



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

OFFICE OF THE ARKANSAS LOTTERY

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April 28, 2017

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

RE: Notice of Execution of Licensing Agreement

Gentlemen:

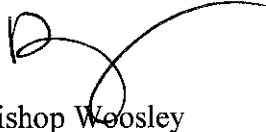
In accordance with the letter of December 14, 2010, from the Co-Chairs of the Arkansas Lottery Commission Legislative Oversight Committee, please consider this letter and the attachment as notice of the execution on March 29, 2017, of a Non-Exclusive Licensing Agreement between Scientific Games International ("SGI") and the Department of Finance and Administration Office of the Arkansas Lottery ("OAL"). The Non-Exclusive Licensing Agreement grants to OAL the non-exclusive right in the state of Arkansas to reproduce, use, and make copies of the Property in association with the sale, marketing, advertising, and promotion of a scratch-off instant win lottery game to be conducted by the OAL and identified as AR-402 Willy Wonka™ Golden Ticket (the "Game"). The following information is provided:

1. Date of Agreement: March 29, 2017.
2. Term of Agreement: The term of this agreement shall commence on the date the Working Papers for the Game are signed and shall expire on the last day for claiming Game prizes as established by the OAL.
3. Vendor or other parties to the Agreement: Scientific Games International.
4. Value (cost or cost savings projected for the agreement): The base instant game contract price is 1.30 % of net sales. There is a price of \$1.89 per 1000 tickets for FailSafe Barcode Services and a price of 1.35% of the prize fund for Points for Prizes Rewards/Merchandise Prizes and Fulfillment. The preceding costs are standard for OAL instant games. There is a 4-Color Process Display Printing Fee, for use of color imaging on the back of the ticket that amounts, by contract, to \$2.95 per 1000 tickets, and there is an additional cost for the setup of this color imaging on the back of the ticket that amounts to \$3,800.00. Additionally, SGI shall invoice the OAL in the amount of one hundred eighty thousand dollars (\$180,000.00) for the Linked Game Fee. For the Linked Prize Fee, SGI shall also invoice the OAL monthly at 1.1625% of Net Ticket Sales during the period covered by the invoice.

The Honorable Keith Ingram
The Honorable Chris Richey
Page 2
April 28, 2017

A copy of the executed document is attached. Please let me know if you would like additional information or have any questions regarding this matter.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Bishop Weosley', with a long, sweeping horizontal line extending to the right.

Bishop Weosley
Director

Enclosures

cc: Mr. Larry Walther, Director, Arkansas Department of Finance and Administration
Mr. Roger Norman, Legislative Auditor, Division of Legislative Audit

Scientific Games International
1500 Bluegrass Lakes Parkway
Alpharetta, GA 30004

This letter constitutes the order of the OFFICE OF THE ARKANSAS LOTTERY for 1,200,000 (+2.00 % order qty. /-0.00 % order qty.) tickets of Instant Game No. 402 "WILLY WONKA™ GOLDEN TICKET" as fully described in Version 1.0 of the "Game Specifications" document dated March 27, 2017 with Prize Structure Version A dated February 24, 2017.



ACKNOWLEDGED AND ACCEPTED:

Michael P Smith
Mr. Mike Smith
Gaming Director

3/29/2017
Date



ACKNOWLEDGED AND ACCEPTED:

C Cabell
Carolyn Cabell
Director, AR Marketing

3-29-17
Date

1. **PROPERTY**

As used herein, the term **"Property"** shall individually and collectively refer to the approved characters, names, illustrations, emblems, trade dress, marks, logos, artwork, designs, titles, character names, costumes, environmental settings, plot elements, artwork and other elements depicted in the theatrical motion picture *WILLY WONKA AND THE CHOCOLATE FACTORY*TM, subject to the terms and conditions set forth in the respective license agreements between Warner Bros. Consumer Products Inc. (**"Licensor"**) and Scientific Games Corporation, the parent company of Scientific Games International, Inc. (**"SGI"**) with affiliated rights to the wholly owned subsidiary. The term **"Property"** or **"Properties"** shall also individually and collectively refer to the word mark **BILLION DOLLAR CHALLENGE**TM, owned and licensed by Scientific Games Corporation for use with instant scratch ticket lottery games in the United States. The Office of the Arkansas Lottery's (**"OAL"**) right to use the license for this instant scratch ticket lottery game originates from and relates back to the terms of OAL RFP Number OAL-090001, dated June 19, 2009, and all corresponding RFP documents, and any amendments thereto, including but not limited to SGI's responses to the RFP for comprehensive instant ticket services. Accordingly, each of the aforementioned documents is hereby incorporated by reference herein.

Subject to the terms and conditions of the grant of rights hereunder (**"Grant of Rights"**) SGI hereby grants the OAL the non-exclusive right in the state of Arkansas (**"Territory"**) to reproduce, use and make copies of the Property in association with the sale, marketing, advertising and promotion of a scratch-off instant-win lottery game to be conducted by the OAL and identified as AR-402 **"WILLY WONKA**TM **GOLDENTICKET"** (the **"Game"**). All rights not specifically granted to the OAL herein are reserved by SGI and/or Licensor. The OAL acknowledges Licensor as a third party beneficiary under this working papers agreement with respect solely to the Game.

2. **UTILIZATION OF PROPERTY**

- a) Graphic and other creative elements for the Property that may be reproduced and used by the OAL in ticket art designs and related advertising are limited to the following:
 - i. The Property, as defined above; and
 - ii. The **WILLY WONKA**TM trademarks and logos; and
 - iii. The **BILLION DOLLAR CHALLENGE**TM word mark.
- b) Pre-approved creative elements of the Property are available from SGI for the OAL's use with the Game, upon written request.
- c) The OAL shall submit all artwork and other materials for tickets, point-of-sale, advertising, marketing and promotional materials (collectively the **"Artwork"**) for the Game to SGI for approval. The OAL shall not disseminate any tickets, advertisement or promotion until it has procured SGI's written approval. SGI shall have fifteen (15) business days to

approve in writing each piece of Artwork and return same to the OAL for use or revision, as the case may be. The OAL shall submit any such revised Artwork to SGI, and SGI shall have fifteen (15) business days to approve all such Artwork or return same to the OAL for use or further revision. Unless SGI notifies the OAL otherwise, if SGI does not return the Artwork within the aforementioned time periods, the Artwork shall be deemed not approved by SGI. The approval or modifications shall be communicated via email, fax or other written documentation. For purposes of clarification, SGI shall be responsible for facilitating with Licensor for all approvals.

No party hereto will unreasonably withhold its approval of any act or request of the other to which its approval is necessary or desirable; provided, however, that each Licensor's consent to any proposed use of the Property may be granted or withheld in Licensor's sole discretion.

- d) On request and to the extent such materials are available; SGI shall provide the OAL with examples of approved promotional material(s) produced by other lotteries that have entered into licensing agreements with SGI for the use of the Property for the sole purpose of providing guidance to the OAL in its creation of the Artwork.
- e) SGI warrants and represents that it acts as either licensee or agent of Licensor with respect to the copyright and/or trademark rights in the Property.
- f) The OAL represents and warrants that it will comply with all applicable laws, (including intellectual property laws), rules and regulations in connection with the use of the Property and activities related thereto.
- g) The OAL recognizes the great value of the goodwill associated with the Property and acknowledges that the Property and all rights therein and the goodwill pertaining thereto belong exclusively Licensor, and that upon expiration of this Grant of Rights the OAL shall discontinue any and all use of the Property and sale or distribution of any articles bearing the Property.

3. TRADEMARKS AND OTHER REQUIREMENTS

- a) The OAL agrees to place a trademark designation with each use of the Property on the Artwork, as appropriate, or as may otherwise be specified by SGI or Licensor. The OAL agrees to place any applicable patent markings on the ticket back as may be required by Licensor or SGI. The OAL further agrees to place the following information on the ticket back and related print marketing materials:

*WILLY WONKA AND THE CHOCOLATE FACTORY and all related characters and elements © & ™ Warner Bros. Entertainment Inc.
(s17)*

Abbreviated legal notice when space is at a premium; use subject to licensor approval.

TM & © Warner Bros. Entertainment Inc.
(s17)

- b) At a minimum, the OAL shall provide SGI with the following samples for this Game, as appropriate:
 - i. Five (5) books of voided lottery tickets;
 - ii. Six (6) samples of all print advertising not supplied by SGI; and
 - iii. Six (6) samples of all retailer sell-in and related communications materials.
- c) SGI reserves the right to modify trademark and patent requirements prior to final approval of all creative elements, including modifications that may be required by the Licensor.
- d) SGI and the OAL mutually warrant that any gaming activity offered through the Internet shall be done in full compliance with applicable U.S. law and SGI's governance processes. The parties agree no other electronic media shall be used in connection with this Game and no wagering activity shall take place over the internet or any other electronic media.
- e) The OAL shall indicate that licensing rights for the Property have been obtained from SGI in any press releases relating to this Game issued by the OAL.
- f) The OAL represents and warrants that it is duly organized under applicable law and that it has the right and authority to enter into and perform this Grant of Rights.
- g) The OAL represents and warrants that the Game rules, website(s) for the Game, second chance drawing procedures and ticket back for the Game will all include the phrase "Void where prohibited by law."

4. CONSIDERATION AND PAYMENT FOR PRIZES

The OAL shall allocate three hundred fifteen thousand (\$315,000.00) for payment associated with:

- a) One hundred eighty thousand dollars (\$180,000.00) for the game fee (the "**Linked Game Fee**"), which is one and one-half percent (1.5%) of the planned potential Game sales, for participation in a multi-state, Linked Game;
- b) One hundred thirty-five thousand dollars (\$135,000.00) for (the "**Linked Prize Fee**"), funded from the prize structure for the Game, for the fees associated with the two (2) trip prizes described in Section 8 below (the "**Trip Prizes**") and cash prizes for the BILLION DOLLAR CHALLENGE™;

- c) SGI shall invoice the OAL in the amount of one hundred eighty thousand dollars (\$180,000) for the Linked Game Fee, with ninety thousand dollars (\$90,000) invoiced upon delivery of the Game and ninety thousand dollars (\$90,000) invoiced the following month;
- d) The OAL shall provide SGI with calendar month sales figures on a monthly basis. The amount of each invoice for the Linked Prize Fee shall be calculated as 1.1625% of Net Ticket Sales during the period covered by the invoice. "Net Ticket Sales" shall be defined as gross tickets settled, less all returned, lost, or stolen tickets, and multiplied by \$10;
- e) Notwithstanding anything contained herein to the contrary, and regardless of the amount of actual Net Ticket Sales of the Game, with respect to the Linked Game Fee and the Linked Prize Fee, the OAL hereby represents and warrants that it will pay SGI no less than two hundred forty-seven thousand five hundred dollars (\$247,500) during the term of this Grant of Rights; and
- f) All payments due to SGI hereunder shall be made to SGI within thirty (30) days of the OAL's receipt of SGI's invoice.

5. GOODS AND SERVICES SPECIFICATIONS

Trip Prizes: SGI shall provide up to two (2) Trip Prizes as described more fully in Section 8, below:

The Trip Prize is a four-day, three-night trip for the prizewinner ("Prizewinner") and one (1) guest to Las Vegas, Nevada to occur on or about spring of 2018. Each trip includes:

- (i) Roundtrip coach airfare for up to two (2) people on a major airline, as defined by the Federal Aviation Administration, from any U.S. International airport to McCarran International Airport in Las Vegas (inclusive of all associated security fees, taxes and surcharges);
- (ii) Ground transfers between McCarran International Airport and the destination hotel and between SGI hosted events;
- (iii) Accommodations of one (1) deluxe hotel room for three (3) nights (double occupancy, room and room tax only);
- (iv) One thousand dollars (\$1,000) spending money for the Prizewinner to be provided two (2) weeks prior to the scheduled trip departure date.
- (v) Admission to the BILLION DOLLAR CHALLENGE™ theater/venue for the Prizewinner and guest, and the Prizewinner shall have one (1) chance to participate in the BILLION DOLLAR CHALLENGE™ to win a cash prize of from one thousand dollars (\$1,000) up to one billion dollars (\$1,000,000,000) as described below.