. He was also software quality assurance manager for online and video jurisdictions and senior project manager for the Iceland online implementation.

### **Relevant Experience**

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#### ***2008-Present, Scientific Games – Director, Gaming Systems Implementation and Support***

- Manages Production Systems, Corporate Operations Support and Network Implementation departments
- Project manages technical effort for new implementations and conversions, including infrastructure network, terminal communications, telephony/network of new facilities, gaming systems procurement and build-out, and change management

#### ***2007-2008, Consultant for Scientific Games – Infrastructure Project Manager***

- Managed infrastructure deliverables for the Connecticut and Pennsylvania online conversions

#### ***2006-2007, Consultant for IBM – Senior Technical Project Manager***

- Managed server refresh program for Sprint/Nextel account; included coordinating the procurement, set-up, and replacement of 125 call center servers in 30 locations across 10 countries

#### ***2005-2006, Scientific Games – Software Quality Assurance Manager***

- Managed team of software quality assurance testers for online and video jurisdictions

#### ***2004-2005, Scientific Games – Senior Project Manager***

- Project manager for the Iceland online implementation; responsible for software development, manufacturing, network, training, gaming system, and field service efforts

#### ***1997-2004, IBM – Senior Project Manager***

- Senior project manager for the following IBM Global Services accounts: Lucent Technologies, Avaya, and American Express Financial Advisors; managed a team of project managers who were responsible for all customer technical project

### **Education/Certifications**

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- North Dakota State College of Science, Wahpeton, ND – Computer Science Degree, 1995
- George Washington University, Washington, DC – Project Management Masters Certificate
- Stanford University, Stanford, CA – Advanced Project Management Masters Certificate
- Project Management Institute – Project Management Professional (PMP)

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# THOMAS M. BREWER

## MANAGER, MARKETING AND OPERATIONS

---

### ***Contract Role***

Mr. Brewer will be responsible for marketing and operations support for the ALC during start-up.

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### **Summary**

Mr. Brewer is a senior global management professional with 20 plus years in the gaming industry. He has documented success managing large organizations and directing budgets in excess of \$15 million annually. Mr. Brewer also has comprehensive experience in delivering quality systems and services to customers worldwide. Mr. Brewer is a hands-on aggressive manager who can effectively communicate at all levels and develops a strong and trusted relationship with customers. He also is a strong strategic planner with impeccable integrity.

### **Relevant Experience**

---

#### ***2004-2006, Thomas Brewer and Associates, LLC, Olympia, WA – Principal Director***

- Providing consulting services to the global lottery market and to gaming companies; specializing in program design, implementation and new business support
- For the past 24 months served as principal on-site project management advisor for program design and implementation of instant games for the China Sports Lottery; oversight services included all 31 Provinces in the PRC
- Served as the principal implementation consultant for the start-up of nationwide of an instant ticket sales program for the Philippines Charity Sweepstakes Office (PCSO)
- Provided consulting services for Laos, PDR, Cambodia, Thailand and Kuala Lumpur

#### ***2004-2006, Scientific Games – Director, Special Projects Asia Pacific***

- Responsible for operations and enhancements in the Asia Pacific region including Korea, Philippines and Peoples Republic of China
- Served as primary support for new business development in the region including direct contact support with the China Welfare Lottery, China Sports Lottery, Korea Lottery, Sports Toto (formerly Tiger Pools) and the Philippines Charity Sweepstakes Office; support includes online, instant, cooperative services and fixed odds systems/services
- Provided consulting services to regional representatives

#### ***2003-2004, Scientific Games – Director, Worldwide Projects***

- Implemented and deployed a PMO for the company with hiring, training, assignment and management of all domestic and international project managers and projects—an interim management assignment including the merging of staff from the acquisition of Online Entertainment Systems (OES) from International Gaming Technology (IGT)

#### ***2000-2003, Scientific Games – Project Manager***

- Responsible for overall project planning and implementation of Cooperative Services and online projects; responsibilities included all aspects of the total delivery life cycle from business development support, pre-project, implementation, and transfer of on-going operations for all systems integration deliveries to customers

- Worked directly with customers to define requirements, established work plans and staffing for each phase of projects, and assigned project personnel
- Conferred with project staff to outline work plan and to assign duties, responsibilities, and scope of authority
- Directed and coordinated activities of project personnel to ensure project schedules and budgets were followed
- Served as primary project manager for 10 start-ups and conversions

***1999-2000, Scientific Games – General Manager***

- Responsible for the Cooperative Services program with the Kentucky Lottery Corporation and coordination of the development and test marketing of Player's Choice probability games
- Worked with client to achieve revenue goals while ensuring the company's financial objectives for the site were achieved

**Education/Certifications**

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- California State University, Los Angeles, CA – B.S. in Police Science and Administration, 1972
- Glendale University, College of Law, Glendale, CA, 1972-1974



## **MAURICE “MOE” G. CORRETTE**

### **DIRECTOR, LOGISTICS**

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#### ***Contract Role***

Mr. Corrette provides for all contract facility needs; from the design phase through final Certificate of Occupancy. Mr. Corrette's responsibility continues for the life of the facility including the support of the infrastructure, lease extensions, and any tenant landlord issues.

#### **Summary**

---

Mr. Corrette has been responsible for gaming facility selection, lease, space, infrastructure design, and build-out for the last 10+ years. Mr. Corrette is responsible for ongoing infrastructure of these facilities throughout the gaming contract they are designed for. During these 10+ years, Mr. Corrette has built and maintained more than 40 facilities in support of the gaming industry. Mr. Corrette is also responsible for Scientific Games fleet needs in support of our gaming contracts.

#### **Relevant Experience**

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##### ***2003-Present, Scientific Games – Director, Logistics***

- Works together with our brokers in determining those facilities that are best suited to manage our operations in relation to the guidelines of the contract we will be supporting
- Works closely with our legal staff in developing real estate contracts/leases for compliance and long term accountability to suit our contractual needs
- Analyzes contractual commitments, customer specifications, design changes, and other data to plan and develop contract facilities from conceptual stage through conclusion; includes the electrical/mechanical design and equipment purchase for the infrastructure support of facilities used in relation to our gaming contracts
- Well versed in building standards including NEC, NFPA, Life Safety and ADA codes and requirements
- Plans, budgets, and schedules lease and modifications with cost estimates, bid sheets, layouts, and construction contracts
- Coordinates efforts of subcontractors and purchasing, ensuring that contractual commitments are met
- Inspects construction and installation progress to ensure conformance to specifications including building space allocation, layout, and communication services
- Oversees and directs all repairs or maintenance on all facility infrastructure relating to contract gaming operations

##### ***2001-2003, Scientific Games – Manager, Logistics and Purchasing***

- Managed purchasing and inventory, assures pricing/design/quality and production of consumables
- Responsible for the management of Scientific Games fleet across all business segments
- Directed group's forecasting/budgeting for remote sites, project budgets, and development of tools for tracking project salaries, to be charged

##### ***1996-2001, Scientific Games/Autotote – Purchasing Manager***

- Managed purchasing operations and facility design, contract and construction for Autotote prior and throughout the purchase of Scientific Games

#### **Education/Certifications**

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- Manchester Community College, Manchester, CT – Course work, Business Management

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# JASON EDGMON

## ALC WAREHOUSE/SECURITY MANAGER

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### ***Contract Role***

Mr. Edgmon will be responsible for the management of warehouse and distribution operations for the ALC. He will provide effective management of the staff to ensure timely distribution of product within the standards of customer, following all policies, procedures and contract obligations.

### **Summary**

---

Mr. Edgmon is a six year veteran of the lottery industry. He was part of the Arizona lottery start-up team and has also assisted with start-ups and/or conversions for the New Mexico, Oklahoma and Georgia lotteries. He held various management positions prior to joining Scientific Games in December 2002. Before joining Scientific Games in 2002, Mr. Edgmon served four years at MTN Sunbelt in many roles, including warehouse manager as well as sales representative.

### **Relevant Experience**

---

#### ***2007-Present, Scientific Games – Manager, Sales and Distribution (Arizona Lottery)***

- Directly assists general manager with sales and distribution functions
- Consults with Lottery management on sales, distribution and security issues
- Responsible for support and guidance of sales strategies
- Hiring, training, scheduling and supervising all staff
- Interface with UPS to resolve issues and schedule services
- Provide leadership, direction and motivation for CSR/sales and warehouse team to ensure full customer satisfaction in the execution of the Games Management System which includes management of all day-to-day activity for all employees

#### ***2002-2007, Scientific Games – Distribution Manager (Arizona Lottery)***

- Oversaw warehouse operations on a day-to-day basis through supervision of the pick/pack operation; enforcement of policies and procedures pertaining to the warehouse operation
- Assisted the general manager in managing the revenue and budget responsibilities for the site
- Interfaced with vendors to ensure that ample supplies of warehouse consumables are maintained; included ordering and tracking
- Maintained accurate records on shipping totals, consumable inventory, shipping and receiving, plant maintenance and other reports as assigned

#### ***1999-2002, MTN Products – Warehouse Manager***

- Supervision of warehouse and delivery drivers; ship and track product via UPS, FedEx online and various freight companies; responsible for all incoming product transfers and outgoing shipments and deliveries; order and or purchase new products with accountability for inventory of all product and supplies; assisted with phone sales as well as will call sales

### **Education/Certifications**

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- Westwood High School
- Naumann Hobbs Forklift Certification (7/13/07), Federal Discrimination Statutes Training (10/31/03), Electrical Safety - Subpart S Training (6/5/08) and OSHA Training - General Industry (6/5/08)

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# JIM FARRELL

## ART MANAGER

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### ***Contract Role***

Mr. Farrell manages Creative Services department responsible for creation, design and preparation of artwork for instant lottery games.

---

## Summary

Mr. Farrell has extensive experience in production management with world-class manufacturing companies that have utilized his experience in print production, creative management and customer service.

---

## Relevant Experience

### ***2003-Present, Scientific Games – Art Manager***

- Manages the daily operation and on-going development of a 23-person creative services department
- Hires, develops and trains each graphic designer on the myriad aspects of lottery instant ticket design, from Lottery Design Best Practices to designing instant games for web flexographic production
- Works with Production and Marketing departments to provide solutions, quality control and ongoing process improvements

### ***1998-2003, Atlantic Envelope Company – Graphics Supervisor***

- Supervised high-volume design, proofing and platemaking operation for leading custom envelope manufacturer, first in Miami, then in Atlanta
- Responsibilities included developing process maps, organizing filing systems, designing departmental performance measurements and training staff in flexo pre-press

### ***1996-1998, Art & Graphix Design, Inc. – Account Executive/Traffic Manager***

- Responsibilities included sales/customer service, traffic management, job scheduling, and coordination with outside print vendors
- Accounts included Esso Inter-America, LanChile Airlines, Columbia/HCA Hospitals, American Express, City of Aventura (Florida)

### ***1994-1996, Art Directions, Inc. (subsidiary of NatCom) – Key Account Manager***

- Transferred to newly acquired design studio to provide daily account management and service to their largest account, Esso Inter-America, a division of Exxon
- Account responsibilities included meeting with different customers within Esso, consulting on design projects, preparing estimates and invoices, and managing projects through the studio

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## Education/Certifications

- Princeton University, Princeton, NJ – B.A. History, 1991

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# KEVIN MICHAEL FLOREA

## MANAGER, SHIPPING/RECEIVING

---

### ***Contract Role***

Mr. Florea oversees daily shipping operations at Scientific Games' Alpharetta, Georgia printing facility.

---

## Summary

- Technical Skills:
  - PC Related Software: Windows, Microsoft Word, Excel, Power Point
  - Automotive Related Databases: KeyTrac, AutoPlus
  - Grocery Related Databases: BRIO, MOVE, D.R.I.V.E
  - Innotrak Databases: PKMS, UPS World Ship, Fed Ex Shipping, E-Time, Citrix, Accuterm
  - Office Depot Databases: DWMS, Swift, Peoplesoft, POM, Labor Management
  - Southern Staircase Databases: Sytline, MapPoint, Shop Trac, UPS Worldship
  - Other: RF (Radio Frequency) guns/scanners, Forklift Certified, CPR and First Aid Certified, Swift Palms, Defibrillator Certified (Heartsaver AED)
- Strengths:
  - Strong work ethic, positive attitude, reliable, excellent team player, detail oriented, self-motivated, works extremely well under deadline situations, good problem solving skills
  - Innovative, results oriented manager with extensive warehouse/distribution experience
  - A strong team leader with excellent motivational skills

---

## Relevant Experience

### ***2007-Present, Scientific Games – Manager, Shipping/Receiving***

#### ***2005-2007, Southern Staircase – Warehouse Supervisor***

- Responsible for overall management of all activities within the warehouse on a daily basis which includes shipping, receiving, storing, maintenance, and inventory control to include cycle counts for quality verification
- Generated reports associated with the total orders shipped and received, receiving errors, and selection errors in order to track the efficiency rating for the warehouse
- Assisted in setting up other Southern Staircase warehouses as new facilities are opened as well as the introduction of Lean Manufacturing

#### ***2005, Anderson Merchandising – Operations Supervisor***

- Responsible for managing the daily operations of the warehouse, which includes: coordinating shipping and receiving, inventory control, warehouse management, and general warehouse operations supervision

### ***2004-2005, Office Depot – Manager I, Supply Chain***

- Hired as Supervisor of a single area within the Cross Dock operations (Batch)
  - Supervision of six direct reports and 18 in-direct reports; maintaining integrity of operations, daily inventory, hiring and training of new associates to ensure that customers receive highest level of service
  - Weekly payroll, bi-weekly and monthly grade reports, and assistance to other departments when needed
- Transferred to Lane within the Cross Dock operations, supervising a staff of 22 direct reports
  - Responsible for distribution and processing of all inbound products for 150 Office Depot stores on a daily basis
  - Managed productivity as well as accuracy to ensure that departmental goal was achieved
- Transferred to under-performing Receiving Department to improve productivity and maintain and exceed departmental goals
  - Responsibilities included scheduling all inbound trucks for delivery, averaging 40 trucks daily, as well as receiving all FedEx, UPS, LTDs, Air Freight, and back hauls
  - Ensured that scheduled inbound trucks are unloaded in a timely manner to prevent detentions
  - Verified the BOL and the packing slip to the SR23 to ensure receipt accuracy

### ***2001-2004, Innotrak Corporation – Operations Manager***

- Responsibilities included management of fulfillment and logistics operations for multiple accounts including Thane International, US Motivations, NAPA, TBS, CNN, Disney, Books are Fun, and Akzo Nobel
- Responsible for the hiring and training of staff, including temporary employees
- Managed all aspects of warehouse including shipping, receiving, returns, quality control, payroll, ordering supplies, facility maintenance, and safety
- Created Standard Operating Procedures for all clients to become ISO 9000/ISO 9001 certified and responsible for maintaining certification by training and testing employees
- Managed and trained each staff member to ensure departmental budget and cost per order are met for each client
- Maintained client relations via travel, electronic mail, and conference calls
- Assisted in the warehousing of other company clients when needed

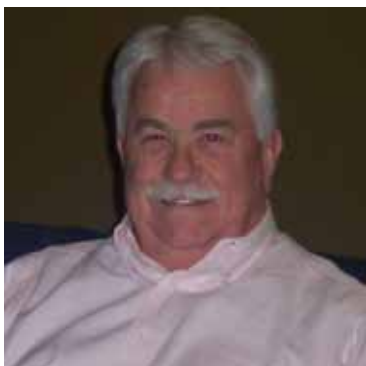
### ***2000-2001, Webvan.com – Distribution Center Associate Supervisor***

- Hired as a Distribution Associate; assisted in the start-up of Webvan's entrance into the Atlanta market; responsibilities included all aspects of quality control involving inbound and outbound merchandise, damaged, and expired goods; updating system as products were introduced, maintained integrity and accuracy of online inventory, coordinated transfer of excess inventory
- Promoted to Lead (Supervisor) DCA in June 2000; responsibilities involved all aspects of inventory management as well as the supervision and training of new hires; responsible for a staff of 15-20 including departmental payroll; Participated on site in the start-up of the distribution warehouse and training of employees in the Chicago market; assisted in the integration of HomeGrocer.com to Webvan after buyout; trained and supervised handicapped employees in department

### ***Education/Certifications***

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- Georgia Perimeter College, 1994-1996



## **AL GIBSON**

### **CSP GENERAL MANAGER**

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#### ***Contract Role***

Mr. Gibson will serve as the CSP General Manager during start-up and will provide overall start-up support.

#### **Summary**

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Mr. Gibson has more than 26 years experience providing lottery related services to 15 lotteries, domestic and international. An expert in lottery start up operations, he has been involved in managing numerous lottery aspects, including customer service, facility design and construction, systems and network implementation, training, marketing service and testing. Mr. Gibson is also experienced in ongoing management services and maintenance for on line systems operations.

#### **Relevant Experience**

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##### ***Scientific Games – General Manager***

- Responsible for all facets of the warehousing and distribution operation of Scientific Games/Florida
- Works with lottery and Scientific Games' support sales team to develop long-term marketing strategies, game concepts, and prize structures; assists in the implementation of market research; and provides on-site daily sales and marketing support to customer
- Responsible for all contractual matters concerning the Scientific Games/Florida account

##### ***Scientific Games – Project Coordinator***

- Provides overall management and assistance to Scientific Games' online systems staff
- Responsible for project planning and implementation of Scientific Games' Cooperative Services Program (CSP) contracts and online systems operations
- Oversees initial staffing efforts for on line services projects; provides training, facilities development, and construction oversight and direction
- Provides expertise in conversion of on line systems in addition to the implementation of new systems
- Troubleshoots system and network installation and facilities management obstacles
- Oversees smooth transition efforts by providing training for customer personnel throughout all aspects of project
- Develops vendors for consumable supplies such as papers, ribbons and play slips
- Participates in field service and bench repair operations as needed
- Participates in the proposal development process
- Participates in system testing

#### **Additional Related Experience**

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Mr. Gibson first joined Scientific Games in 1985 as a project manager and online field support manager. During this period, he worked on the implementation of the Tri-State Lottery (Maine, New Hampshire and Vermont), Iowa, West Virginia and Virginia online operations. Mr. Gibson also served as Scientific Games' general manager for the West Virginia and Virginia lotteries during the start-up of each state's on line system.

Prior to that, he was manager of data processing operations for Roadnet Systems Corporation and with Control Data Corporation for 15 years, where he worked as the computer services manager of the Comsource Division. Mr. Gibson worked as the data center manager for the Maryland State Lottery Agency in the company's automated wagering division. He started up and managed the online computer system, ticket stock warehouse operations and facilities administration.

Prior to rejoining Scientific Games in 1997, Mr. Gibson was with Electronic Data Systems, Inc. (EDS) for four years. Mr. Gibson also served as EDS' transition manager for the Department of Education's Direct Loan Servicing Center and held several positions within EDS' AWI information services group. As the Florida project manager, Mr. Gibson was responsible for operations research and analysis and online operations implementation and installation in addition to proposal preparation. He was the Delaware State Lottery's implementation manager responsible for overall project implementation and management, including facility design and construction, system installation and hardware and software testing, personnel staffing and training and telecommunications conversion. He was also heavily involved in the conversion of the Maryland Lottery operation for AWI in 1996.

With AWI, Mr. Gibson was also responsible for the Kentucky Lottery project as the account executive and operations manager. Mr. Gibson was the sales and marketing manager for Electronic Concepts, Inc., where he was promoted to project general manager. As project general manager, he was responsible for the start-up and management of a warehouse distribution, bench repair and customer support operation as a subcontractor for a California State Lottery project.





# RHONDA GILLEN

## DIRECTOR OF CREATIVE SERVICES

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### ***Contract Role***

Ms. Gillen, as Director of Creative Services, will assist the sales and marketing team in providing game designs, promotional programs, and sales and marketing presentations, materials recommendations. Ms. Gillen is also responsible for managing the creative services team and new product development activities.

### **Summary**

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Ms. Gillen has over 16 years lottery experience and over 25 years of marketing and promotional experience. Since joining Scientific Games, she has been responsible for managing game design and providing sales and marketing support on a variety of special projects.

### **Relevant Experience**

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Ms. Gillen came to Scientific Games as part of the Oberthur Gaming Technologies (OGT) acquisition. As Director of Product Marketing, U.S., at OGT, Ms. Gillen directed sales and marketing programs and managed the design concept team and new product development efforts. Prior to joining OGT in 2001, Ms. Gillen was Vice President at Alcone Marketing Group, promotion Agency of record for the California Lottery. Her role in the California Lottery business included leading the strategic planning process and overseeing development and execution of all consumer/retailer promotions and communications, merchandising programs, key account/retailer recruitment programs, new product introductions, logo designs, event marketing efforts, tie-in partner solicitation and licensed property procurement. During her tenure on the California Lottery account, Ms. Gillen and her team were awarded several industry awards including: the prestigious advertising Clio; the PMAA Reggie award; the POPAI award for permanent merchandising; and a multitude of NASPL awards.

### **Additional Related Experience**

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Ms. Gillen has over 25 years experience in the promotion industry. During her ten years with Alcone Marketing Group, Irvine, California, she managed a variety of accounts in addition to the California Lottery, including: Burger King (Kids Club), Eddie Bauer, The Money Store, Buena Vista Pictures, Del Monte Foods, and United Distillers and Vintners (Jose Cuervo, Smirnoff, Stolishnaya). For her work on the Burger King Kids Club, she received the John Caples Award for excellence in direct marketing and the American Marketing Assoc. Golden Spire Award. From 1988 to 1991 she worked at Frankel & Co., where she managed promotions for several accounts including Hills Bros/MJB Coffee and Armor All Car Care.

Ms. Gillen began her promotion career in 1981 with William A. Robinson, Inc. in Chicago, IL, working on a variety of product categories including packaged goods, beverages, and consumer electronics.

### **Education/Certifications**

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- USC – Certificate in Management Effectiveness
- DePaul University – Undergraduate Studies
- Boise State College – Undergraduate Studies

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# MARTHA HERNANDEZ

## ACCOUNT EXECUTIVE

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### ***Contract Role***

Ms. Hernandez develops and maintains quarterly and yearly product plans based on analysis, research and the Lottery's mission and goals.

## **Summary**

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Ms. Hernandez is a results-oriented, high energy and hands on professional with a successful record of accomplishments in the printing industry. She has experience in the instant lottery division, commercial games and direct mail project management with the focus on providing the recipient with the highest quality of customer service. Ms. Hernandez's major strengths include strong leadership, excellent communication skills, competent, strong team player, attention to detail, dutiful respect for compliance in all regulated environment. She also has thorough knowledge of current manufacturing practices and a clear vision to accomplish the company goals.

## **Relevant Experience**

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### ***2007-Present, Scientific Games – Account Executive***

- Manage the lottery accounts for Italy, South Carolina and New Mexico
- Create and review working papers, prize structures and other items pertaining to the day-to-day lottery industry
- Liaison between the client and Scientific Games
- Communicate with the clients and internal departments (Graphic Design, Programming, Scheduling, Press and Shipping) to make sure the job is what the customer expects

### ***2006-2007, Geographic, Inc. – Project Manager***

- Managed the accounts for the vice president of sales; accounts such as Belk, Georgia Aquarium, High Museum, Friedman's and Crescent Jewelers, Silversea Cruises, Charleston Visitor Bureau, etc.; coordinated jobs from start to finish
- Worked hand-in-hand with ad agencies, marketing firms and the customers
- Attended production meetings, communicated with the internal departments. and overseen the day to day issues pertaining to the jobs

### ***1991-2006, Dittler Brothers, Inc/ Quebecor – Customer Account Manager***

- Managed the lottery accounts for the vice president of international sales such as Mexico, Mexican Red Cross, Dominican Republic, and Nicaragua and also managed domestic lotteries such as Idaho, Ohio and Minnesota
- Created and reviewed working papers, prize structures and other items pertaining to the day-to-day lottery industry
- Liaison between the client and Dittler
- Communicated with the clients and internal departments (Graphic Design, Programming, Scheduling, Press and Shipping) to make sure the job is what the customer expects

## **Education/Certifications**

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- Carrizo Springs High School, Carrizo Springs, TX, 1983-1987
- Capital Trade and Technical School, Austin, TX, 1987-1989

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# TODD HOPKINS

## VICE PRESIDENT, PROJECT MANAGEMENT & IMPLEMENTATIONS

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### ***Control Role***

Mr. Hopkins oversees conversion projects. He also provides executive oversight of the project and reports directly to the president of the division on all project related matters and status.

### **Summary**

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Mr. Hopkins has more than 23 experience years in the lottery industry. Mr. Hopkins oversees conversion projects, focusing on scheduling, tracking progress, prompting necessary resource allocations to ensure that the project plan is satisfactory and meets the project timelines and budget. He also provides executive oversight of the project and reports directly to the president of the division on all project related matters and status.

### **Relevant Experience**

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#### ***2005-Present, Scientific Games – Vice President, Project Management & Implementations***

- Leads the project management and implementation organization within the Lottery Systems Division; ensures defined methodologies and PMI standards are applied to projects
- Manages project resource allocation for projects, monitors progress and schedules, adjusts where needed for on-time delivery
- Responsible for core product development of new and emerging applications
- Project Management Institute (PMI) active member

#### ***2002-2005, Intralot – System Manager***

- Steered software development projects; served as technical lead and system developer; directed engineers to develop and maintain software applications
- Provided project management oversight for the Nebraska Lottery conversion project

#### ***1985-2001, GTECH – Director, Product Development***

- Presided over product development for four major Lottery software product lines, including Lottery transaction processing, high-speed Lottery system reporting, and web-based registration system
- Converted critical application from a vendor specific multi-threading method to POSIX open standard approach

### **Additional Information**

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Previously, Mr. Hopkins was GTECH's Director of Product Development.

### **Education/Certifications**

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- University of Delaware, Newark, DE – B.S. Computer Science, 1982

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# KRIS-ANN HOSONITZ

## MANAGER, EDUCATIONAL SERVICES

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### ***Contract Role***

Ms. Hosonitz manages all training initiatives for Scientific Games' employees, lottery personnel, and retailers.

### **Summary**

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Ms. Hosonitz has worked at Scientific Games, in the Educational Services department, for four years in various training capacities. Ms. Hosonitz has worked in the training field for over 15 years.

### **Relevant Experience**

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#### ***2007-Present, Scientific Games – Manager, Educational Services***

- Manages a team of instructional designers and facilitators

#### ***2004-2007, Scientific Games – Manager, Educational Services***

- Worked as training project lead for several conversions and implementations
- Designed and developed classroom training for all lottery staff, retailer base and Scientific Games personnel during conversions

#### ***1998-2000, Training Solutions Group – Training Director***

- Performed needs analysis and recommended solutions to clients
- Designed and developed inbound and outbound scripting tools for telemarketing representatives

### **Additional Information**

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Ms. Hosonitz is currently working on the Pennsylvania conversion where she is managing a cross functional team of 50 members who are responsible for designing and implementing all learning solutions for the project.

Ms. Hosonitz was the training project lead for the Connecticut conversion. She developed, maintained and adjusted training schedules, plans, and budgets, and gathered training requirements for lottery and retailer training. She also managed vendors that were responsible for all logistics and employees who facilitated retailer and lottery employee training sessions.

Ms. Hosonitz was the training project lead for the Televisa (Mexico) implementation. She developed, maintained and adjusted training schedules, plans, and budgets, and gathered training requirements for lottery and retailer training. She also wrote, edited, and gained agreement on the customer requirements document.

Ms. Hosonitz performed training and documentation project management for the Oklahoma start-up that implemented in 49-days. She supervised nine teammates, oversaw development of more than 10 documents addressing internal, external, and end-user needs.

### **Education/Certifications**

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- Caldwell College, Caldwell, NJ – B.S. Business Administration, Marketing Concentration, 1998

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# AMBIKA FELICIA JACK

## RESEARCH MANAGER

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### ***Contract Role***

Ms. Jack serves as a main point of contact for coordination of lottery research projects (e.g., focus groups, tracking studies, segmentation studies, etc.).

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### **Summary**

Ms. Jack has five years of Lottery specific experience. She also coordinates the development of large-scale internal research initiatives. Her team is also the central source for U.S. and international sales data collection and analysis.

### **Relevant Experience**

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#### ***2006-Present, Scientific Games – Research Manager***

- Responsible for designing, analyzing and managing research procured on behalf of both internal departments and external lottery customers
- Advises clients on the benefits, usefulness and appropriateness of both quantitative and qualitative research methodologies
- Manages team of analysts and coordinators

#### ***2004-2006, Scientific Games – Market Research Analyst***

- Produced monthly, quarterly, annual and bi-annual reports to analyze sales data of company versus competitor products
- Created web-based, telephone and mail questionnaires
- Analyzed, created and presented reports on survey findings

#### ***2004-2004, Discover Staffing – Temporary Employee***

- Held various temporary office assignments including: accounts payable clerk for a logistics firm and daytime receptionist for a medical equipment company

#### ***2002-2003, The University of Georgia – Graduate Student Assistant***

- Coordinated daily activities for elementary student reading intervention program
- Performed statistical analysis on student achievement prior to and at the conclusion of the program
- Presented findings with principal researcher at national conference

### **Additional Information**

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Ms. Jack also coordinates the development of large-scale internal research initiatives. Her team is the central source for U.S. and international lottery sales data collection and analysis.

### **Education/Certifications**

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- University of Georgia, Athens, GA – Master of Educational Psychology with an emphasis in Research, Evaluation, Measurement and Statistics, 2003
- Georgia State University, Atlanta, GA – B.S. Psychology, 2002

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# RUSS M. JOINER

## PREPRESS MANAGER

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### ***Contract Role***

Mr. Joiner is responsible for four departments and works closely with all manufacturing groups. He is responsible for all prepress functions.

### **Summary**

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Mr. Joiner has been with Scientific Games since February of 2005. He has over 15 years of commercial printing experience. He is responsible for four departments and works closely with all manufacturing groups. He is a member of Scientific Games' Game Review Board, which is responsible for reviewing all artwork and game specifications for every job that is run at our Alpharetta, Georgia facility. He is also a member of the Scientific Games Discovery Team, which looks at future technologies and evaluates new game ideas, as well as a number other internal committees focused on improving quality and production capabilities.

### **Relevant Experience**

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#### ***2005-Present, Scientific Games – Prepress Manager***

- Responsible for all prepress functions including production control, proofing, file prep, plate making and plate mounting for all presses at our Alpharetta, Georgia location

#### ***1989-2005, TR Digital Production – Vice President, Technology***

- Left company as vice president of technology after 15+ years of dedicated service
- Held various leadership and management roles and was active in future business decisions
- Specific responsibilities have included management, training, client/vendor relations, quality control, research and new equipment implementation

### **Education/Certifications**

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- Georgia State University, Atlanta, GA – B.S. Mathematics/Computer Science, 1986

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## **JAMES CRONIN KENNEDY**

**Sr. Vice President, Sales and Global Marketing**

### ***Contract Role***

Mr. Kennedy provides corporate management, support and direction of the sales and marketing team. He also directs account management, marketing and product development to create customer value.

### **Summary**

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Since 1985, Mr. Kennedy has been involved with all aspects of lottery business including lottery game design, marketing, research, systems development, and product development. He has been responsible for bringing over 10,000 instant games to market, developed hundreds of annual marketing plans for North American and international lotteries from the largest in the world (California and Texas), to the smallest (South Dakota and Montana). He has presided over sales increases of over 400% in several jurisdictions and has been responsible for managing over \$10 billion in sales of instant games for Scientific Games customers. As president of Scientific Games' Retail Solutions, he was responsible for the development and implementation of the E3 system, the first instant ticket dispensing solution integrated into a supermarket's electronic point-of-sale system. As senior vice president of sales and global marketing, he has devoted his time to creating value for Scientific Games' lottery customers. He is a frequent speaker throughout the industry and a recipient of the prestigious NASPL Powers Award.

### **Relevant Experience**

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#### ***2006-Present, Scientific Games – Sr. Vice President, Sales and Global Marketing***

- Presides over global sales and marketing for 120 customers; nearly 50 online lotteries on five continents; instant ticket and cooperative services customers on five continents
- Oversees Regional Directors who are directly responsible for field sales and customer account management, client services and creative departments for instant games as well as the Research and Marketing department for instant and online products globally

#### ***2001-2005, Scientific Games – Sr. Vice President of Sales Marketing, North America***

- Managed the instant and online sales and global marketing in 48 domestic lottery jurisdictions, representing over \$20 billion in retail sales annually with double digit growth

### **Additional Information**

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Mr. Kennedy worked at Computer Task Group as a systems engineer responsible for programming, design and analysis; online programming; database design; and teaching technical topics before joining Scientific Games in 1985. He served in various computer operator and programming positions for Commercial Office Products and for Harris & Paulson. He was a professional musician working in several bands in Colorado.

### **Education/Certifications**

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- Metropolitan State College, Denver, CO – B.S. Computer & Management Science, 1985
- University of Colorado, Boulder, CO – Masters in Business Administration, 1992

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## PAULA K. MALTMAN

**MANAGER, PLANNING, PRODUCT DELIVERY**

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### ***Contract Role***

Ms. Maltman schedules games through finishing operations and arranges shipments.

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### **Summary**

Ms. Maltman has more than 19 years of instant lottery ticket experience in the areas of production scheduling, packaging and quality assurance.

### **Relevant Experience**

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#### ***2003-Present, Scientific Games – Manager, Planning, Product Delivery***

- Works with press scheduler to ensure production time frames are sufficient to meet customer delivery requirements
- Schedules all games for production across 14 packaging lines, taking in account special equipment needs for product variance
- Monitors finishing process for efficiency and performance to schedule
- Establishes daily shipping schedule to balance production capabilities and customer expectations
- Manages transportation partner relationships to ensure secure and timely delivery of ticket shipments

#### ***2000-2003 (Alpharetta), 1989-1994 (Gilroy), Scientific Games – Manager, Quality Assurance***

- Ensured that all of the tickets printed at Scientific Games' Alpharetta, Georgia and Gilroy, California facilities prints met or exceeded the company's quality assurance standards
- Supervised a team of 33 inspectors who perform various quality inspections prior to each game going to press, during print runs, and through finishing operations
- Ensured that inspectors conduct a continuous ISO audit throughout the entire print process
- Administered Corrective Action Program for problem detection and correction as part of continuous improvement process
- Managed the company's ISO 9002 system for the Alpharetta plant and for cooperative services sites

#### ***1994-2000, Scientific Games – Packaging Manager***

- Managed all packaging functions at the Gilroy, California facility
- Supervised the workforce responsible for ticket inspection and pack wrapping and boxing ensuring standards of quality are met throughout the process
- Procured supplies needed to package tickets in manner specified by the customers
- Developed and updated methods to improve throughput and product accountability
- Oversaw preparation of shipping/inventory documents from data collection and reconciliation to preparation to ensure accuracy

### **Additional Related Experience**

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Prior to joining Scientific Games in 1989, Ms. Maltman worked in the printed circuit industry as a plant supervisor, responsible for ensuring product compliance to mil-spec standards while meeting strict delivery requirements.

### **Education/Certifications**

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- San Jose State University, San Jose, CA – B.A. Social Science, 1986





## **JEFF MARTINECK**

### **SENIOR DIRECTOR, INSTANT PRODUCT DEVELOPMENT**

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#### ***Contract Role***

Mr. Martineck researches and develops new added value instant ticket features, and develops products and distribution methods that increase Lottery profitability.

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#### **Summary**

Mr. Martineck has over 18 years of Lottery marketing and product development, including management in the Connecticut Lottery Corporation.

#### **Relevant Experience**

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##### ***2006-Present, Scientific Games – Senior Director, Instant Product Development***

- Develops value added printing features for printed products portfolio
- Develops new and improved products and product distribution methods

##### ***2004-2006, Scientific Games – Regional Director***

- Regional director for South Dakota, Minnesota, Iowa, Connecticut, Illinois and New Jersey lotteries
- Involved in the development and implementation of more than 1,000 instant games
- Implemented successful strategic marketing plans for various U.S. lotteries
- Developed inventory management tools to assist lotteries in developing accurate game orders
- Assisted in the development of research projects for both retailers and consumers
- Assisted lottery personnel in developing realistic marketing plans and objectives
- Participated in quarterly and annual marketing programs for lottery jurisdictions providing direction and recommendations on strategic and tactical marketing planning

##### ***2001-2004, Scientific Games – Account Manager***

- Account manager for Pennsylvania, South Dakota, and Florida, Delaware and Connecticut lotteries
- Attended game planning meetings and focus groups to help ensure that marketing strategies are consistent with customer needs
- Collaborated with the Lottery to produce quarterly and yearly product strategy and action plan
- Project leader on new game initiatives
- Analyzed sales data and research results in order to develop sales strategies and new game concepts

##### ***1997-2001, Connecticut Lottery Corporation – Online Product Manager***

- Part of marketing team in charge of instant game planning, advertising and promotions
- Served as multi-state representative for the Powerball online and instant game-show products

#### **Education/Certifications**

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- Southern Connecticut State University, New Haven, CT – B.S. Business Management, 1997

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# BILL MCARTHUR

## VICE PRESIDENT, INFORMATION SERVICES AND TECHNOLOGY

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### ***Contract Role***

Mr. McArthur manages the Information Services and Technology department, which has two primary roles: Lottery Production System Implementation and Support and Enterprise IT.

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### **Summary**

Mr. McArthur has over nine years of lottery experience and has participated in more than 19 implementations.

### **Relevant Experience**

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#### ***2006-Present, Scientific Games – Vice President, Information Services and Technology***

- Manages the Information Services and Technology department
- Oversees the end-to-end central systems architecture, installation/configuration; preparation and delivery of operations training; the corporate data center administration and maintenance
- Manages enterprise IT department and manages all corporate data centers and systems.

#### ***2005-2006, Scientific Games – Director Technical Infrastructure***

- Directs the technical infrastructure group that performs first tier emergency escalation for operations, development, and quality assurance
- Oversees the end-to-end central systems installation/configuration; preparation and delivery of operations training; the corporate data center administration and maintenance

#### ***2003-2005, Scientific Games – Manager, Corporate Operations Support***

- Researched, designed, and developed corporate operational policies and procedures
- Analyzed complex technical issues and troubleshooting of production problems; performed system failover, system integration, anomaly, and performance stress testing

#### ***2001-2003, Automated Wagering International (AWI) – Operations Manager***

- Managed technical infrastructure of the Indiana operations

#### ***1999-2001, Automated Wagering International (AWI) – Oracle Database Administrator***

- Member of the Indiana operations systems support and operations team

### **Additional Information**

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For the Maryland conversion, Mr. McArthur and his team used a new implementation and testing approach that enabled the central system with all components of the solution to be tested together before the conversion date.

### **Education/Certifications**

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- University of Indiana, Kelly School of Business, Bloomington, IN – M.B.A., 2005
- Shippensburg University, Shippensburg, PA – B.S. Geo-Environmental Studies, 1995

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# DENNIS JAMES MILLER

**VICE PRESIDENT, GLOBAL CUSTOMER SERVICE**

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## ***Contract Role***

Mr. Miller ensures that the customer service department provides our customers with the highest level of knowledge, understanding and responsiveness. He will be focused on making sure that customer expectations are exceeded. He will make sure that the account executives in the Customer Service department are the eyes and ears of our customer at our facilities around the world.

## **Summary**

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Mr. Miller has over 23 years experience in the lottery industry including: customer satisfaction, sales, marketing, research and operations.

## **Relevant Experience**

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### ***2006-Present, Scientific Games – Vice President, Global Customer Service***

- Provides support to Scientific Games global customer service organizations to ensure customer satisfaction
- Provides continuous training and learning opportunities to our Customer Service team ensuring customers have account executives who are knowledgeable about our products and our industry from game planning and concept to delivery and sell through
- Works interdepartmentally to ensure that the products we develop are as close to perfect as they can be
- Serves on development committees that will bring new products and services to the lottery industry

### ***2005-2006, Scientific Games – Senior Regional Director***

- Provided day-to-day account coordination and served as the liaison between Scientific Games and its customers; Responsibilities included: marketing and sales, industry trends, game design, administration, prize structures, strategic planning, product and industry research, and best practices
- Monitoring sales, analysis and planning for the Lottery's gaming needs

### ***2004-2005, Scientific Games – Director, Marketing Services***

- Research and development of new play style content
- Added value game features
- Marketing initiatives and development of convenience vehicles for customers
- Research and development of marketing programs that increase lottery sales

### ***1993-2003, Dittler Brothers/OGT – Vice President, U.S. Sales***

- Responsible for the U.S. sales team and its performance
- Held positions as U.S. sales director and senior account executive

## **Additional Related Experience**

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Mr. Miller has been involved in various sales, marketing and retail experience with organizations such as Kimberly-Clark and American Home Products, along with ten years in the retail grocery industry.

## **Education/Certifications**

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- Chemeketa Community College

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## **B. ERIC MITCHELL**

**SR. DIRECTOR, MARKETING INFORMATION SYSTEMS**

### ***Contract Role***

Mr. Mitchell provides marketing systems support.

### **Summary**

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Mr. Mitchell has been involved in Software Development for the past 19 years. After graduating from Georgia Tech with a B.S. in Computer Science, he joined a start-up telecommunications company developing Call Accounting and Call Center Software. Mr. Mitchell later joined Scientific Games in 1997.

During his tenure with Scientific Games, he has participated in the design, development, and deployment of instant ticket distribution, lottery retailer POS, and lottery central host systems. Mr. Mitchell started with Scientific Games as Senior Programmer in the Instant Systems department developing ticket distribution and validation systems. He has since worked within Scientific Games as a Systems Analyst for Online, Architect for Retail Solutions, Software Development Manager, and Director of Business Analysis. He has been involved in many of Scientific Games' start-ups and conversions as well as working with existing customers' maintenance. In his current role as Director of Marketing Information Systems, Mr. Mitchell applies his expertise by collaborating with Scientific Games' team members to design specific modules and systems that provide unparalleled marketing guidance aimed at driving revenue for our customers.

### **Relevant Experience**

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#### ***2006-Present, Scientific Games – Sr. Director, Marketing Information Systems***

- Manage enhancements and operations of AEGIS-MAP
- Product Manager for SciTrak Ultra
- Design marketing add-on modules and systems

#### ***2005-2006, Scientific Games – Director, Business Analysis***

- Managed a team of Business Analysts working with Software Engineering to define customer requirements

#### ***2002-2005, Scientific Games – Manager, Software Development***

- Managed team of Software Engineers working on the AEGIS online system
- Managed conversions to the AEGIS system for several new customers
- Maintained and enhanced the AEGIS system for existing customers

#### ***2000-2002, Scientific Games – Architect, Retail Solutions***

- Designed and developed software for a new in-lane terminal
- Worked on various research & development projects relating to retailer products and services

### ***1999-2000, Scientific Games – System Analyst, Online Software Support***

- Lead Developer for New York CSP instant ticket game system conversion
- Participated in development of conversion suite for Western Canada Lottery Corporation instant/online system
- Provided on-site technical support to Western Canada Lottery Corporation programming staff during joint development project

### ***1997-1999, Scientific Games – Senior Programmer/Analyst, Instant Software Support***

- Supported IL/MVS instant ticket system for various U.S. lotteries
- Supported and enhanced client/server instant ticket sales system
- Assisted in development and deployment of “probability games” for two U.S. lotteries
- Supported SQL Server DB for lottery ad-hoc reporting system
- Completed and supported decision support system for the West Virginia Lottery sales/support staff
- Developed and supported two internal decision support systems
- Developed additional functionality for internal manufacturing/purchasing system

### **Additional Related Experience**

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Mr. Mitchell has been involved in programming and application development since 1988. He started his career with a telecommunications software company after graduating from Georgia Tech. As Programmer/analyst and later as Project Manager for The Info Group, he participated in all areas of software development. He designed, coded, tested, and supported projects on a variety of platforms. The major OS platforms utilized were VMS, TSO, and MS Windows. Over those nine years, he helped transition the company's legacy COBOL and C products first to PRO-IV (a 4GL) and Sybase SQL Server. Some smaller projects worth mentioning were: a multi-port, Windows-based poller with scheduler developed using Visual Basic, an automated SNA host upload program, and an Intranet/HTML reporting interface for a legacy VMS application.

### **Education/Certifications**

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- Georgia Institute of Technology – B.S. Computer Science, 1988





# RICHARD MODAWELL

## SENIOR MANAGER, QUALITY

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### ***Contract Role***

Mr. Modawell oversees quality and security testing processes during the printing of instant ticket games.

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### **Summary**

Mr. Modawell has 10 years of lottery printing experience working in quality management, ISO quality system implementation, internal quality auditing, production control, purchasing, physical security and project management.

### **Relevant Experience**

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#### ***2008-Present, Scientific Games – Senior Manager, Quality***

- Responsible for managing Quality and Security Lab departments; coordination of quality assurance procedures and activities related to ticket production and process improvement across the company

#### ***2000-2007, Oberthur Gaming Technologies (OGT) – Operations Support Director***

- Responsible for all aspects of production support including production planning, shipping and receiving, physical security, quality control and purchasing

#### ***1997-2000, Oberthur Gaming Technologies – Quality Manager***

- Responsible for drafting, implementing and enforcing all manufacturing quality and security procedures; also responsible for product-related security controls, quality assurance and security testing of all games produced by OGT

### **Additional Related Experience**

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Before joining OGT, Mr. Modawell was a quality engineer with Bausch and Lomb from 1990 to 1997. Mr. Modawell's background of over 20 years of manufacturing experience includes quality management, ISO quality system implementation, statistical process control, new product development, field engineering and project management.

### **Education/Certifications**

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- Texas A & M University, College Station, TX – B.S. Engineering, 1983

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# TOBEN WOODS MOLICA

## SENIOR REGIONAL DIRECTOR

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### ***Contract Role***

Mr. Molica provides day-to-day account coordination and serves as liaison between Scientific Games and its customers.

### **Summary**

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Mr. Molica has eleven years of instant and online lottery experience, including four years with the Idaho Lottery and seven years with Scientific Games as the account manager and subsequently the regional director for lotteries including Arizona, Colorado, Georgia, Idaho, Montana, New Mexico, South Carolina and Washington State.ies.

### **Relevant Experience**

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#### ***2003-Present, Scientific Games – Senior Regional Director, Sales/North America***

- Provides day-to-day account management to lotteries
- Assists in game development and planning, sales forecasting and marketing support
- Provides and presents sales analyses and industry trends and best practices
- Consults with Lottery management on sales and marketing issues
- Responsible for support and guidance of all sales/marketing strategies
- Manages and coordinates press schedule and delivery dates

#### ***2001-2003, Scientific Games – Account Manager***

- Responsible for game development and planning, sales forecasting, and marketing support
- Serves as direct liaison between Scientific Games and his lottery accounts and provides ongoing account coordination and problem solving
- Provides sales analysis information, including index and attributes analysis. Conducts presentations of analysis findings
- Reports on lottery industry related trends and developments that may be of benefit to his accounts
- Assists with focus group and research objectives

#### ***1997-2001, Idaho Lottery – Product Manager***

- Responsible for developing, implementing, promoting and managing all aspects of both instant and online products

### **Education/Certifications**

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- Idaho State University, Pocatello, ID – B.B.A Business Administration, 1992

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# BRYAN MURPHY

## PACKAGING MANAGER

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### ***Current Role***

Mr. Murphy manages packaging operations for Scientific Games printed products.

### **Summary**

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Mr. Murphy has one year of experience with Scientific Games printed products. He also has 13-plus years of management experience with FedEx.

### **Relevant Experience**

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#### ***2007-Present, Scientific Games – Packaging Manager***

- Responsible for finishing operations for all product packaged in the Alpharetta plant
- Seek out and partner with cutting edge manufacturers to provide both quality and productivity continuous improvement solutions
- Provide a secure and functional product for our customers
- Involvement on several quality related projects including Orion, FMEA, etc.
- Develop a professional training program for continuous improvement

#### **Additional Related Experience**

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Before joining Scientific Games in 2007, Mr. Murphy was the senior transportation manager for FedEx Ground Atlanta Hub. As senior transportation manager, he was responsible for managing the movement of both inbound and outbound packages to and from Atlanta across 48 states.

### **Education/Certifications**

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- David Lipscomb University – B.S. Business Administration-Management, 1989

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## **JIM M. O'BRIEN**

### **VICE PRESIDENT, STRATEGIC MARKETING**

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#### ***Contract Role***

Mr. O'Brien provides strategic marketing, planning and development consultation.

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### **Summary**

Mr. O'Brien's 25 years of experience in the lottery industry have helped him gain in-depth knowledge in the areas of marketing, sales, research, product development and advertising. He served as the director of marketing for the Massachusetts State Lottery before joining Scientific Games in 2001.

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### **Relevant Experience**

#### ***Massachusetts State Lottery Commission – Director of Marketing***

#### ***2001-Present, Scientific Games – Vice President, Strategic Marketing***

- Provides holistic marketing recommendations for lottery customers through strategic marketing plans
- Works closely with lotteries on a project basis to implement specific marketing tactics
- Interfaces with the product development function to bring innovative ideas to market

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### **Accomplishments**

- Recipient of the first annual Edward J. Powers Award from the National Association of State and Provincial Lotteries in 1990 for excellence in sales and development
- Recipient of the third annual Edward J. Powers Award in 1993 for excellence in sales development
- Marketing department award for the "Best Lottery Marketer Organization" by the 1st Annual LeFleur Lottery World Symposium in 1996
- Recipient of the "Best Lottery Marketing Director" at the 2nd Annual LeFleur Lottery World Symposium in 1997
- Restructured the instant game product line, pricing, distribution system and promotional support resulting in an increase of business from \$600,000 per week in 1979 to our current level of about \$50,000,000 per week
- Consistently produce the best instant game per capita sales in the world, reaching levels more than twice as high as the lottery closest to us and nearly eight times the rate of the average lottery
- Designed and developed the lottery world's #1 selling Keno product, with a per capita per week rate more than 50% higher than the jurisdiction closest to us in sales
- Developed the lottery's product management system that allows the lottery to benefit from the intense focus on particular product areas and market its products in an efficient, coordinated manner
- Developed the lottery's telemarketing department which allowed us to better service our retailer network
- Established direct mail as an effective tool in building the lottery's base of players for all of our major product groups, contributing in a major way to our dramatic sales increases; effective designs and the use of marriage mail has enabled us to generate response rates up to 55%, making a normally costly advertising vehicle, a very efficient tool

## Education/Certifications

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- Graduate-Northeastern University – M.B.A Honor: Recipient of Teaching Fellowship, 1970
- Undergraduate-Holy Cross College – B.A. Major: Economics, Minor: History, 1970





# DAN WADE O'BRYANT

**DIRECTOR, U.S. INSTANT TICKETS**

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## ***Contract Role***

Mr. O'Bryant oversees printed products processes for Scientific Games' Alpharetta, Georgia printing facility.

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## **Summary**

Mr. O'Bryant has over 34 years of printing industry experience, including more than nine years with Scientific Games.

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## **Relevant Experience**

### ***2005-Present, Scientific Games – Director, Manufacturing***

- Directs manufacturing operations to ensure a professional, high quality, productive, cost-efficient facility that produces superior quality instant lottery tickets
- Works with department managers to establish and update all plant systems and procedures to ensure that all tickets are produced in a secure, high-quality manner and that each ticket meets or exceeds each customer's specifications and expectations
- Responsible for the entire ticket production process, from working with the cylinder and film suppliers to monitoring the shipment of tickets to customers
- Works with ink and chemistry Research & Development to improve existing chemistry and develop new chemistry for ticket quality and security enhancements
- Directs training and periodic refresher courses for all plant personnel on issues such as safety, proper equipment operation and general information
- Highly involved in identifying, justifying, procuring and implementing new equipment and technology to better serve our lottery customers
- Meets with lottery representatives during routine visits and site visits to present, explain and discuss the instant ticket manufacturing process
- Oversees all production functions, including scheduling games for press dates, obtaining film for ticket imaging, ordering press cylinders for ticket printing and producing point of sale materials for lottery customers
- Maintains the budget for printed products

### ***2002-2005, Scientific Games – Operations Manager***

### ***1998-2002, Scientific Games – Prepress Film/Press Manager***

- Implemented internal prepress production
- Set-up complete workflow including purchasing equipment needed to produce film, plates and proofs for two web presses
- Created job requirements for four Macintosh operators and four plate makers
- Responsible for writing the policies and prepress control structure for the quality management system used to achieve the corporate mission at Scientific Games for ISO 2000
- Implemented direct to plate technology

## **Additional Related Experience**

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Prior to joining Scientific Games in 1998, Mr. O'Bryant served as the prepress director of operations for Quebecor Printing for over 26 years.

## **Education/Certifications**

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- Pickens Technical, 12 years
- New Horizons Computer Learning Center, 2 years
- Georgia Tech College of management (Finance)



# ARISTOTLE “TELI” PARIANOS

## DIRECTOR, SECURITY

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### ***Contract Role***

Mr. Parianos directs the physical security operations of the Alpharetta, Georgia facility and distribution center. He conducts installation and remote administration of cooperative site security systems, emergency contingency planning, disaster recovery response. Fulfilling this role since 2002 prepares Mr. Parianos for this role in the proposed project. This project will have Cooperative Services and online components similar to his current SC, GA, OH,

FL, OK, D.C., TN, AZ, and PA customers. He reports to the corporate vice president of compliance and security.

### **Summary**

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Mr. Parianos has 16 years of experience in security printing operations to include lottery, promotional games, U.S. postage stamps and direct mail coupons. He has directed security, quality assurance and game auditing departments at multiple sites. He managed safety, environmental compliance and worker's compensation programs and fulfilled various project management responsibilities.

### **Relevant Experience**

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#### ***2002-Present, Scientific Games – Director, Security***

- Directs security operations so as to ensure the integrity of lottery games (1,200 annually), operations, facilities (Alpharetta and all CSP sites), personnel (1,000) and systems to include physical security for management information systems and corporate functions
- Responsible for physical security programs, life safety and security systems, disaster recovery, safety and primary emergency response programs
- Conducts internal investigations, provides risk assessment/management and provides employee and manager training
- Responsible for all phases of new instant product site development from site selection, system design and installation, UPS/power generation, remote monitoring and administration through operational start-up and continued compliance
- Monitors and assists with physical security best practices and related contractual compliance of operational Scientific Games' Cooperative Services sites in the United States and abroad
- Administration of internal “annual critical position vetting and contractor vetting” processes; Assists HR with applicant background investigations, records interpretation and third party services
- Audit security related vendors and remote sites
- Provides various event security services for Scientific Games' business units
- Overseas transport and specialty products security planning and implementation

### **Additional Related Experience**

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#### ***1997-2002, Quebecor World (Formerly Dittler Brothers and World Color) – Security and Safety Manager***

- Managed three salaried and 28 hourly personnel at two facilities to include all security, quality assurance and game auditing functions for printed products, lottery, promotional games, postage stamps; administration of security and life safety systems and programs, administration of personnel screening

- Conducted World Colors and latter Quebecor's lottery legacy responsibilities (database lottery ticket reconstructions and game closeouts of Dittler Brothers lottery products still in the field)
- Managed the company safety program and facilitated all production root cause investigations, final report findings and corrective action recommendations; served as the main point of contact during FBI investigations into Quebecors procedural and operational integrity regarding the SMI/McDonalds scandal and successfully proved beyond reproach, no wrong doing, involvement or negligence on the part of Quebecor or its employees
- Project management in consolidation of two printing mid size facilities into an 800,000 sq. ft. mega-site to include structural changes, press moves, facility systems and utilities, union negotiations, vendor contracts

## **Previous Experience**

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### ***1984-1992, U.S. Army Infantry***

- Led and professionally developed combat arms troops in vital combat operations during the Panama Invasion and Gulf War, 1985-1992; Awarded Bronze Star Medal, Meritorious Service Medal, (2) Army Commendation Medals, Combat Infantryman's Badge
- JOTC Jungle Operations Training Center Instructor; Trained military and law enforcement personnel in jungle operations and advanced light and air assault infantry operations
- Operation Promote Liberty; Conducted security and martial law operations to include the capture/arrest of political fugitives and illicit drugs in post invasion Panama
- Close personal protection and counter sniper assignments of executive branch political and high ranking military officials, security of high risk critical infrastructure and highly sensitive operational headquarters
- Served as an anti-terrorist reactionary company team member for the Frankfurt military community and Abrams Complex, 1986

## **Education/Certifications**

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- U.S. Army. Non-Commissioned Officer Academy JLDC, PLDC, BNCOC, ANCOC (Accredited Undergraduate) Forts Bragg & Campbell
- Hopkinsville Kentucky Community College and FSU satellite in Republic of Panama (Undergraduate)



# CHERIE PEYTON

## SENIOR PROJECT MANAGER

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### ***Contract Role***

Ms. Peyton will oversee the entire start-up effort and will be on the ground in Arkansas for overall operations support.

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### **Summary**

Since 2004, Ms. Peyton has had experience in a variety of positions for Scientific Games. This includes having roles in the Worldwide Projects organization and the Cooperative Services division supporting both online and instant lotteries.

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### **Relevant Experience**

#### ***2005-Present, Scientific Games – Manager, Cooperative Services***

- Responsible for corporate support of CSP sites with respect to systems, communications, vending machines, and special projects
- Assists the sites/customers on critical software/hardware/communications release deliverables
- Supports management with budgeting, forecasting, cost control and justification for software and telecom projects
- Supports CSP start-up operations domestically and internationally

#### ***2004-2005, Scientific Games – Project Manager Worldwide Projects Organization***

- Coordinated daily and weekly project meetings with both internal and external customers
- Managed software maintenance releases worldwide
- Managed the rollout of 300 new online retailers for the Iowa Lottery
- Served as the deputy project manager for the successful start-up for the Oklahoma Lottery

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### **Additional Information**

In May of 2004, Ms. Peyton joined Scientific Games as a project administrator working for the director of world wide projects. In her role she coordinated daily and weekly project meetings with both internal and external customers; and managed all software maintenance releases world wide. She took on full time project management in October of 2004. She managed the rollout of 300 new online retailers for the Iowa Lottery and was the deputy project manager for the successful start-up for the Oklahoma Lottery this fall. In October 2005, Ms. Peyton was promoted to the CSP division as the system implementation manager. Ms. Peyton is now responsible for corporate support of CSP sites with respect to systems, communications, vending machines, and special projects. On CSP start-up and conversion projects she serves as project manager assuring the coordination between the online vendor, Scientific Games and the Lottery.

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### **Education/Certifications**

- Georgia Institute of Technology, Atlanta, GA – B.S. Industrial Engineering, 1999

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# KYLE ROGERS

**EXECUTIVE VICE PRESIDENT AND GENERAL MANAGER,  
MDI ENTERTAINMENT**

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## ***Contract Role***

Mr. Rogers provides day-to-day management of the licensed property team.

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## **Summary**

Mr. Rogers has more than 14 years of lottery-related experience, including ten years at the Virginia Lottery where he held various positions including product development manager and most recently, marketing director.

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## **Relevant Experience**

### ***2004-Present, MDI Entertainment – Executive Vice President and General Manager***

#### ***2004, Scientific Games – Vice President, Scientific Games Properties***

- Responsible for all aspects of licensed games from license acquisition through game development, sales, and game launches

#### ***2000-2004, Virginia Lottery – Marketing Director***

- Record sales and profits in every year as marketing director
- Led transition efforts from The Big Game to Mega Millions
- Introduced multi-state Lotto South to replace aging Lotto game
- Double digit growth in scratch sales

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## **Additional Related Experience**

Before joining the lottery industry in 1992, Mr. Rogers planned and executed marketing promotions special events for Fortune 500 companies in Southern California for BDS Marketing. In between tenures with Virginia Lottery, he worked as a financial analysis project leader with Dominion Energy in Richmond, Virginia playing an integral role in the company's transition to deregulation.

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## **Education/Certifications**

- University of Virginia – Bachelors Degree Commerce with concentration in Marketing, 1990
- College of William and Mary – Masters of Business Administration, 1993

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# SCOTT ROSS

## ALC GENERAL MANAGER

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### ***Contract Role***

Mr. Ross will oversee the entire CSP operation and will ensure contract compliance of the ALC account.

### **Summary**

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Mr. Ross has 12 years of experience with Scientific Games and 28 years of total lottery experience

### **Relevant Experience**

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#### ***2002-Present, Scientific Games – Marketing Manager, Arizona CSP***

- Five-year pattern of sales growth with each year setting progressively higher sales records
- Develop and recommend marketing objectives, including sales volume and financial forecasts
- Define and recommend objectives in each area of operations; develop specific short term and long term plans and programs, together with supporting requests and financial estimates
- Manage a staff of supervisors to ensure timely distribution of product within the standards of budget, policies, procedures and contract obligations
- Manage software development and implementation for the project

#### ***2004-Present, Scientific Games – General Manager, New Mexico CSP (concurrent with Arizona)***

- Assist management to define objectives in each area of operations; develop specific short term and long term plans and programs to plan and manage the sales and distribution efforts
- Manage software development and implementation for the project

#### ***1997-2002, Scientific Games – Sales and Distribution Manager, Florida CSP***

- Five-year pattern of sales growth with each year setting progressively higher sales records
- Instituted a regional call cycle for contacting over 11,000 lottery retailers for the timely order of lottery instant tickets while reducing retailer back-up stock by 38% and unsold inventory by 6%
- Received ISO 9001:2000 certification within one year of start-up

### **Additional Related Experience**

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Mr. Ross has worked in the lottery industry since 1981 in the state, semi-private, and private sectors. Mr. Ross began working as a marketing representative for the Arizona Lottery in the Phoenix district in 1981 and served as the corporate account manager from 1984 to 1996. In 1996 Mr. Ross assisted in the start up of the New Mexico Lottery serving as the instant ticket product sales manager. Mr. Ross has been involved in the start up or as a consultant for Scientific Games operations in both the United States and abroad. These jurisdictions include: Française Des Jeux (French National Lottery), the New York Lottery, the South Carolina Lottery, the California Lottery, the Ohio Lottery, the Maryland Lottery, the Indiana Lottery, the Georgia Lottery, Games Media of England and the China Sports Lottery

### **Education/Certifications**

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- Kent State University, Kent, OH – B.S. Public Relations, 1975

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# ROBERT ANTHONY RUSENKO

## VICE PRESIDENT, QUALITY

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### ***Contract Role***

Mr. Rusenko ensures quality and continuous improvement in our company on a corporate-wide basis.

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## **Summary**

Robert has over 20 years experience in manufacturing, most recently with DuPont where he has been leading operations for their \$1.8 billion Engineering Polymers operations. He managed six polymer plants and nine compounding facilities worldwide. Prior to that, he worked with Saint Gobain-CeertainTeed Corporation, W.R. Grace, G.E. Plastics and Allied Signal. While at GE he was the winner of the coveted Six Sigma Gold Award for taking a plant from substandard performance to being an international leader.

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## **Relevant Experience**

### ***2005-Present, Scientific Games – Vice President, Quality***

#### ***2001-2005, Saint Gobain-Certain Teed Corporation – Vice President of Operations***

- Achieved record productivity in 2003 and 2002, 5.1% and 7.0% respectively; four-year average (2002-2005) was 4.6%; Prior four-year average (1998-2001) equaled 1.6%
- Shifted focus from variance to budget to year-over-year actual cost performance; Manage the number versus developing explanations after the month end closing; Weekly Flash Report, Monthly Plant Operating Review Package, \$ per lb. Targets by Line
- Initiated and organized the implementation of Six Sigma and Design for Six Sigma through out the entire business
- Led Supply Chain Re-engineering effort to save \$2.4 MM per year

#### ***2000-2001, W.R. Grace – Director Worldwide Manufacturing***

- Significantly modified the Six Sigma project selection process to incorporate a detailed financial assessment
- Led the development and the presentation of the Manufacturing Strategic Plan to the CEO and Corporate Leadership Team
- Initiated Process to Establish Global Manufacturing Metrics and Create 'Line of Sight' from Site Specific Goals to Business Operating Plan; also included having the team perform opportunity analysis and define entitlement; led the monthly review of these global metrics, along with the manufacturing financial performance, with the CEO and Corporate Leadership Team

### ***1996-2000, GE Plastics – Technology Manager***

- Established process development partnership with raw material supplier and toll manufacturer to reduce manufacturing cost by 18% for a new stabilizer
- Re-organized the team that included creating new leadership positions to provide better alignment with the key areas of focus; technical service, application development, process/product development and growth

### **Education/Certifications**

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- Widener University – B.S. Chemical Engineering, 1968



# CHARLES SCANNELLA

## SENIOR REGIONAL DIRECTOR

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### ***Contract Role***

Mr. Scannella provides account management, marketing, advertising support, training and product development services.

### **Summary**

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Mr. Scannella has 23 years of lottery experience, both as a lottery vendor and as a lottery official with vast knowledge regarding all aspects of online and instant games.

His experience includes production coordination of over 1,500 games from conception through sales. He has also implemented lottery software systems and supervised marketing support for instant automation systems for several states.

Mr. Scannella is well-versed in game prize structure design, has experience in new product research and has a comprehensive knowledge of the printing and programming process.

### **Relevant Experience**

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#### ***1990-Present, Scientific Games – Regional Director***

- Serves and has served as regional director for the D.C., Delaware, Georgia, Kentucky, Minnesota, Nebraska, and Pennsylvania lotteries
- Involved in the development and implementation of more than 2,000 instant games
- Implemented successful strategic marketing plans for over 11 lotteries
- Developed and implemented numerous successful retailer incentive programs designed to encourage retailers to promote lottery products and increase sales
- Developed inventory management tools to assist lotteries in developing accurate game orders.
- Assists in the development of research projects for both retailers and consumers
- Assists lottery personnel in developing realistic marketing plans and objectives
- Participates in quarterly and annual marketing programs for lottery jurisdictions providing direction and recommendations on game themes, product mix, prize funds and other relevant strategical and tactical marketing planning

### **Additional Related Experience**

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Prior to joining Scientific Games in 1990, Mr. Scannella was Webcraft's project manager for the Oregon, Maryland, New Jersey and Indiana lotteries. In this position, he was involved in online and instant training in New Jersey and Indiana. He played a key role in the start-up operations for the Indiana Lottery. Before that, Mr. Scannella was the communications monitor for the New Jersey Lottery.

### **Education/Certifications**

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- American Academy of Broadcasting, B.A., 1979

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# JOHN SCHULZ

## VICE PRESIDENT, INSTANT TICKET SERVICES

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### ***Contract Role***

Mr. Schulz will provide account operational oversight. Management staff will report to Mr. Schulz as well as all other aspects of the operation.

### **Summary**

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Mr. Schulz started with Scientific Games in 1985 at the company's first ever "Cooperative Service" (CSP) contract with the New York Lottery. Since this time he has held several different management positions within the operational and implementation side of the Scientific Games' lottery business. Mr. Schulz has worked on and oversaw projects and new business opportunities, in Canada, United States, Mexico, South America, South Africa, Europe, Australia, and Asia. He has led and implemented 34 different projects consisting of new lottery start-ups, terminal installations, instant ticket back office system, and online implementations and commercial game operations. Mr. Schulz currently oversees the North American Cooperative Service group consisting of 11 different budgeted sites and personnel.

### **Relevant Experience**

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#### ***2007-Present, Scientific Games – Vice President, Cooperative Services***

- Oversees all of the CSP sites in North America and provides daily corporate support to each of these sites
- Oversees the personnel and P and L for each of the North American CSP operations
- Provides start-up direction and support for all new CSP operations globally

#### ***2000-2007 Scientific Games – Senior Regional Director, Operations***

- Oversaw the company's operations in the south and west online and CSP sites; accounts include Montana, South Carolina, Arizona, New Mexico, Colorado, Iowa, Georgia, and Florida
- Served as the corporate representative on the operational side for Scientific Games
- All on-site operational personnel reported up through Mr. Schulz

### **Additional Information**

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Before joining Scientific Games in 1985, Mr. Schulz was a programmer for C.H.E.S. System Service, a computer consulting company located in Pleasantville, New York

### **Education/Certifications**

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- Nyack College, Nyack, NY – B.S. Organizational Management, 1994

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## **JEFF SINACORI**

### **VICE PRESIDENT, RETAIL DEVELOPMENT**

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#### ***Contract Role***

Mr. Sinacori consults with U.S. lotteries and European Lotteries. Retail business strategies, marketing of lottery products at retail, retailer and sales representative development and training. He is also a developer of SalesMaker.™

#### **Summary**

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Mr. Sinacori's retailer training expertise is well-respected in the lottery industry worldwide.

#### **Relevant Experience**

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##### ***Lottery Consultant Corp. – President***

###### ***2005-2007***

- NASPL attendee

###### ***2006***

- Speaker at NASPL (Breakout sessions)

###### ***2005-2006***

- Consulting for the following lotteries: New York Lottery, New Hampshire Lottery, Vermont Lottery, Maine Lottery, Indiana Lottery, Oklahoma Lottery, Maryland Lottery, Iowa, Lottery, South Carolina Lottery, Minnesota Lottery, Washington State Lottery, Tennessee Lottery, Georgia Lottery Corp., Germany Lottery
- Retailer/MSR/DSR/LSR sales training via consulting and seminar class; corporate outreach programs; management training/sales representative training, retailer training.

#### **Related Experience**

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***1987-2004, Business Owner Cori's "The Lucky Lottery Store"; New York State Lottery Agent/ Retailer 17 Years; Member of New York State Top Retailer Program***

***1999-2004, Long Island Regional Lottery Leader; Founder SINACORI SYSTEM™***

***2002-2005, Member New York State Lottery Retailer Advisory Panel***

***2003-2005, New York State Largest Retailer #1 (16,000 Retailers)***

***2002, Lottery.com Lottery Retailer of the Year***

***2002-2005, Top 1% in Lottery Sales in Nation***

***2004, New York State Top Sales Award Over 5 Million (Single Year)***

***2003, First Retailer in NYS to Break \$149,000.00 One Week Lottery Sales; New York State Top 40 Retailer***

***2002-2005, Lottery Best Practices Award New York State***

***2003-2005, New York State Sales Representative Training Seminar; New York State Total Sales Over 35 Million Dollars***

***2004, Guest Speaker New York State Sales Conference***

***2005, Guest Speaker LaFleur's Lottery Conclave***

#### **Education/Certifications**

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- Nassau Community College – Studied Marketing, 1984
- State University of New York College – Studied Marketing/Business, 1985-1987



# RICK TIDWELL

## DESIGN SUPERVISOR AND GRAPHIC DESIGNER

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### ***Contract Role***

Mr. Tidwell is responsible for production of final ticket artwork, and supervises a team of graphic designers in the development and preparation of working paper art.

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### **Summary**

Mr. Tidwell has more than 14 years of experience in art direction, graphic design and production art, which includes more than 7 years with Scientific Games.

### **Relevant Experience**

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#### ***2007-Present, Scientific Games – Design Supervisor***

- Works with Scientific Games' client services personnel to develop final ticket artwork for working papers and production; creates POS material as needed for each game
- Works with lottery product managers and lottery ad agencies as needed to facilitate their development of additional marketing materials
- Supervises a team of Scientific Games graphic designers in the preparation and development of final ticket artwork
- Responsible for scheduling of work throughout the department

#### ***2004-2007, Scientific Games – Pre-Press Technician***

- Developed trapped and press-ready plate files from final ticket artwork according to Scientific Games production requirements
- Generated contract proofs of final ticket artwork for customer color approval

#### ***2002-2004, Scientific Games – Graphic Designer***

- Designed instant lottery tickets from concept to completion, for domestic and international lottery customers
- Worked with lottery representatives, Scientific Games' client services personnel and other staff to create instant ticket designs.
- Developed instant ticket designs for the Maine, France, Netherlands, United Kingdom, and Golden Casket lotteries.
- Attended focus groups held for the U.K. Lottery; developed new game concepts based on focus group participants' input

### **Additional Related Experience**

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Before Mr. Tidwell joined Scientific Games in 2002, he worked as art director for Vergason, Sojourner & McWaters, an advertising agency in Orlando, Florida and as director of advertising for Christian Duplications International, Inc.

### **Education/Certifications**

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- Valencia Community College, Orlando, FL – A.S. Graphic Design, 1996

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# JAMES BRIAN TRASK

**SENIOR VICE PRESIDENT, GLOBAL PRINTING  
OPERATIONS**

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## ***Contract Role***

Mr. Trask oversees production operations of instant lottery games.

## **Summary**

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Mr. Trask has more than 30 years of broad management experience in the lottery and security printing industries. In his current role, Mr. Trask oversees printing operations for Scientific Games' manufacturing divisions worldwide since April 2007.

## **Relevant Experience**

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### ***2007-Present, Scientific Games – Senior Vice President, Global Printing Operations***

- Oversees printing operations for Scientific Games' manufacturing divisions worldwide

### ***2002-2007, Scientific Games – Managing Director SGIL***

- Joined Scientific Games in January, 2002 as Managing Director of its printed products operations in Europe, Middle East and Africa, based out of Leeds England
- Responsible for the creation and implementation of Scientific Games' strategy to develop and grow its European Lottery business including the local manufacture of instant scratch tickets

## **Additional Related Experience**

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Before joining Scientific Games in 2002, Mr. Trask was president and chairman of Creative Games International, Inc., a scratch lottery ticket printer in the United States and president, CBN Lotteries, which included a lottery systems provider based out of Ottawa, Canada.

Before that, Mr. Trask held the position of senior vice president with OGT responsible for sales, marketing, new product development, new market development, corporate advertising, quality assurance, ISO 9000 certification and legal counsel.

## **Education/Certifications**

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- York University, Toronto, Ontario – M.B.A., 1976
- Ottawa University, Ottawa, Ontario – B.A., 1974

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# JOHN JOSEPH WALSH

**SENIOR VICE PRESIDENT, GLOBAL SALES & SERVICES**

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## ***Contract Role***

Mr. Walsh is an executive staff member on the project steering committee. He secures and allocates financial and personnel resources for the project. Extensive experience in management and support of operations, provision of cooperative services and managing those services amply prepares Mr. Walsh to fill that role in the proposed project.

## **Summary**

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Mr. Walsh has 27 years of experience providing lottery customers comprehensive operations support. He has been integral to developing and enhancing the components that comprise the company's Cooperative Services Program (CSP).

## **Relevant Experience**

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### ***2000-Present, Scientific Games, Senior Vice President, Global Sales & Services***

- Manages worldwide Cooperative Services projects
- Manages the worldwide (excluding the Americas) instant ticket sales organization
- Serves the board of directors for the following organizations: Consorzio Lotterie Nazionali - Italian Instant Ticket Concession, Consortium with Lottomatica, FIT and Scientific Games, CSG - Joint Venture for instant ticket printing in China with CITIC Media for the China Sports Lottery, GLB - Guard Libang, provides instant ticket logistical & validation management systems for the China Welfare Lottery, SIST - Joint venture with Inspur for Cooperative Services in Shangdong Province, China

### ***1997-2000, Scientific Games, Vice President – Cooperative Services***

- Provided ongoing support and overall management of all CSP and online customers
- Managed the CSP start-up for the Florida, Georgia, Nebraska, Maine, Pennsylvania, Tennessee, Arizona, West Virginia and Virgin Islands lotteries. A wide variety of services are provided under our CSP
- Worked with lottery officials and Scientific Games representatives to custom-tailor CSP contracts that will meet a lottery's specific needs. Revises these contractual services as necessary
- Designed and implemented courier-based manifesting system in 1987, which has become the industry standard today
- Participated in developing the following international markets for Scientific Games: Philippines, Russia, Mexico, South Africa, and Colombia, Italy, France, Australia, United Kingdom
- Managed the New York Lottery's entire instant game distribution system from 1986-1993
- Worked with lottery officials and Scientific Games' representatives to develop instant games for the Lottery
- Designed and implemented successful retailer incentive programs, which helped generate higher revenues for the Lottery
- Designed, implemented, and oversaw the telemarketing sales system for New York's instant games

## **Education/Certifications**

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- Fordham University, New York, NY – B.S. Marketing, 1981

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# JENNIFER MCKELLER WELSHONS

**VICE PRESIDENT, GLOBAL MARKETING**

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## ***Contract Role***

Ms. Welshons manages the efforts of the Global Marketing department, including market research services, analysis and strategic planning.

## **Summary**

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Ms. Welshons has worked in the area of marketing and research for the past 14 years, 10 of which has involved lottery. Her experience includes consumer research, analysis, marketing and project management. Since joining Scientific Games in September, 2000, she has designed and managed research projects, performed analyses, and provided general marketing support for various lottery clients.

## **Relevant Experience**

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### ***2008-Present, Scientific Games – Vice President, Global Marketing***

- Provides overall leadership and focus on global marketing initiatives for acquiring new business, growing core business, and supporting current customers with superior professional marketing and research services

### ***2006-2007, Scientific Games – Vice President, Research and Planning***

- Created a more strategic role for research by combining it with an overall planning function for marketing activities

### ***2003-2006, Scientific Games – Director of Market Research***

- Responsible for elevating the research function to a more integral part of the business through more focused customer relationships
- Managed a staff to fulfill research obligations and added marketing information systems components for more efficient analysis

### ***2002-2003, Scientific Games – Market Research Manager***

- Continued to manage client research projects, as well as contractual funding and budgets upwards of \$3M annually
- Worked with clients on overall project design, questionnaire design and analysis to best meet their research needs

### ***2000-2002, Scientific Games – Market Research Analyst***

- Managed all aspects of client research projects with internal personnel, as well as outside vendors
- Conducted various ad-hoc analyses for lottery clients as they are deemed necessary

## **Education/Certifications**

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- University of Florida, Gainesville, FL – M.A. Mass Communication, specializing in research, 1994
- University of Florida, Gainesville, FL – B.S. Advertising, 1993

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# CATHY WHITE

## MANAGER, CUSTOMER SERVICE

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### ***Contract Role***

Ms. White is responsible for the management of the day-to-day activities of the development of working papers, prize structures and contract requirements of the Customer Service staff in Alpharetta, Georgia.

### **Summary**

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Ms. White has 22 years of experience with Scientific Games. For 14 years, focusing on the development, and marketing of an instant ticket; and, eight years, in the areas of administration and purchasing.

### **Relevant Experience**

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#### ***2006-Present, Scientific Games – Manager, Customer Service***

- Manages the day-to-day operational and training functions of Customer Service to ensure customer contracts and ISO requirements are met; Directly responsible for five customer service supervisors who each oversee a group of four to five account executives within customer service
- Directly assists vice president of customer service with employee needs
- Consults with Lottery management when requested for art and prize structure development

#### ***2005-2006, Scientific Games – Customer Service Quality Manager***

- Managed a team of two auditors for auditing art and prize structures to ensure accuracy and marketing goals are met by customer service

#### ***2003-2005, Scientific Games – Various Positions***

- Senior quality analyst, responsible for a team of two to audit all prize structures, art and working papers for customer accounts to ensure accuracy
- International account representative, worked on game development to ensure contract, marketing and printing guidelines were met for accounts; Camelot, Golden Casket, Netherlands and France
- Prize structure specialist responsible for a team of two to develop prize structures for customer accounts ensuring each prize structure was correct and met all necessary marketing guidelines

#### ***2005-2000, Scientific Games – Account Services Team Leader, Production Scheduler***

- Responsible for the management of game development for three account service representatives and three graphic artists
- Responsible gathering daily press information and updating the press schedule

#### ***1994-2005, Scientific Games – Account Services Representative***

- Responsible for game development for the accounts; Florida, Wisconsin, Massachusetts, Maine, New York, New Hampshire, Nebraska, Kentucky and Missouri

### **Education/Certifications**

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- Southeastern Center for the Arts (SCA), Atlanta, GA – Graphic Design, 1990
- Numerous continuing education printing processes courses, including those offered by the Rochester Institute of Technology, Rochester, NY

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# JANINE LEE WHITEMAN

## SENIOR DIRECTOR, RETAIL SOLUTIONS MARKETING

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### ***Contract Role***

Ms. Whiteman serves as corporate sponsor for the Scientific Games terminal offerings and assists site team with development and deployment of new lottery solutions for specified retailers.

### **Summary**

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Ms. Whiteman has over 26 years of lottery-specific experience, including lottery start-ups, account management, customer service, marketing, game design, research and computer system design and implementation. Ms. Whiteman's experience includes project management of online and instant ticket systems. She is integrally familiar with all facets of instant ticket and online game marketing as well as the operational aspects of all lottery products. Her current responsibilities include marketing of Retail Solutions products.

### **Relevant Experience**

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#### ***2004-Present, Scientific Games – Senior Director, Retail Solutions Marketing***

- Responsible for the marketing of Scientific Games' retailer terminals including WAVE™, InPlay™, PlayCentral®, ConvenienceCentral™ and other product lines
- Provides technical direction and review for the products

#### ***2001-2003, Scientific Games – Regional Director***

- Provided strategic and tactical direction and recommendations for a select group of Scientific Games domestic lottery customers
- Responsible for the development and implementation of realistic marketing plans
- Responsible for development and implementation of tools that will assist lottery customers with meeting revenue objectives
- Participated in quarterly and annual marketing planning programs for lottery jurisdictions providing direction and recommendations on game themes, product mix, prize funds and other marketing planning

### **Additional Information**

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Ms. Whiteman worked for Arthur Anderson & Company as an information systems consultant before joining Scientific Games in 1983. She also worked as a programmer/analyst for Hewlett Packard and a quality control test analyst for Auto-Trol Technology.

### **Education/Certifications**

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- Colorado State University – B.S. Business (MIS Concentration), 1982 with Honors
- Georgia Institute of Technology – Certificate of Project Management, 2002
- Various Management Training and Professional Development Courses

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## APPENDIX 4: Financial Reports

Scientific Games is pleased to submit our last three years of financial statements on the enclosed CD.



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