



STATE OF ARKANSAS  
ARKANSAS LOTTERY COMMISSION

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

May 10, 2012

The Honorable Mike Beebe  
Governor of Arkansas  
State Capitol  
Little Rock, AR 72201

RE: Monthly Disclosure Reports

Dear Governor Beebe:

On behalf of our agency and the Commissioners of the Arkansas Lottery Commission, please accept the attached monthly disclosure reports pursuant to §§ 23-115-206 and 23-115-302 for the month of April 2012. The report contains the following information:

1. Contracts Awarded
2. Debt Set-Off Collections
3. Retailer Losses
4. Breakdown of Lottery Sales per County
5. Total Number of Retailers
6. Total Lottery Revenue
7. Prize Disbursements
8. Operating Expenses
9. Net Assets
10. Administrative Expenses
11. Unclaimed Prize Report
12. Arkansas Scholarship Lottery Minority- and Female-owned Business Report
13. Arkansas Scholarship Lottery Vendor Minority- and Female-owned Business Report
14. Arkansas Scholarship Lottery Demographics
15. Internal Auditor Report
16. Instant Ticket Games Released

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Bishop Woosley".

Bishop Woosley  
Director

Enclosures

cc: Ms. Dianne Lamberth, Chair  
Arkansas Lottery Commission



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May 10, 2012

The Honorable Mark Perry, Chair  
Arkansas Lottery Commission Legislative Oversight Committee  
One Capitol Mall, Room R-501  
Little Rock, AR 72201

RE: Monthly Disclosure Reports

Dear Representative Perry:

On behalf of our agency and the Commissioners of the Arkansas Lottery Commission, please accept the attached monthly disclosure reports pursuant to §§ 23-115-206 and 23-115-302 for the month of April 2012. The report contains the following information:

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cc: Ms. Dianne Lamberth, Chair  
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May 10, 2012

The Honorable Johnny Key, Chair  
Arkansas Lottery Commission Legislative Oversight Committee  
One Capitol Mall, Room R-501  
Little Rock, AR 72201

RE: Monthly Disclosure Reports

Dear Senator Key:

On behalf of our agency and the Commissioners of the Arkansas Lottery Commission, please accept the attached monthly disclosure reports pursuant to §§ 23-115-206 and 23-115-302 for the month of April 2012. The report contains the following information:

1. Contracts Awarded
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Bishop Woosley  
Director

Enclosures

cc: Ms. Dianne Lamberth, Chair  
Arkansas Lottery Commission

**Arkansas Lottery Commission Term Contracts for Goods and Services  
April 1 through April 30, 2012**

1. On March 13, 2012, The Arkansas Lottery Commission (ALC) entered into a Non-Exclusive Licensing Agreement with Scientific Games International to allow the ALC 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 ALC and identified as AR-141 HARLEY-DAVIDSON®. A copy of the agreement was provided to the Arkansas Lottery Commission Legislative Oversight Committee.

2. On March 30, 2012, a Non-Exclusive Licensing Agreement was executed between Intralot, Inc. (“Intralot”), Alchemy3, LLC (“A3”), and the ALC. During the term of the agreement, A3 (and its Licensor, Bass Pro Shops® owned and licensed by Bass Pro Shops Outdoor World, LLC) granted to Intralot the limited, non-exclusive, non-transferable and non-sublicensable right to manufacture Bass Pro Shops® Decades of Dollars Promotion Tickets on behalf of ALC. A copy of the agreement was provided to the Arkansas Lottery Commission Legislative Oversight Committee.

**Arkansas Lottery Commission  
Debt Set-Off / Retailer Losses  
April 2012**

1. Retailer losses for period April 1 through April 30, 2012: There were no retailer losses for the month of April 2012.

2. Debt Set-Off:

a.	Department of Finance and Administration	\$24,642.37
b.	Office of Child Support Enforcement - Child Support	<u>\$ 1,400.00</u>
	Total Debt Set-Off:	\$26,042.37

**ARKANSAS LOTTERY COMMISSION**  
**RETAIL SALES BY COUNTY**  
**April 1 through April 30, 2012**

COUNTY	ARKANSAS 50/50	CASH 3	CASH 4	DECADES OF DOLLARS	FAST PLAY	INSTANT SETTLEMENTS	MEGA MILLIONS	POWERBALL	TOTAL SALES FOR COUNTY
ARKANSAS	\$605.00	\$7,655.50	\$9,361.00	\$5,292.00	\$14,787.00	\$475,414.00	\$16,423.00	\$26,735.00	\$556,272.50
ASHLEY	\$290.00	\$10,206.00	\$10,865.50	\$2,174.00	\$1,633.00	\$142,698.00	\$9,001.00	\$16,560.00	\$193,427.50
BAXTER	\$765.00	\$2,457.50	\$3,288.00	\$5,730.00	\$2,116.00	\$312,101.00	\$21,672.00	\$35,388.00	\$383,517.50
BENTON	\$3,130.00	\$3,876.50	\$2,228.50	\$13,680.00	\$10,250.00	\$866,674.00	\$70,221.00	\$133,641.00	\$1,103,701.00
BOONE	\$615.00	\$2,374.50	\$1,826.00	\$3,324.00	\$3,570.00	\$375,410.00	\$16,027.00	\$30,022.00	\$433,168.50
BRADLEY	\$225.00	\$1,154.50	\$469.00	\$1,394.00	\$695.00	\$145,157.00	\$5,289.00	\$8,222.00	\$162,605.50
CALHOUN	\$55.00	\$712.50	\$604.50	\$898.00	\$157.00	\$59,958.00	\$1,838.00	\$3,347.00	\$67,570.00
CARROLL	\$315.00	\$697.50	\$555.00	\$2,012.00	\$984.00	\$224,546.00	\$9,680.00	\$18,610.00	\$257,399.50
CHICOT	\$470.00	\$6,664.50	\$3,979.50	\$3,726.00	\$1,766.00	\$207,134.00	\$27,909.00	\$44,208.00	\$295,857.00
CLARK	\$510.00	\$4,396.00	\$1,887.50	\$2,798.00	\$1,177.00	\$328,034.00	\$12,080.00	\$22,698.00	\$373,580.50
CLAY	\$220.00	\$609.50	\$90.00	\$908.00	\$751.00	\$88,200.00	\$3,169.00	\$5,701.00	\$99,648.50
CLEBURNE	\$720.00	\$1,368.50	\$200.00	\$5,484.00	\$2,234.00	\$311,195.00	\$20,794.00	\$33,862.00	\$375,857.50
CLEVELAND	\$85.00	\$723.50	\$543.50	\$840.00	\$938.00	\$62,400.00	\$2,908.00	\$5,859.00	\$74,297.00
COLUMBIA	\$370.00	\$10,532.00	\$5,791.50	\$2,646.00	\$3,246.00	\$250,771.00	\$7,597.00	\$13,763.00	\$294,716.50
CONWAY	\$725.00	\$6,859.50	\$2,096.00	\$3,982.00	\$1,453.00	\$406,844.00	\$18,081.00	\$31,525.00	\$471,565.50
CRAIGHEAD	\$3,015.00	\$9,096.50	\$5,847.50	\$11,156.00	\$6,628.00	\$1,258,739.00	\$48,710.00	\$90,737.00	\$1,433,929.00
CRAWFORD	\$1,430.00	\$2,401.00	\$1,557.00	\$4,848.00	\$1,605.00	\$368,200.00	\$27,861.00	\$55,564.00	\$463,466.00
CRITTENDEN	\$1,115.00	\$15,574.50	\$9,466.50	\$6,148.00	\$1,907.00	\$561,028.00	\$39,270.00	\$78,731.00	\$713,240.00
CROSS	\$515.00	\$2,137.00	\$1,373.50	\$2,134.00	\$465.00	\$215,502.00	\$8,758.00	\$16,122.00	\$247,006.50
DALLAS	\$210.00	\$1,506.00	\$876.00	\$1,610.00	\$2,678.00	\$139,912.00	\$5,515.00	\$9,346.00	\$161,653.00
DESHA	\$235.00	\$935.50	\$407.00	\$2,008.00	\$1,768.00	\$182,342.00	\$8,267.00	\$14,427.00	\$210,389.50
DREW	\$675.00	\$1,073.50	\$586.00	\$2,366.00	\$818.00	\$208,368.00	\$10,279.00	\$18,468.00	\$242,633.50
FAULKNER	\$3,895.00	\$10,739.50	\$5,968.50	\$18,300.00	\$4,735.00	\$1,241,270.00	\$65,585.00	\$123,127.00	\$1,473,620.00
FRANKLIN	\$465.00	\$539.00	\$139.00	\$1,512.00	\$3,632.00	\$160,204.00	\$8,637.00	\$17,073.00	\$192,201.00
FULTON	\$85.00	\$561.00	\$41.50	\$444.00	\$251.00	\$63,300.00	\$2,958.00	\$5,150.00	\$72,790.50
GARLAND	\$3,420.00	\$6,326.50	\$3,897.50	\$21,656.00	\$6,618.00	\$886,819.00	\$77,290.00	\$134,883.00	\$1,140,910.00
GRANT	\$370.00	\$396.50	\$141.00	\$2,386.00	\$288.00	\$164,943.00	\$11,744.00	\$17,556.00	\$197,824.50
GREENE	\$1,425.00	\$2,802.50	\$719.00	\$3,618.00	\$2,417.00	\$537,196.00	\$20,639.00	\$38,994.00	\$607,810.50
HEMPSTEAD	\$460.00	\$25,905.50	\$7,089.00	\$1,984.00	\$1,484.00	\$401,486.00	\$9,980.00	\$16,155.00	\$464,543.50
HOT SPRING	\$645.00	\$1,949.50	\$786.00	\$4,594.00	\$1,151.00	\$350,854.00	\$15,086.00	\$28,544.00	\$403,609.50

**ARKANSAS LOTTERY COMMISSION**  
**RETAIL SALES BY COUNTY**  
**April 1 through April 30, 2012**

COUNTY	ARKANSAS 50/50	CASH 3	CASH 4	DECADES OF DOLLARS	FAST PLAY	INSTANT	MEGA MILLIONS	POWERBALL	TOTAL SALES FOR COUNTY
HOWARD	\$215.00	\$15,192.50	\$4,385.50	\$1,352.00	\$326.00	\$130,943.00	\$6,100.00	\$8,131.00	\$166,645.00
INDEPENDENCE	\$2,270.00	\$7,685.00	\$4,425.00	\$7,410.00	\$5,919.00	\$650,700.00	\$23,152.00	\$41,733.00	\$743,294.00
IZARD	\$180.00	\$356.50	\$128.50	\$826.00	\$334.00	\$72,874.00	\$4,509.00	\$8,095.00	\$87,303.00
JACKSON	\$610.00	\$11,649.50	\$6,517.50	\$4,186.00	\$1,855.00	\$354,263.00	\$13,519.00	\$23,218.00	\$415,818.00
JEFFERSON	\$2,380.00	\$35,589.00	\$24,036.00	\$17,412.00	\$6,982.00	\$1,228,210.00	\$59,909.00	\$100,530.00	\$1,475,048.00
JOHNSON	\$810.00	\$596.50	\$680.00	\$2,674.00	\$1,157.00	\$259,956.00	\$11,605.00	\$20,673.00	\$298,151.50
LAFAYETTE	\$75.00	\$3,527.50	\$1,209.00	\$496.00	\$554.00	\$78,092.00	\$1,756.00	\$2,883.00	\$88,592.50
LAWRENCE	\$355.00	\$957.50	\$204.00	\$1,872.00	\$1,186.00	\$240,600.00	\$5,788.00	\$11,781.00	\$262,743.50
LEE	\$30.00	\$1,955.00	\$2,295.00	\$384.00	\$385.00	\$99,600.00	\$2,981.00	\$5,756.00	\$113,386.00
LINCOLN	\$95.00	\$645.00	\$350.50	\$988.00	\$140.00	\$101,637.00	\$4,972.00	\$8,172.00	\$116,999.50
LITTLE RIVER	\$90.00	\$3,076.00	\$1,183.00	\$850.00	\$1,054.00	\$95,491.00	\$4,093.00	\$5,772.00	\$111,609.00
LOGAN	\$695.00	\$775.50	\$187.50	\$2,288.00	\$860.00	\$248,323.00	\$10,920.00	\$20,387.00	\$284,436.00
LONOKE	\$2,155.00	\$6,792.00	\$2,552.00	\$12,842.00	\$4,206.00	\$1,055,606.00	\$46,878.00	\$91,068.00	\$1,222,099.00
MADISON	\$220.00	\$119.00	\$139.00	\$856.00	\$699.00	\$70,889.00	\$4,144.00	\$7,518.00	\$84,584.00
MARION	\$355.00	\$1,405.00	\$483.50	\$2,570.00	\$1,102.00	\$169,839.00	\$6,938.00	\$14,377.00	\$197,069.50
MILLER	\$785.00	\$25,553.00	\$8,550.50	\$3,432.00	\$3,484.00	\$434,330.00	\$17,663.00	\$25,361.00	\$519,158.50
MISSISSIPPI	\$1,100.00	\$37,675.50	\$13,564.50	\$4,162.00	\$3,673.00	\$598,293.00	\$22,051.00	\$36,175.00	\$716,694.00
MONROE	\$200.00	\$4,651.00	\$1,421.00	\$1,686.00	\$570.00	\$160,202.00	\$7,799.00	\$15,225.00	\$191,754.00
MONTGOMERY	\$50.00	\$41.50	\$29.50	\$480.00	\$1,065.00	\$38,307.00	\$3,244.00	\$5,560.00	\$48,777.00
NEVADA	\$130.00	\$3,163.00	\$756.50	\$1,512.00	\$683.00	\$209,100.00	\$5,203.00	\$8,409.00	\$228,956.50
NEWTON	\$75.00	\$52.00	\$105.00	\$352.00	\$449.00	\$66,463.00	\$2,044.00	\$3,430.00	\$72,970.00
OUACHITA	\$890.00	\$10,581.00	\$4,749.50	\$4,512.00	\$4,939.00	\$553,336.00	\$15,334.00	\$27,399.00	\$621,740.50
PERRY	\$165.00	\$823.00	\$215.50	\$1,042.00	\$113.00	\$86,163.00	\$5,968.00	\$9,618.00	\$104,107.50
PHILLIPS	\$215.00	\$4,365.00	\$3,138.00	\$1,844.00	\$1,240.00	\$256,554.00	\$14,328.00	\$26,031.00	\$307,715.00
PIKE	\$230.00	\$216.50	\$84.50	\$1,386.00	\$829.00	\$85,200.00	\$5,982.00	\$8,983.00	\$102,911.00
POINSETT	\$1,140.00	\$5,832.00	\$2,127.00	\$2,692.00	\$2,564.00	\$483,822.00	\$11,971.00	\$23,965.00	\$534,113.00
POLK	\$380.00	\$691.50	\$22.50	\$2,434.00	\$448.00	\$144,776.00	\$8,556.00	\$16,567.00	\$173,875.00
POPE	\$2,320.00	\$5,011.50	\$3,119.00	\$10,870.00	\$3,619.00	\$799,769.00	\$39,141.00	\$71,811.00	\$935,660.50
PRAIRIE	\$200.00	\$2,743.50	\$1,196.50	\$1,334.00	\$923.00	\$176,829.00	\$6,025.00	\$11,503.00	\$200,754.00
PULASKI	\$12,915.00	\$104,269.00	\$64,915.00	\$97,706.00	\$29,704.00	\$6,181,083.00	\$337,151.00	\$595,601.00	\$7,423,344.00
RANDOLPH	\$360.00	\$140.50	\$78.50	\$1,514.00	\$283.00	\$157,438.00	\$5,272.00	\$9,606.00	\$174,692.00

**ARKANSAS LOTTERY COMMISSION  
RETAIL SALES BY COUNTY  
April 1 through April 30, 2012**

COUNTY	ARKANSAS 50/50	CASH 3	CASH 4	DECADES OF DOLLARS	FAST PLAY	INSTANT	MEGA MILLIONS	POWERBALL	TOTAL SALES FOR COUNTY
SAINT FRANCIS	\$320.00	\$7,610.50	\$3,808.00	\$1,852.00	\$875.00	\$234,937.00	\$13,869.00	\$24,242.00	\$287,513.50
SALINE	\$2,930.00	\$6,494.00	\$3,409.50	\$19,658.00	\$4,996.00	\$1,278,243.00	\$69,205.00	\$125,760.00	\$1,510,695.50
SCOTT	\$160.00	\$277.50	\$27.50	\$632.00	\$1,155.00	\$124,309.00	\$4,477.00	\$9,291.00	\$140,329.00
SEARCY	\$65.00	\$856.00	\$368.00	\$1,080.00	\$838.00	\$84,299.00	\$3,682.00	\$6,219.00	\$97,407.00
SEBASTIAN	\$3,945.00	\$11,141.50	\$4,047.50	\$13,862.00	\$3,929.00	\$835,707.00	\$68,657.00	\$128,075.00	\$1,069,364.00
SEVIER	\$165.00	\$3,953.00	\$552.00	\$1,174.00	\$1,037.00	\$119,694.00	\$5,145.00	\$7,267.00	\$138,987.00
SHARP	\$555.00	\$926.50	\$358.50	\$1,816.00	\$2,235.00	\$210,994.00	\$6,811.00	\$12,900.00	\$236,596.00
STONE	\$205.00	\$1,013.00	\$180.50	\$1,404.00	\$1,421.00	\$91,800.00	\$4,555.00	\$9,961.00	\$110,539.50
UNION	\$1,215.00	\$43,811.00	\$22,509.00	\$5,164.00	\$4,007.00	\$665,173.00	\$22,713.00	\$41,678.00	\$806,270.00
VAN BUREN	\$405.00	\$715.50	\$355.50	\$2,300.00	\$2,014.00	\$150,129.00	\$10,133.00	\$17,376.00	\$183,428.00
WASHINGTON	\$4,820.00	\$8,045.00	\$5,216.00	\$18,926.00	\$4,805.00	\$1,434,908.00	\$92,106.00	\$173,289.00	\$1,742,115.00
WHITE	\$1,910.00	\$2,591.50	\$2,457.00	\$11,258.00	\$3,405.00	\$1,187,519.00	\$39,746.00	\$74,806.00	\$1,323,692.50
WOODRUFF	\$275.00	\$2,520.50	\$566.50	\$928.00	\$382.00	\$127,200.00	\$5,044.00	\$9,182.00	\$146,098.00
YELL	\$430.00	\$1,039.00	\$306.50	\$2,316.00	\$957.00	\$171,224.00	\$9,136.00	\$16,220.00	\$201,628.50

<b>GRAND TOTALS</b>	<b>*Arkansas 50/50</b>	<b>*Cash 3</b>	<b>*Cash 4</b>	<b>*Decades of Dollars</b>	<b>*Fast Play</b>	<b>*Instant</b>	<b>*Mega Millions</b>	<b>*Powerball</b>	<b>*Totals</b>
	\$76,150.00	\$529,357.50	\$279,691.50	\$415,986.00	\$195,603.00	\$33,001,523.00	\$1,673,543.00	\$3,016,622.00	\$39,188,476.00

\*Estimates

**Arkansas Lottery Commission  
Total Number of Active Retailers  
April 2012**

There were 1,870 active retailers as of April 30, 2012.

**Arkansas Lottery Commission**  
**Statement of Net Assets**  
**April 30, 2012**

**ASSETS**

**Current assets:**

Cash and Cash Equivalents	\$ 2,618,311.35
Restricted Assets:	
Cash and cash equivalents	41,291,017.10
Accounts receivable	12,723,760.43
Prepaid items	<u>40,755.80</u>
 Total current assets	 <u>56,673,844.68</u>

**Noncurrent assets:**

Restricted assets:	
Cash and cash equivalents	20,051,388.28
Deposits with Multi-State Lottery Asso.	1,627,020.83
Capital assets:	
Equipment	526,664.88
Leasehold Improvements	498,416.68
Less accumulated depreciation	<u>(454,191.61)</u>
 Total noncurrent assets	 <u>22,249,299.06</u>
 Total assets	 <u>\$ 78,923,143.74</u>

**LIABILITIES**

**Current liabilities:**

Accounts payable	\$ 467,028.82
Prizes payable	14,870,096.02
Accrued and other liabilities	1,471,207.06
Due to other funds	1,120,220.00
Due to ADHE	40,291,017.10
Compensated absences	227,458.11
Deferred revenue	<u>449,015.50</u>
 Total current liabilities	 <u>58,896,042.61</u>

**Long-Term liabilities:**

Net OPEB Obligation	<u>457,989.97</u>
 Total liabilities	 <u>59,354,032.58</u>

**NET ASSETS**

**Net assets:**

Invested in capital assets	570,889.95
Restricted for:	
Scholarship shortfall fund	20,000,000.00
Retailer fidelity fund	51,388.28
Deposits with MUSL	1,627,020.83
Future prizes or special prize promotions	1,000,000.00
Unrestricted	<u>(3,680,187.90)</u>
 Total net assets	 <u>19,569,111.16</u>
 Total liabilities & net assets	 <u>\$ 78,923,143.74</u>



**Arkansas Lottery Commission**  
**Statement of Revenue, Expenses, and Changes in Net Assets**  
**For the Ten Months Ending April 30, 2012**

	<b>Current Month</b>	<b>%</b>	<b>Year to Date</b>	<b>%</b>	<b>Budget YTD</b>	<b>%</b>	<b>Variance YTD</b>
Operating Revenues							
Instant Games	\$ 33,176,481.00	84.13	\$ 331,704,410.58	82.47	\$ 305,219,724.20	80.75	26,484,686.38
OnLine Games	6,208,269.50	15.74	70,025,212.00	17.41	72,277,646.50	19.12	(2,252,434.50)
A/R write-offs	0.00	0.00	(10,520.73)	(0.00)	0.00	0.00	(10,520.73)
Retailer application, fidelity	48,785.30	0.12	500,458.06	0.12	469,697.07	0.12	30,760.99
Other Revenue	75.00	0.00	14,439.25	0.00	3,333.35	0.00	11,105.90
	<u>39,433,610.80</u>		<u>402,233,999.16</u>		<u>377,970,401.12</u>		<u>24,263,598.04</u>
<b>Total Operating Revenues</b>		<b>100.00</b>		<b>100.00</b>		<b>100.00</b>	
Operating Expenses							
Instant Game Prizes	22,907,877.38	58.09	232,040,242.21	57.69	206,023,313.84	54.51	26,016,928.37
On-Line Game Prizes	3,386,217.42	8.59	34,717,016.91	8.63	37,637,381.16	9.96	(2,920,364.25)
Retailer Commissions	2,216,483.38	5.62	22,551,830.75	5.61	21,140,612.36	5.59	1,411,218.39
Gaming Contract Costs	2,033,674.11	5.16	20,661,927.14	5.14	19,253,058.19	5.09	1,408,868.95
Staff Compensation & Benefits	443,863.57	1.13	4,592,651.88	1.14	5,637,452.01	1.49	(1,044,800.13)
Marketing, Advertising & Promotions	330,699.90	0.84	3,375,044.01	0.84	3,750,000.00	0.99	(374,955.99)
General and administrative expenses	112,763.60	0.29	1,055,856.98	0.26	1,368,352.30	0.36	(312,495.32)
Services Provided by Other Agencies	109,440.00	0.28	1,253,840.00	0.31	1,471,066.66	0.39	(217,226.66)
Legal and Professional Service	4,633.89	0.01	76,151.90	0.02	66,750.00	0.02	9,401.90
Capital asset depreciation	15,179.89	0.04	151,798.90	0.04	179,166.60	0.05	(27,367.70)
	<u>31,560,833.14</u>		<u>320,476,360.68</u>		<u>296,527,153.12</u>		<u>23,949,207.56</u>
<b>Total Operating Expenses</b>		<b>80.27</b>		<b>79.70</b>		<b>78.45</b>	
Operating Income	7,872,777.66	19.73	81,757,638.48	20.30	81,443,248.00	21.55	314,390.48
Non-Operating Revenue (Expense)							
Interest Income	28,201.24	0.07	286,187.51	0.07	183,333.30	0.05	102,854.21
	<u>\$ 7,900,978.90</u>		<u>\$ 82,043,825.99</u>		<u>\$ 81,626,581.30</u>		<u>\$ 417,244.69</u>
<b>Income before transfers</b>		<b>20.04</b>		<b>20.40</b>		<b>21.60</b>	

**Arkansas Scholarship Commission**  
**Net Proceeds Transfer to Ed Trust Computation**  
**For the Ten Months Ending April 30, 2012**

	Year to date
<b>Operating revenues:</b>	
Instant ticket SETTLEMENTS	\$ 332,451,492.58
Online ticket sales	70,025,212.00
A/R write-offs	
Retailer application, fidelity and service fees	500,458.06
Other revenue	<u>14,439.25</u>
 Total operating revenues	 <u>402,991,601.89</u>

<b>Operating expenses:</b>	
Instant game prizes SETTLEMENTS	233,453,229.00
Online game prizes	34,717,016.91
Retailer commissions	22,551,830.75
Gaming contract costs	20,661,927.14
Compensation and benefits	4,592,651.88
Marketing, advertising and promotions	3,375,044.01
General and administrative expenses	1,055,856.98
Services provided by ADHE	1,094,400.00
Services provided by Legislative Audit Agency	159,440.00
Legal and professional services	76,151.90
Current year Capital Asset cost	0.00
Total operating expenses	<u>321,737,548.57</u>
 Change in net proceeds from operations	 81,254,053.32

<b>Nonoperating revenue (expense):</b>	
Interest Income	286,187.51
EDUCATION TRUST FUNDING-Current Year	(73,765,461.21)
Less Act 1180 Unclaimed Prizes	0.00
Less Transfer to ADHS	(200,000.00)
Less Current year Fidelity Fund fees	(19,703.73) restricted fund
Less Current year MUSL Reserves additions	(488,888.13) see 23-115-103(17) and (19)(A)&(B)

**NET PROCEEDS EARNED-Current Month** **\$ 7,066,187.76**

	Transfer	Interest	Total
<b>Totals</b>	<b>\$ 39,700,450.31</b>	<b>\$ 590,566.79</b>	<b>\$ 40,291,017.10</b>
July 2010 funding - 8/13/10	\$ 8,503,421.96	\$ 37,490.77	\$ 8,540,912.73
August 2010 funding - 9/14/10	\$ 7,925,706.45	\$ 41,129.77	\$ 7,966,836.22
September 2010 funding - 10/14/10	\$ 7,361,418.43	\$ 43,339.89	\$ 7,404,758.32
October transfer to ADHE 10/1/10	\$ (65,000,000.00)		\$ (65,000,000.00)
October 2010 funding - 11/12/10	\$ 7,197,503.10	\$ 18,042.76	\$ 7,215,545.86
November 2010 funding - 12/15/10	\$ 8,235,343.71	\$ 20,925.06	\$ 8,256,268.77
December 2010 funding - 1/14/11	\$ 6,671,666.03	\$ 25,098.81	\$ 6,696,764.84
January 2011 funding - 2/11/11	\$ 9,005,241.74	\$ 28,533.34	\$ 9,033,775.08
February transfer to ADHE 2/11/11	\$ (50,000,000.00)		\$ (50,000,000.00)
February 2011 funding - 3/14/11	\$ 8,213,896.20	\$ 15,845.40	\$ 8,229,741.60
March 2011 funding - 4/13/11	\$ 10,279,304.63	\$ 12,939.26	\$ 10,292,243.89
April 2011 funding - 5/13/11	\$ 8,380,584.65	\$ 16,872.92	\$ 8,397,457.57
May 2011 funding - 6/14/11	\$ 8,500,021.38	\$ 21,763.28	\$ 8,521,784.66
June 2011 funding - 7/15/11	\$ 3,690,562.00	\$ 24,714.99	\$ 3,715,276.99
July 2011 funding - 8/12/11	\$ 7,124,686.65	\$ 28,216.33	\$ 7,152,902.98
ADHE Refund for excess funding 8/1/11	\$ 12,430,211.12		\$ 12,430,211.12
June 2011 Audit Adjustments funding - 8/3/11	\$ 60,972.09		\$ 60,972.09
August transfer to ADHE 8/4/11	\$ (60,000,000.00)		\$ (60,000,000.00)
August 2011 funding - 9/14/11	\$ 7,531,880.34	\$ 11,673.25	\$ 7,543,553.59
September 2011 funding - 10/14/11	\$ 6,961,428.55	\$ 11,751.16	\$ 6,973,179.71
October transfer to ADHE 10/13/11	\$ (10,000,000.00)		\$ (10,000,000.00)
June 2011 Audit Adjustments funding - 11/15/11	\$ (102,990.22)		\$ (102,990.22)
October 2011 funding - 11/15/11	\$ 8,121,007.71	\$ 12,698.12	\$ 8,133,705.83
November 2011 funding - 12/15/11	\$ 7,980,208.54	\$ 13,917.97	\$ 7,994,126.51
December 2011 funding - 01/15/12	\$ 7,870,103.23	\$ 18,175.91	\$ 7,888,279.14
January 2012 funding - 02/15/12	\$ 5,500,806.07	\$ 21,940.75	\$ 5,522,746.82
February transfer to ADHE 2/2/12	\$ (45,000,000.00)		\$ (45,000,000.00)
February 2012 funding - 03/15/12	\$ 9,724,929.68	\$ 4,663.90	\$ 9,729,593.58
March 2012 funding - 04/15/12	\$ 12,820,077.29	7,295.76	\$ 12,827,373.05
April 2012 funding - 05/15/12	\$ 7,053,021.89	13,165.87	\$ 7,066,187.76

**Arkansas Lottery Commission**  
**Unclaimed Prizes**  
**Year to Date April 30, 2012**

1. Unclaimed lottery prize money: \$4,700,745.16
2. Expenditures from unclaimed lottery prize money: \$0
3. Reserved for future prizes or promotions: \$0
4. Deposits to net lottery proceeds from unclaimed lottery prize money: \$4,700,745.16

## Arkansas Lottery Commission Minority- and Female-Owned Diversity Compliance Report

VENDORS	Fiscal 2012 Total	April 2012	Good or Service	Diversity Classification
AFRICAN AMERICAN PERSPECTIVES	\$3,750.00		Advertising/Public Relations	Minority-Owned
GODDESS PRODUCTS	\$21,623.74	\$2,177.46	Office Furniture/Supplies	Minority-Owned
HOGWASH DETAIL DENT & TINT	\$268.73		Auto Detail & Cosmetic Repair	Minority-Owned
TRIVIA MARKETING	\$112.10	\$32.55	Advertising/Public Relations	Female-Owned
SHI INTERNATIONAL CORPORATION	\$13,971.58		Computer Software	Female-Owned
HOLA! ARKANSAS	\$1,500.00		Advertising/Public Relations	Minority-Owned
NORTHEAST ARKANSAS CLEANING SERVICE	\$4,692.64	\$434.00	Janitorial Svcs	Female-Owned
<b>Totals</b>	<b>\$45,918.79</b>	<b>\$2,644.01</b>		

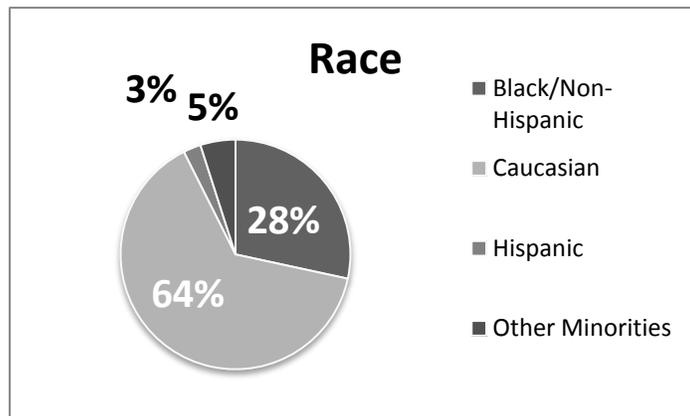
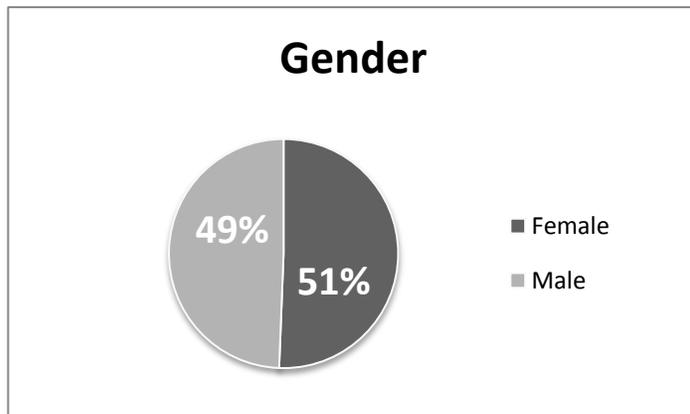
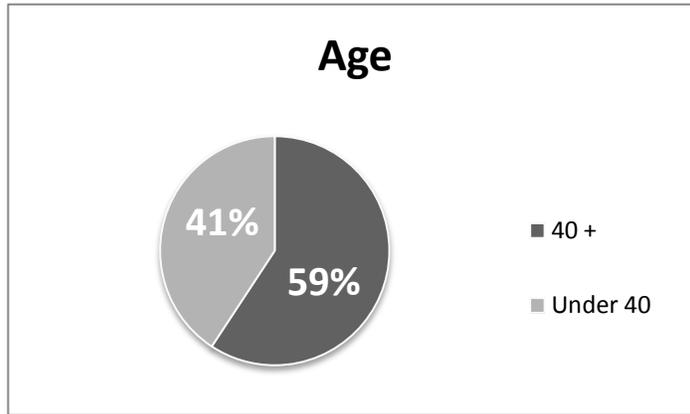
## Intralot Minority- and Female-Owned Diversity Compliance Report

VENDORS	Fiscal 2012 Total	April 2012	Good or Service	Diversity Classification
GODDESS PRODUCTS	\$547.96		Office Furniture/Supplies	Minority-Owned
J KELLY REFERRALS AND INFORMATION SVCS, INC	\$136,497.35	\$14,062.14	Call Center/Information Svcs	Minority-Owned
<b>Totals</b>	<b>\$137,045.31</b>	<b>\$14,062.14</b>		

## Scientific Games Minority- and Female-Owned Diversity Compliance Report

VENDORS	Fiscal 2012 Total	April 2012	Good or Service	Diversity Classification
MR. KLEAN CARPET AND JANITORIAL SERVICE	\$3,459.60	\$298.30	Janitorial Svcs	Minority-Owned
PREMIER STAFFING	\$17,769.12		Staffing Svcs	Female-Owned
CENTRAL COPIERS	\$826.80	\$352.00	Office Supplier/Equipment	Female-Owned
EXPEDITED TRANSPORTATION SERVICE	\$156,232.92	\$15,615.68	Transportation Svcs	Female-Owned
<b>Totals</b>	<b>\$178,288.44</b>	<b>\$16,265.98</b>		

**Arkansas Lottery Commission  
Demographics – April 2012**



**Total Number of Employees as of April 30, 2012: 81**

**Gender:**

Females – 41  
Males – 40

**Race:**

**Black/Non-Hispanic – 23**  
Female – 15  
Male - 8

**Hispanic – 2**  
Female - 2  
Male - 0

**Age:**

Under 40 – 33  
40 + – 48

**Caucasian – 52**  
Female - 23  
Male - 29

**Other – 4**  
Female - 1  
Male - 3

**Arkansas Lottery Commission: Internal Audit**

**Instant Ticket Lottery Game  
Services Contract Modifications  
& “Properties Plus”**

**Special Report**

# Arkansas Lottery Commission – Internal Audit

## Special Report

### Instant Ticket Lottery Game Services Contract Modifications & “Properties Plus”

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# Arkansas Lottery Commission – Internal Audit

## Special Report

### Instant Ticket Lottery Game Services Contract Modifications & “Properties Plus”

#### Initial Contract

- Scientific Games’ (SGI) Official Proposal Price Sheet (Attachment A) for the Arkansas Lottery Commission Instant Ticket Lottery Game Services Request for Proposal (RFP) # ALC-090001 was submitted on July 29, 2009.
  
- Scientific Games’ Official Proposal Price Sheet offered two options: **(See Attachment A, PAGE 3 of 22)**
  - 1.75% of instant ticket sales
  
  - OR
  
  - 1.15% of instant ticket sales and the implementation of “Properties Plus” at the rate of 2.3078% of the prize fund for all tickets regardless of which vendor prints the tickets
  
- Properties Plus includes the following: **(Attachment B)**
  - Points for Prizes
  - Players Club
  - Play It Again
  - Licensed Properties
  - Easy Entry Validation
  - Player Registration Module
  
- The Scientific Games’ Official Proposal Price Sheet was provided to the Commission members for review during the August 5, 2009 Arkansas Lottery Commission meeting.
  
- The Arkansas Lottery Commission unanimously approved the Intent to Award the Instant Ticket Lottery Game Services Contract and the Contract Execution, pending review by the Legislative Lottery Oversight Committee. **(Attachment C, PAGES 4 - 6 of 12)**

# Arkansas Lottery Commission – Internal Audit

## Special Report

### Instant Ticket Lottery Game Services Contract Modifications & “Properties Plus”

- The Instant Ticket Lottery Game Services Contract Evaluation Summary and Scientific Games’ Official Proposal Price Sheet was provided to the Arkansas Legislative Lottery Oversight Committee (LOC). The LOC reviewed the Instant Ticket Lottery Game Services Contract approved by the Arkansas Lottery Commission on August 13, 2009. (**Attachment D**)
- The Agreement for Contractual Services for Instant Ticket Lottery Games Services between the Arkansas Lottery Commission and Scientific Games was executed on August 18, 2009. (**Attachment E**).

The Agreement for Contractual Services for Instant Ticket Lottery Games Services - Agreements Section – Terms of Compensation (Item 3) states, in part, the following “*Instant ticket pricing for SGI’s comprehensive product solution is located in SGI’s Official Proposal Price Sheet. The attached pricing information was offered by SGI in response to Section 5.1.1 (Pricing Formula) and 5.1.2 (Determination of Net Sales) of the Instant Ticket Lottery Games Services Request for Proposal which commences with the execution of the Contract on the 18(th) day of August 2009.*”

The Instant Ticket Lottery Game Services Request for Proposal (RFP) Section 5. – Evaluation Criteria for Selection (Subsection 5.1 – Cost) under the Pricing Formula Section (5.1.1) states, in part, the following: **Bidders must include all pricing information on the Official Price Proposal Sheet**

- Arkansas Lottery Commission Chair, Ray Thornton, announced at the August 19, 2009 Arkansas Lottery Commission meeting that the Instant Ticket Contract has been executed.
- Lottery Management and Scientific Games appear to have agreed upon the election of the “Properties Plus” option (1.15% of instant ticket sales and 2.3078% of the prize fund).

The Order/Price Confirmation for one of the first four games printed for the Arkansas Scholarship Lottery (Game 4 - \$100,000 Cash Bonanza) dated August 19, 2009 and signed by Arkansas Scholarship Lottery Management (David Barden – former Vice President of Gaming) and Scientific Games on August 25, 2009 indicates that the final invoice will be based on a percentage of sales at a rate of 1.15%. (**Attachment F**)

# Arkansas Lottery Commission – Internal Audit

## Special Report

### Instant Ticket Lottery Game Services Contract Modifications & “Properties Plus”

This is consistent with the original Official Proposal Price Sheet that was approved by the Arkansas Lottery Commission on August 5, 2009 and reviewed by the Arkansas Legislative Lottery Oversight Committee on August 13, 2009 (“Properties Plus” option).

### **Lottery Management’s Authority to Amend an Executed Contract**

➤ Vendors are subject to all requirements of the Arkansas Lottery Commission Major Procurement Rules, whether such requirements are specifically set forth in this RFP or not (Page 3).

➤ Arkansas Lottery Commission Major Procurement Rules Section 5 – General Policies. (Subsection G. – Contract Amendment.) states, in part, the following:

*“A contract amendment is a written document that changes, adds or deletes one or more terms or conditions of an existing contract. During the course of the performance of a contract, it may become necessary to change, add to, or delete from the terms and conditions of the contract.*

*i. A contract amendment shall clearly detail the additions, deletions, and modifications to the subject contract.*

*ii. The Commission may enter into a contract amendment with respect to a major procurement contract if the Director determines any or all of the following: (A) the contract amendment is within the original scope of work and within the intent and purpose of the applicable major procurement contract, (B) the contract amendment is a logical extension to the original scope of work of the applicable major procurement contract, or (C) if entered into as a stand-alone contract, such contract would not constitute a major procurement contract.”*

➤ Arkansas Lottery Commission Major Procurement Rules Section 4 – Definitions. (Subsection B.) states the following: *“Commission” means the Arkansas Lottery Commission.”*

# Arkansas Lottery Commission – Internal Audit

## Special Report

### Instant Ticket Lottery Game Services Contract Modifications & “Properties Plus”

- Arkansas Lottery Commission Major Procurement Rules Section 5 – General Policies. (Subsection L. – Purchase Order or Contract Required.) states the following:

*“Any vendor or other person who manufactures or delivers a product or service without a written purchase order or contract or who delivers a product or service not specifically authorized by a purchase order or contract does so at the vendor’s (or other person’s) own risk. Under no conditions shall the Commission be liable for payment of any type for any product or service provided by a vendor or other person, even such provided in good faith, which is not specifically authorized by a purchase order or contract.”*

- Arkansas Lottery Commission Major Procurement Rules Section 6. – General Provisions. (Subsection D. – Procedures Regarding Submissions.) states, in part, the following:

- ii. *“All bids, offers, quotes or proposals and the contracts resulting from solicitations are subject to the requirements of and must comply with the Act, regardless of whether or not specifically addressed in either the solicitations or the proposal. All potential vendors shall read and be familiar with the Act, a copy of which may be obtained through a link on the Commission’s web site.”*

Arkansas Lottery Commission Major Procurement Rules Section 4 – Definitions. (Subsection A.) states the following: “Act” means the Arkansas Scholarship Lottery Act.

- The Arkansas Scholarship Act (Subchapter 7 – Procurements – 23-115-701(e)(1)) states the following:

*“Each proposed major procurement contract and each amendment or modification to a proposed or executed major procurement contract shall be filed with the Arkansas Lottery Commission Legislative Oversight Committee for review at least thirty (30) days before the execution date of the major procurement contract or the amendment or modification to a proposed or executed major procurement contract.”*

# Arkansas Lottery Commission – Internal Audit

## Special Report

### Instant Ticket Lottery Game Services Contract Modifications & “Properties Plus”

#### Recital of Selected Options (Contract Modification)

- The Recital of Selected Options (Attachment G) was created by Scientific Games on August 25, 2009 and signed by Lottery Management (Ernie Passailague – former Arkansas Scholarship Lottery Director) and Scientific Games on August 25, 2009. The document states the following: “Revisions to Original Pricing Schedule (Dated July 29, 2009) between the Arkansas Lottery Commission and Scientific Games International Agreement for Additional Service Options and Fees.”

The date the document is prepared and the date that the document is signed by Mr. Passailague are the same.

- The revisions in pricing and terms that are listed in the Recital of Selected Options document do not appear to be approved by the Arkansas Lottery Commission or reviewed by the Arkansas Lottery Commission Legislative Oversight Committee.

Internal Audit reviewed the minutes and listened to the audio of the Arkansas Lottery Commission meetings dated August 5, 2009, August 12, 2009, August 19, 2009, and August 26, 2009 and did not note any evidence that the modifications to the Instant Ticket Lottery Games Services Contract between the Arkansas Lottery Commission and Scientific Games was presented by Arkansas Scholarship Lottery Management to the Arkansas Lottery Commission.

The fiscal year 2010 Arkansas Lottery Commission Audit Report prepared by the Division of Legislative Audit noted the following in Finding 2010-2 “The subsequent Recital of Selected Options and three licensing agreements were not approved by the Commission or reviewed by the LOC.” (**Attachment H**)

- The following five (5) changes were made by the Recital of Selected Options document dated August 25, 2009 without the approval of the Arkansas Lottery Commission and the Arkansas Legislative Lottery Oversight Committee on August 5, 2009.

# Arkansas Lottery Commission – Internal Audit

## Special Report

### Instant Ticket Lottery Game Services Contract Modifications & “Properties Plus”

#### **Change #1 - Selected the invited option of Failsafe (keyless validation bar code)**

- The purpose of *The Recital of Selected Options* dated August 25, 2009 was for Lottery management to select “invited options” included in the *Official Proposal Price Sheet* approved by the Arkansas Scholarship Lottery Commission on August 5, 2009 and reviewed by the Arkansas Lottery Commission Legislative Oversight Committee on August 13, 2009.

The *Instant Ticket Lottery Game Services Request for Proposal (RFP)* Section 1. – General Information (Subsection 1.26 – Cost) states, in part, “Vendors may expand items to identify all proposed services. A separate listing, which must include pricing, may be submitted with summary pricing.”

Failsafe was an “invited option” that included pricing (\$1.89 per 1000 tickets) in the Scientific Games’ *Official Proposal Price Sheet* approved by the Lottery Commission on August 5, 2009 and reviewed by the Arkansas Lottery Commission Legislative Oversight Committee on August 13, 2009 (**See Attachment A, PAGE 9 of 22**).

#### **Change # 2 - Pricing Change**

- The *Recital of Selected Options* document increases the billing percentage based on sales for the Instant Game contract from 1.15% to 1.92%, a .77% increase. Also, in lieu of electing the “Properties Plus” option offered in the *Official Proposal Price Sheet* at a rate of 2.3078% of the prize fund; a “Points for Prizes” option was added at a rate of 1.5% of the prize fund.

The options are broken out in the following manner:

- Instant Ticket Lottery Game Services – 1.69%
- Web Site Marketing Services (Player’s Club/Internet Marketing) - .09%
- Play It Again and Second Chance Drawing Management Services - .14%
- Points for Prizes Rewards/Merchandise Prizes and Fulfillment – 1.50% of the prize fund for all instant ticket games included in the program

The Web Site Marketing Services, Play It Again and Second Chance Drawing Management Services, and Points for Prizes are all part of the “Properties Plus” Program.

# Arkansas Lottery Commission – Internal Audit

## Special Report

### Instant Ticket Lottery Game Services Contract Modifications & “Properties Plus”

- Lottery management issued a Post Executed Change (PEC) on October 2, 2009 (Game 4 - \$100,000 Cash Bonanza) to reflect the “Revisions to the contract pricing.” The documents were prepared by Scientific Games. (**Attachment I, Page 1 of 3**)

Note the change in the pricing percentage in net sales: Original Contract Price (1.15%) prepared prior to the Recital of Selected Options (August 19, 2009) (**Attachment F**) and Revised Contract Price (1.92%) prepared after the Recital of Selected Options (October 2, 2009) (**Attachment I, PAGE 3 of 3**). The Documents were prepared by Scientific Games and were signed by former Vice President of Gaming, David Barden. This resulted in a pricing increase of .77% of net sales.

Based on instant ticket game sales of \$973,974,109 from the inception of the lottery on September 28, 2009 through February 29, 2012, the Lottery has paid Scientific Games approximately 7.5 million dollars (\$973,974,109 X .77%) in additional fees based on net sales over the original agreement, the Official Proposal Price Sheet (“Properties Plus” Option), which was approved by the Arkansas Lottery Commission and reviewed by the Arkansas Legislative Oversight Committee. Internal Audit estimates that over the life of the contract (7 years) the additional cost based on the net sales percentage will exceed 21 million dollars.

- The “Properties Plus” option offered in the Official Proposal Price Sheet at a rate of 2.3078% of the prize fund was lowered in the Recital of Selected Options document to a “Points for Prizes” option at a rate of 1.5% of the prize fund.

Scientific Games’ response to the Instant Ticket Lottery Games Services Request for Proposal (RFP) Section 5 Evaluation Criteria for Selection (Subsection 5.4 – Program Options) (**Attachment J**) states, in part, the following:

*“The ALC benefits from the “Properties Plus Program” because it gets to: Preserve its prize payout claim, since players receive bonus prizes equal to the amount of the fee paid by the Lottery from the prize fund.”*

# Arkansas Lottery Commission – Internal Audit

## Special Report

### Instant Ticket Lottery Game Services Contract Modifications & “Properties Plus”

Scientific Games and Lottery management have stated that the reduction in the amount applied to the “Properties Plus”/“Points for Prizes” portion of the prize fund (2.3078% to 1.5%) is reflected in the cash prize portion of the prize structure of an instant ticket game. Therefore, the amount allocated for the total prize fund for players is not affected. The cash prize portion of the prize fund for an instant ticket game is paid out of the Arkansas Scholarship Lottery proceeds.

- Internal Audit could not identify any additional services provided by Scientific Games in the Recital of Selected Options to justify the pricing modifications to the original negotiated contract price (Official Proposal Price Sheet) approved by the Arkansas Lottery Commission on August 5, 2009. However, based on conversation with Scientific Games and Lottery Management, Scientific Games’ position is that the Tel-Sell operations were not part of the original contract, therefore additional services were provided. See Change #3 – Tel-Sell Operations Provided by Scientific Games (See Page 9 of 16).
  
- The Recital of Selected Options document that changed the pricing formula was not approved by the Arkansas Lottery Commission as required by the Arkansas Lottery Commission Major Procurement Rules. Furthermore, the contract modification changing the pricing formula was not reviewed by the Arkansas Legislative Oversight Committee as required by the Arkansas Scholarship Lottery Act (23-115-701(e)(1)).

# Arkansas Lottery Commission – Internal Audit

## Special Report

### Instant Ticket Lottery Game Services Contract Modifications & “Properties Plus”

#### **Recommendation #1 – Pricing Change**

Internal Audit recommends that Lottery management seek legal guidance as to the validity of the contract pricing changes made on the Recital of Selected Options document dated August 25, 2009 by Lottery Management and Scientific Games without Arkansas Lottery Commission approval or Arkansas Legislative Lottery Oversight Committee review. If the determination is made that the contract pricing and term modifications are not binding, Internal Audit recommends Lottery Management seek recovery of the additional cost in excess of the original Official Proposal Price Sheet submitted by the instant ticket game services vendor, Scientific Games. Furthermore, Arkansas Scholarship Lottery Management should ensure the correct amount is paid to the vendor for instant ticket lottery game services for the remainder of the contract term.

#### **Change #3 - Tel-Sell operations provided by Scientific Games are included in the Instant Ticket Game Lottery Services percentage.**

- The Tel-Sell operators are responsible for contacting Lottery retailers via telephone and securing orders for instant tickets utilizing the Arkansas Lottery Gaming System’s Back Office System (BOS).
- Tel-Sell is addressed as part of the Cooperative Services Program (CSP) in the Instant Ticket Game Lottery Game Services Request for Proposal (RFP) response submitted by Scientific Games in Section 4: Additional Vendor Requirements – Warehousing. (**Attachment K**)
- Tel-Sell was not an invited option included on the Scientific Games’ original Official Proposal Price Sheet approved by the Lottery Commission on August 5, 2009 and reviewed by the Arkansas Lottery Commission Legislative Oversight Committee on August 13, 2009.

# Arkansas Lottery Commission – Internal Audit

## Special Report

### Instant Ticket Lottery Game Services Contract Modifications & “Properties Plus”

The Instant Ticket Game Lottery Game Services Request for Proposal (RFP) Section 1 – General Information (Subsection 1.26 – Cost) states the following:

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.”*

The Instant Ticket Game Lottery Game Services Request for Proposal (RFP) Section 5 – Evaluation Criteria for Selection (Subsection 5.4 – Program Options) states, in part, the following:

*“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’ response to the Instant Ticket Lottery Games Services Request for Proposal (RFP) Section 5 Evaluation Criteria for Selection (Subsection 5.4 – Program Options) (**Attachment L**) states, in part, the following:

*“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.”*

The Recital of Selected Options document that added Tel-Sell Operations was not approved by the Arkansas Lottery Commission as required by the Arkansas Lottery Commission Major Procurement Rules. Furthermore, the contract modification changing the pricing formula was not reviewed by the Arkansas Legislative Oversight Committee as required by the Arkansas Scholarship Lottery Act (23-115-701(e)(1)).

# Arkansas Lottery Commission – Internal Audit

## Special Report

### Instant Ticket Lottery Game Services Contract Modifications & “Properties Plus”

Arkansas Lottery Commission Major Procurement Rules Section 5 – General Policies. (Subsection L. – Purchase Order or Contract Required.) states the following:

*“Any vendor or other person who manufactures or delivers a product or service without a written purchase order or contract or who delivers a product or service not specifically authorized by a purchase order or contract does so at the vendor’s (or other person’s) own risk. Under no conditions shall the Commission be liable for payment of any type for any product or service provided by a vendor or other person, even such provided in good faith, which is not specifically authorized by a purchase order or contract.”*

#### **Recommendation #2 – Tel-Sell Operations**

**Internal Audit recommends** that Lottery Management seek legal guidance as to whether the Lottery is obligated to pay additional cost for the Tel-Sell Operations provided by Scientific Games. In addition, **Internal Audit recommends** that Lottery management seek legal guidance as to the validity of adding the Tel-Sell Operations on the Recital of Selected Options document created on August 25, 2009 by Lottery Management and Scientific Games without Arkansas Lottery Commission approval or Arkansas Legislative Lottery Oversight Committee review.

#### **Change # 4 - Offered an Option for delivery of POS materials to Lottery Regional Offices.**

This option has not been utilized by the Arkansas Scholarship Lottery.

# Arkansas Lottery Commission – Internal Audit

## Special Report

### Instant Ticket Lottery Game Services Contract Modifications & “Properties Plus”

#### Change # 5 – Exclusive Instant Ticket Provider

- The Instant Ticket Game Lottery Game Services Request for Proposal (RFP) Section 3. – Instant Ticket Operations (Subsection 3.7 – Distribution of Tickets from Other Vendors) states the following:

*“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.”*

- The Recital of Selected Options added the following to the agreement between the Arkansas Scholarship Lottery and Scientific Games:

*“All prices are based upon Scientific Games being the exclusive instant ticket provider throughout the entire term of the contract.”*

- The August 5, 2009 Arkansas Lottery Commission meeting minutes states the following:

*“Mr. Passailaigue reminded the Commission that the RFP provided for a secondary Instant Ticket Vendor, noting that the Commission may select up to seven games annually from this source and therefore, it (is) likely the Arkansas Scholarship Lottery would actually be doing business with one of the two unsuccessful vendors.”*  
**(Attachment C, PAGE 5 of 12)**

- Scientific Games being the exclusive instant ticket provider throughout the entire term of the contract was not an invited option or noted in Scientific Games’ original Official Proposal Price Sheet approved by the Lottery Commission on August 5, 2009 or reviewed by the Arkansas Lottery Commission Legislative Oversight Committee on August 13, 2009.

# Arkansas Lottery Commission – Internal Audit

## Special Report

### Instant Ticket Lottery Game Services Contract Modifications & “Properties Plus”

Internal Audit could not identify any benefit or financial gain for the Arkansas Scholarship Lottery to exclusively use Scientific Games as the instant ticket game provider. In fact, the move seems to limit the Arkansas Scholarship Lottery's options to utilize instant ticket games available from other vendors that might be successful in the State of Arkansas. In addition, if the Lottery was able to procure the printing of instant ticket games at a lower cost from another vendor a few times a year, dollars could be saved for scholarships.

The arrangement appears to greatly benefit Scientific Games. An exact dollar amount of financial gain for Scientific Games cannot be determined. However, it is safe to surmise that the change guarantees Scientific Games millions of dollars of additional revenues that could have been paid to another instant ticket game vendor per the Instant Ticket Game Lottery Game Services Request for Proposal (RFP).

Scientific Games factored in the possibility of not printing up to 49 games during the term of the contract in their bid price submitted on the Official Proposal Price Sheet.

Scientific Games' response to the Instant Ticket Lottery Games Services Request for Proposal (RFP) Section 3. – Instant Ticket Operations (Subsection 3.7 – Distribution of Tickets From Other Vendors) (**Attachment M**) states, in part, the following:

*“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.”*

The Recital of Selected Options document that made Scientific Games the exclusive instant ticket provider throughout the entire term of the contract was not approved by the Arkansas Lottery Commission as required by the Arkansas Lottery Commission Major Procurement Rules. Furthermore, the contract modification was not reviewed by the Arkansas Legislative Oversight Committee as required by the Arkansas Scholarship Lottery Act (23-115-701(e)(1)).

# Arkansas Lottery Commission – Internal Audit

## Special Report

### Instant Ticket Lottery Game Services Contract Modifications & “Properties Plus”

#### **Recommendation #3 – Exclusive Instant Ticket Provider**

**Internal Audit recommends** that Lottery Management seek legal guidance as to the validity of Scientific Games being the exclusive instant ticket provider throughout the entire term of the contract based on the Recital of Selected Options document created on August 25, 2009 by Lottery Management and Scientific Games without Arkansas Lottery Commission approval or Arkansas Legislative Lottery Oversight Committee review.

## Arkansas Lottery Commission – Internal Audit

### Special Report

#### Instant Ticket Lottery Game Services Contract Modifications & “Properties Plus”

#### “Properties Plus” Program License Fees and Merchandise

- The Arkansas Scholarship Lottery elected to implement Scientific Games’ “Properties Plus” program.
- Scientific Games’ (SGI) Official Proposal Price Sheet (Attachment A – Page 14 of 22) for the Arkansas Lottery Commission Instant Ticket Lottery Game Services Request for Proposal (RFP) states, in part, the following:

*“As a Properties Plus customer, the Lottery pays no license or royalty fees and nothing for the merchandise involved in a game, other than experiential prizes such as trips or grand prizes such as vehicles and motorcycles. All of this is included in the Properties Plus fee.”*

Scientific Games’ response to the Instant Ticket Lottery Games Services Request for Proposal (RFP) Section 5. Evaluation Criteria for Selection (Subsection 5.4 – Program Options) (Attachment J) states, in part, the following:

*“The fee would be noted on each prize structure prepared by the ALC. In return for the annual fee, the Lottery would receive: Unlimited use of Scientific Games licensed game portfolio.”*

*“The ALC benefits from the “Properties Plus Program” because it gets to: Secure unlimited use of Scientific Games’ licensed game portfolio for no out-of-pocket costs.”*

Internal Audit noted that from the inception of the lottery on September 29, 2009 through February 29, 2012 the Lottery has paid \$604,762 of fees associated with two license games. The amount does not include the cost of experiential trips. The amount that is considered license fees could not be determined.

Internal Audit also noted that the Lottery has purchased \$200,000 in merchandise associated with three instant ticket games.

# Arkansas Lottery Commission – Internal Audit

## Special Report

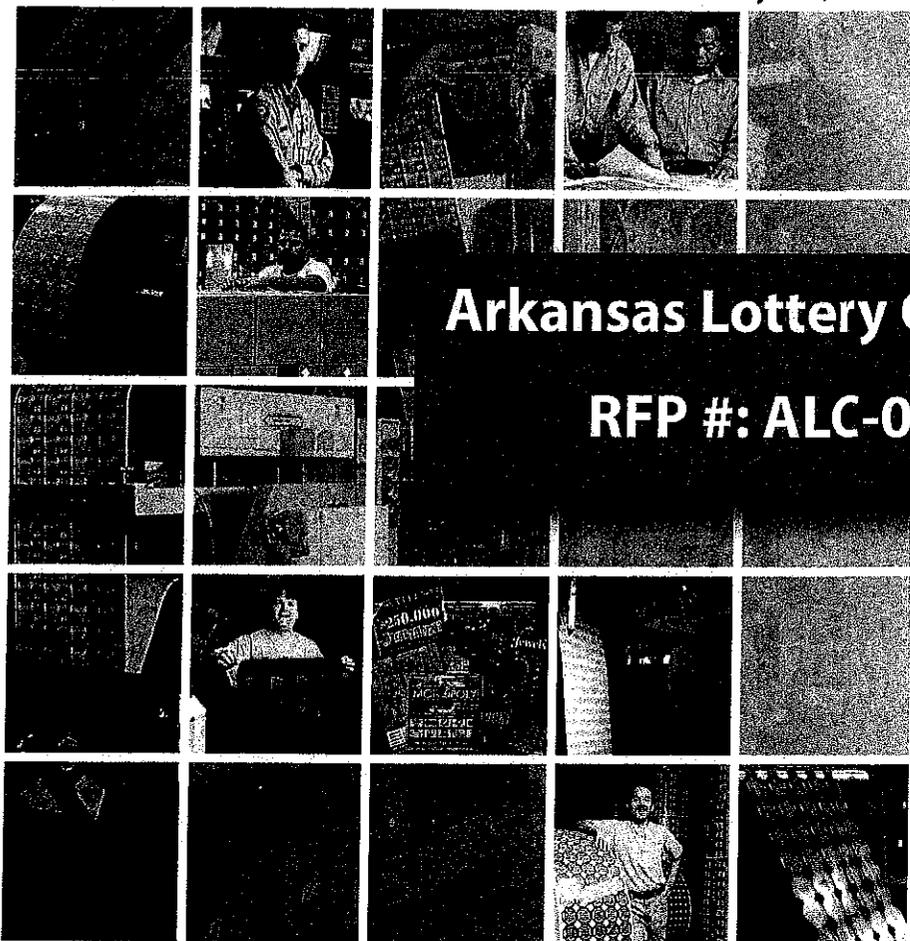
### Instant Ticket Lottery Game Services Contract Modifications & “Properties Plus”

- Arkansas Lottery Commission Major Procurement Rules Section 5 – General Policies. (Subsection F. – Contract.) states, in part, the following: *The purpose of a written contract is to embody, in writing, the complete agreement between parties. No terms shall be left to an unwritten understanding.*

#### **Recommendation #4 – “Properties Plus” Program License Fees and Merchandise**

**Internal Audit recommends** that Lottery Management seek legal guidance as to whether the Lottery is obligated to pay for license fees and merchandise involved in instant ticket games. If the determination is made that the license fees and merchandise purchases that have been paid to Scientific Games were not due, **Internal Audit recommends** Lottery Management seek recovery of the license fees and merchandise purchases paid to-date. Furthermore, Arkansas Scholarship Lottery Management should ensure the correct amount is paid to the vendor for these items for the remainder of the contract term.

July 29, 2009



## Arkansas Lottery Commission

RFP #: ALC-090001

**Instant Ticket  
Lottery Game  
Services**

**Official Proposal  
Price Sheet**

**Submitted to:**

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

**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  
Phone: 770-664-3700  
Fax: 678-624-4115  
[jim.kennedy@scientificgames.com](mailto:jim.kennedy@scientificgames.com)

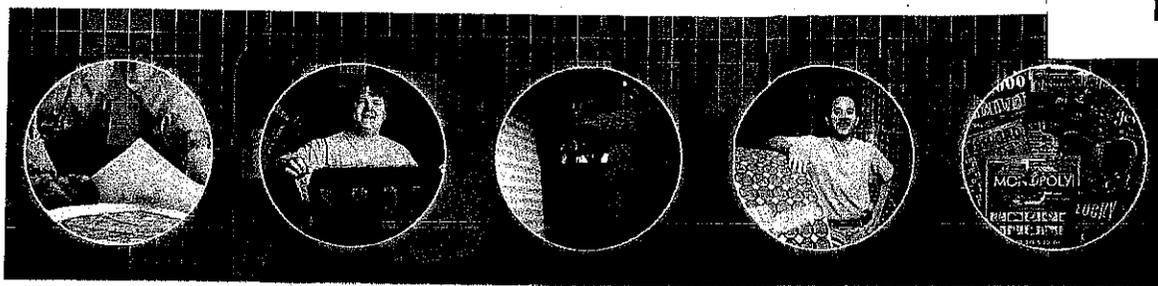


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Vice President, Corporate Counsel and Assistant Secretary  
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Fax: 678-297-5118



# Official Proposal Price Sheet

## OFFICIAL PROPOSAL PRICE SHEET

The undersigned agrees to provide Instant Ticket Lottery Game Services to the Arkansas Lottery Commission in accordance with the Request for Proposal, and any amendments or addendums thereto for proposal no. ALC – ALC-090001. *Proposer is required to provide the percentage, in the format shown below, as well as to attach hereto an itemized listing of the pricing for each of the component parts and services that comprise the lump sum price.*

DESCRIPTION

PERCENTAGE

(Written in Words and Number)

\* Instant Ticket Lottery Game Services

**1.7500% (one point seventy five percent) or 1.1500%\* (one point fifteen percent).**

\* The price of 1.1500% requires the Lottery to implement "Properties Plus™" at the rate of 2.3078% of the prize fund for all tickets regardless of which vendor prints the tickets. "Properties Plus™" is funded solely from the Prize fund, and therefore is a zero net incremental cost to the Lottery.

### 1. BY SUBMISSION OF A PROPOSAL, THE PROPOSER CERTIFIES:

- 1.1 Prices in this proposal have been arrived at independently, without consultation, communication or agreement for the purpose of restricting competition.

Official Proposal Price Sheet

- 1.2 No attempt has been made nor will be by the proposer to induce any other person or firm to submit a proposal for the purpose of restricting competition.
- 1.3 The person signing this proposal certifies that he/she is authorized to represent the company and is legally responsible for the decision as to the price and supporting documentation provided as a result of this advertisement.
- 1.4 Proposer will comply with all Federal regulations, policies, guidelines, and requirements.
- 1.5 Prices in this proposal have not been knowingly disclosed by the proposer and will not be prior to award to any other proposer.

**2. GENERAL INFORMATION:**

Proposer Name: Scientific Games International, Inc. Phone: (770)664-3700

Fax: (678)624-4115

Mailing Address: 1500 Bluegrass Lakes Parkway

City: Alpharetta State: Georgia Zip: 30004

SSN/Employer Identification Number: 58-1943521

**3. OWNERSHIP AND CONTROL:**

Proposers Legal Structure:

Sole Proprietorship     General Partnership  
 Corporation     Limited Partnership  
 Limited Liability     Other \_\_\_\_\_

If Proposer is a sole proprietorship, list: *Not Applicable*

Owner Name: \_\_\_\_\_ Phone: ( ) \_\_\_\_\_

Mailing Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

SSN/Employer Identification Number: \_\_\_\_\_



Official Proposal Price Sheet

Additionally priced options:

1. Scientific Games to provide the instant ticket inventory control system instead of the online vendor providing the system: 0.2725%
2. Substitute 6,000 twelve-game dispensers for the 36,000 two-game dispensers: 0.1750%
3. Tiered Price scale instead of flat fee %:
  - Fee for first \$225,000,000 of annual sales: 1.6500%
  - Fee for next \$75,000,000 of annual sales: 2.0500%
  - Fee for annual sales in excess of \$300,000,000: 2.7500%

Official Proposal Price Sheet

PRINTING AND SERVICE OPTIONS

INVITED OPTIONS	PRICE
Neon/Fluorescent display color:	Add \$.16 per sq. in. per 1,000 tickets.
Metallic display color: The basic ticket price does not include metallic ink. The price differential, applied to the basic ticket price, to include a non-precious, metallic ink (displays) to the ticket is as follows:	Add \$.16 per sq. in. per 1,000 tickets.
Color pulse (Ink pulse only):	Add \$2,500.00 per pulse.
SureMark™ Marking System:	Add \$4.50 per 1,000 tickets plus \$2,250.00 set-up charge.
Clearmark™ Marking System:	Add \$3.50 per 1,000 tickets.
Colormark™ Marking System:	Add \$1.50 per 1,000 tickets.
Additional scenes: The basic ticket prices assume display printing of one scene within any particular game. The price differential, applied to the basic ticket price, for additional scenes beyond one in a single pack is as follows:	Add \$1,000.00 per scene.
Printing of pack insert cards:	Negotiable based on insert specifications.
Insertion of furnished numbered pack insert cards: If the item being inserted bears a number that must be matched to the pack number, the price differential, applied to the basic ticket price, is as follows:	Add \$.45 per pack.
Insertion of furnished, non-numbered pack insert cards.	Add \$.30 per pack.
Scented tickets: The basic ticket price does not include tickets produced with an aromatic feature. The price differential, applied to the basic ticket price, to add this feature is as follows:	Add \$.50 per sq. in. of total ticket area per 1,000 tickets plus \$5,000.00 set-up.
Color Shifting Ink: The basic ticket price does not include the application of color shifting ink. The price differential, applied to the basic ticket price, to add this feature is as follows:	Prices and terms negotiable.
Cylinder/Plate Changes/Graphic Pulses: Press stop and plate changes required for graphic pulses:	Add \$1,500.00 per cylinder/plate change, plus \$2,500.00 per each press stop.
The basic ticket price assumes the tickets would be printed on standard 10-point, virgin paper stock, coated on one side (without the use of laminated foil). Additional price to substitute alternative stock is negotiable based on the specification of the alternate stock.	

Official Proposal Price Sheet

INVITED OPTIONS	PRICE
<p>Programming of unusual or unique games: The basic ticket price assumes that games produced under the contract would be typical to the games currently run by the Lottery in respect to game programming. In the event an unusual or unique game is requested by the Lottery which requires unusual or excessive programming, the following additional charge per programming hour may apply:</p>	<p>\$200 per hour.</p>
<p>Stub feature: The basic ticket price does not include a stub feature. A vertical stub may be added to the ticket. The price differential, applied to the basic ticket price, to produce a game with a ticket stub is as follows:</p> <p>The price differential, applied to the basic ticket price, to produce a ticket stub with a rub-off area is as follows:</p>	<p>Add \$.08 per square inch of the ticket per 1,000 tickets.</p> <p>Add \$.16 per square inch of the ticket per 1,000 tickets.</p>
<p>Additional regular sized sample tickets: The basic ticket price assumes that a maximum of 2,500 actual size, voided sample tickets would be delivered with each game. The price differential beyond this number, assuming that the game does not include multiple scenes or varying colors during the production run, and that all games in the production run would have additional samples ordered, is as follows:</p>	<p>Negotiable price depending on ticket specifications.</p>
<p>Point-of-sale pieces: The basic ticket price assumes that no point-of-sale pieces would be required. The price differential for providing point-of-sale pieces is as follows:</p>	<p>Negotiable based on P.O.S specifications.</p>
<p>Oversize sample tickets: The basic ticket price assumes that no oversize sample tickets would be required. The price differential for providing oversize sample tickets is as follows:</p>	<p>Negotiable based on oversize sample specifications.</p>
<p>4-color process display printing on ticket back:</p>	<p>Add \$2.95 per 1,000 tickets, plus \$3,800.00 set-up.</p>
<p>Foil stock – not to exceed 10-point thickness:</p>	<p>Add \$.80 per sq. in. per 1,000 tickets.</p>
<p>Retailer games: The basic ticket price does not include retailer incentive games. Scientific Games can provide a variety of retailer incentive games such as mystery shopper, sales bonus programs, etc. Since a variety of possibilities exists for such games, the price differential for retailer incentive games is as follows:</p>	<p>Prices and terms negotiable.</p>
<p>Pouch tickets – including bar code and UPC: Due to the variable specifications for this item, pricing will be negotiated as needed.</p>	<p>Prices and terms negotiable.</p>

Official Proposal Price Sheet

INVITED OPTIONS	PRICE
Holographic ticket stock:	Add \$3.40 per sq. in. of total ticket area per 1,000 tickets.
Liquid foil inks:	Add \$.30 per sq. in. of total ticket area per 1,000 tickets.
Continuous scene games:	Add \$.99 per 1,000 tickets.
Scratch My Back™ Tickets: The basic ticket price does not apply to Scratch My Back type tickets. Scientific Games proposes to provide the Lottery with this type of product. The price for this product is as follows:	Add \$1.70 per sq. in. of total ticket area per 1,000 tickets.
FailSafe™: Quickly becoming the industry standard for secure keyless validation of instant tickets, FailSafe uses a machine readable bar code that is completely concealed under a scratch-off coating. The price for this product is as follows:	Add \$1.89 per 1,000 tickets.
Winner Audit System™:	Add \$400.00 per game.
Keyed Dual Security™: Keyed Dual Security (KDS) is a scratch game ticket manufacturing process that disconnects the relationship between pack number and pack value. This disconnection results in a secure environment such that game programming personnel have no valid information relating to the value of packs in the field:	\$1.10 per 1,000 tickets.
Graphic Bendays: Scientific Games has developed the technology to print a representation of the overprint design in the imaged data area of the ticket. The price differential, applied to the basic ticket price, to include a graphic benday pattern is as follows:	Add \$.16 per sq. in. of the ticket per 1,000 tickets.
Alternate Ticket Sizes: Tickets in sizes other than those specified in proposal response.	TBN
Alternate Imaged Bar Codes: Any format other than 1 2 of 5.	TBN
Licensed property games: Well-known consumer brands are one way the Lottery can expand its current player base. Research studies have shown that licensed property games attract players who do not normally play. Through its wholly owned subsidiary, MDI Entertainment, Scientific Games is able to offer the widest variety of licensed products available in the lottery industry. Our current list of well-known brands continues to grow. A current and complete listing of our available properties follows. As new properties are added or removed, Scientific Games will notify the Lottery. We make every effort to present new properties, as well as properties and their performances in other jurisdictions, to our lottery partners:	MDI price list for licensed games is provided in the following Licensed Property table.

Official Proposal Price Sheet

INVITED OPTIONS	PRICE
<p>Value-added prizes: <b>NOTE:</b> Due to the various program components that define the "value-added prizes programs," the Lottery and Scientific Games' personnel will establish program pricing after defining the value-added prizes program specifications in the product planning stages. Pricing is noted as "To Be Negotiated – TBN:"</p> <p>TPG Rewards: Music Downloads:</p>	<p>TBN TBN</p>
<p>Pearlescent inks:</p>	<p>Add \$.26 per sq. in. of total ticket area per 1,000 tickets.</p>
<p>Bar Coded Coupons</p>	<p>Negotiable based on coupon specifications.</p>
<p>100% Recycled Substrate</p>	<p>Pricing to be negotiated.</p>
<p>Second Chance Drawing Administration: Second chance web sites collect and securely store player contact information, collect internet-generated drawing entries and provide players with logs of the entries they submit, outline the features of the game being promoted, include the second chance drawing rules and regulations for using the mail and/or the Internet and show available prizes and other features deemed necessary:</p>	<p>TBN</p>
<p>Web Site Marketing and Support:</p>	<p>TBN</p>
<p>Merchandise Prize Fulfillment:</p>	<p>TBN</p>
<p>Omission Free Production: The basic ticket price assumes that omissions, which occur during normal production and ticket inspection, would be allowed in the delivery of tickets. The price differential, applied to the basic ticket price, for omit free production is as follows:</p>	<p>Add \$9,000.00 plus \$4.95 per 1,000 tickets.</p>
<p>Accelerated Deliverables: The basic ticket price assumes that tickets would be delivered on a timely basis, in accordance with the schedule to be specified in each set of working papers. The price differential, applied to the basic ticket price, to accelerate the delivery of tickets by one day (if available) from the normal schedule is as follows:</p>	<p>Add \$2,500.00 per day.</p>
<p>ConvenienceCentral™: Designed primarily for multiple check-out lane stores and c-store chains, ConvenienceCentral offers a totally customizable clerk-operated vending system selling online and instant games directly through the cash register accounting system:</p>	<p>TBN</p>

Official Proposal Price Sheet

INVITED OPTIONS	PRICE
Dynamic Prize Structure Games (SecuReward™): The "SecuReward" system holds at least one top prize in the game aside to be awarded following game closure or at a time determined optimal by the Lottery. Players are not limited to single chance to win but can register as many non-winning tickets as they have in their possession:	TBN
Direct Mail Programs: The basic ticket price does not include a direct mail program. Scientific Games can provide a wide variety of direct mail programs and several features for these programs such unique as bar coded pieces, or pieces with UPC, etc. Since the types of programs are variable, the price differential for a direct mail program is as follows:	TBN
Packaged Goods Tie-In Promotions: Using variable imaged UPC codes, lotteries can create promotional partnerships with a wide range of packaged goods companies:	TBN
Chain Specific Games:	TBN
Cross-Promotion Games:	TBN
Attach Cards:	TBN
PushPlay™: An electronic version of the traditional instant games featuring multiple plays and extended play action:	TBN
PlayCentral™: Player activated full function instant/online product vending machine.	TBN
AccountPlay™: AccountPlay is a sophisticated gaming system that allows players to purchase a prepaid card through an authorized lottery retailer, then play the lottery over the telephone or Internet, where legally permitted:	TBN
Electronic Scratch Ticket (EST): A hand-held battery-operated, multi-play lottery game that is reusable and combines electronics with traditional paper tickets:	TBN
"Dream Team" Game Concepts: New Crossword, Family Fortune, EZ Color Bingo, Red Doubler Bingo, Great 8 Bingo, Bonus Back Play, Wild Bingo, Ringo, Ca\$hline, Single Double Triple, Linked Play, Big Bingo, Golden Spin, Advanced Imaging, Plus Games:	TBN
Newspaper Free Standing Inserts:	TBN
Spotlight™ Games:	TBN

Official Proposal Price Sheet

INVITED OPTIONS	PRICE
<p>Online Game Design Services: 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 business through the development and timely implementation of successful new online game content.</p> <p>Pricing for the Scientific Games Online Game Design Services is:</p>	<p>\$250 per hour</p>
<p>DetectiVision™:</p>	<p>TBN</p>
<p>Internet-Based Instant Game Play:</p>	<p>TBN</p>
<p>Retail Numbered Ticket Option:</p>	<p>TBN</p>
<p>Factory Direct Delivery to Retailers: Under this option, Scientific Games would ship tickets directly from our warehouse to the Lottery's retailers. The price for this service is as follows:</p>	<p>TBN</p>
<p>Coupons Among Instant Tickets: The basic ticket price assumes that all tickets within the pack would be instant game tickets. Scientific Games can provide a coupon among the instant tickets printed in the same size and with the same colors as the regular instant tickets (some design limitations may apply). The price differential, applied to the basic ticket price, to provide a coupon among ticket is as follows:</p>	<p>TBN</p>
<p>Game Labels:</p>	<p>TBN</p>
<p>In-Pack Promotions:</p>	<p>TBN</p>
<p>Monitor Game-Themed Scratch Tickets: Monitor Game-Themed Scratch Tickets will be available to the Lottery during the term of the contract:</p>	<p>TBN</p>
<p>SMS Games:</p>	<p>TBN</p>
<p>Electronically Enhanced Games:</p>	<p>TBN</p>
<p>Internet Lottery Games : Combines the Internet with the action of an instant and/or online ticket game:</p>	<p>TBN</p>
<p>Gift Cards: The basic ticket price does not apply to gift cards. Scientific Games proposes to provide the Lottery with this type of product. The price for this product is as follows:</p>	<p>TBN</p>

Official Proposal Price Sheet

INVITED OPTIONS	PRICE
Marketing/Consulting Services: The basic ticket price assumes those products and services specified by the RFP are included. Marketing and/or consulting services beyond those specifically identified by the RFP or the proposal can be provided to the Lottery and are offered through this proposal. The cost for providing additional marketing/consulting services is as follows:	TBN
Cross-Merchandising:	TBN
Point-of-Sale:	TBN
Fluorescent Benday Patterns:	Add \$.02 per sq. in. of the ticket per 1,000 tickets.
Multiple Colored Ink Imaging: Two-color imaging: The basic ticket price assumes that all imaged data on the tickets within a game would be printed with one color, black ink-jet imager ink. Two-color imaging can be applied to the ticket. Design restrictions apply due to imager width availability. The price differential, applied to the basic ticket price, to include two-color imaging, is as follows:	Add \$5,500.00 plus a per 1,000 charge of \$3.75 per 1,000 tickets.
1-Color Imaging (other than black):	Add \$.90 per 1,000 tickets, plus \$2,000.00 set-up.
3-Color Imaging:	Add \$4.75 per 1,000 tickets, plus \$7,500.00 set-up.
4-Color-Imaging:	Add \$6.00 per 1,000 tickets, plus \$8,500.00 set-up.
Embossed Tickets: The basic ticket price does not include embossing of tickets. The price differential, applied to the ticket price, for an embossed ticket is:	Add \$7,500.00 plus \$5.00 per 1,000 tickets.
Printed Test Games (test games requiring press-delivered tickets):	\$6,000.00 per each test game.
Bulk Purchase Lottery Packs:	TBN
Patterned Ultra Shine:	TBN
Fold-Over Tickets: The basic ticket price does not include a ticket that can be folded by the consumer. The price differential, applied to the basic ticket price, to add a score which would allow the ticket to be folded by the ultimate consumer is as follows:	Add \$5.00 per 1,000 tickets. Plus \$7,500 set-up charge.
SalesMaker™ Program:	TBN

Official Proposal Price Sheet

INVITED OPTIONS	PRICE
Variable Imaged UPC Codes:	TBN
Lottery Playing Cards™: Packaging and design of Scientific Games' exclusive product.	TBN

Scientific Games traditionally offers licensed games under two pricing models: the “merchandise model” and the “licensing fee model.”

- **Model 1: Merchandise:** The Lottery secures the selected licensed property by allocating a percentage of the prize pool for the purchase of licensed merchandise from Scientific Games. Rates for each property secured under the “merchandise model” are specified more fully in the table below.
- **Model 2: Licensing Fee:** The Lottery secures the property by allocating a percentage of actual sales to be paid as a royalty fee. Rates for each property secured under the “licensing fee model” are specified more fully in the table below.
- **The New Model 3:** As a Properties Plus customer, the Lottery pays no license or royalty fees and nothing for the merchandise involved in a game, other than experiential prizes such as trips or grand prizes such as vehicles and motorcycles. All of this is included in the Properties Plus fee.

LICENSED PROPERTY	MERCHANDISE MODEL AS A PERCENTAGE OF THE PRIZE FUND	LICENSING FEE MODEL AS A PERCENTAGE OF SALES
7-Up Cola	8%	2%
A&W Root Beer Cola Brand	8%	2%
Abbott & Costello	8%	2%
Amazing Race	8%	2%
American Idol	8%	2%
Betty Boop	8%	2%
Big Boy Restaurants	8%	2%
Buddy Holly	8%	2%
Burger King	8%	2%
Crossword Cash	8%	2%
Crush Cola Brands (all flavors)	8%	2%

Figure 1: Scientific Games' Traditional Pricing Model

Official Proposal Price Sheet

LICENSED PROPERTY	MERCHANDISE MODEL AS A PERCENTAGE OF THE PRIZE FUND	LICENSING FEE MODEL AS A PERCENTAGE OF SALES
CSI	8%	2%
Deal or No Deal	8%	2%
Dilbert	8%	2%
Dodge-1970-74 Challenger SRT8, R/T 2009	8% + Vehicles	2% + Vehicles
Dodge – Avenger RT 2008	8% + Vehicles	2% + Vehicles
Dodge – Charger 2008	8% + Vehicles	2% + Vehicles
Dodge – Durango 2008-2009	8% + Vehicles	2% + Vehicles
Dodge – Ram Trucks 2008	8% + Vehicles	2% + Vehicles
Dodge– SRT-4	8% + Vehicles	2% + Vehicles
Dodge – Viper SRT10 2008	8% + Vehicles	2% + Vehicles
Family Feud	8%	2%
Family Guy	8%	2%
Farcus Comics	8%	2%
Flintstones	8%	2%
For Dummies	8%	2%
Ford – Escape SUV Hybrid	8% + Vehicles	2% + Vehicles
Ford – Expedition	8% + Vehicles	2% + Vehicles
Ford – Explorer	8% + Vehicles	2% + Vehicles
Ford – Focus	8% + Vehicles	2% + Vehicles
Ford – F-Series Trucks	8% + Vehicles	2% + Vehicles
Ford – Mustang	8% + Vehicles	2% + Vehicles
Ford – Taurus	8% + Vehicles	2% + Vehicles
Fortune Cookie aka Lucky Fortune	8%	2%
Gary Patterson	8%	2%
Genuine Scooters	8% + Vehicles	2% + Vehicles
GM – Chevrolet Avalanche™ Truck	8% + Vehicles	2% + Vehicles
GM – Chevrolet Colorado Truck	8% + Vehicles	2% + Vehicles
GM – Chevrolet – Camero, 2009-2010	8% + Vehicles	2% + Vehicles

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GM – Chevrolet Silverado® Truck	8% + Vehicles	2% + Vehicles
GM – Chevrolet– Tahoe & Tahoe Hybrid	8% + Vehicles	2% + Vehicles
GM – Corvette®	8% + Vehicles	2% + Vehicles
Golden Tee Arcade Game	8%	2%
Harley Davidson	8% + Vehicles	N/A
Hasbro – Battleship	8%	2%
Hasbro – Boggle	8%	2%
Hasbro – Clue	8%	2%
Hasbro – Connect 4	8%	2%
Hasbro – Game Of Life	8%	2%
Hasbro – Monopoly	8%	2%
Hasbro – Mouse Trap	8%	2%
Hasbro – Mystery Date	8%	2%
Hasbro – Operation	8%	2%
Hasbro – Ouija	8%	2%
Hasbro – Payday	8%	2%
Hasbro – RISK	8%	2%
Hasbro – Scattergories	8%	2%
Hasbro – Scrabble	8%	2%
Hasbro – Simon	8%	2%
Hasbro – Trivial Pursuit	8%	2%
Hasbro – Twister	8%	2%
Hasbro – Upwords	8%	2%
Hasbro – Yahtzee	8%	2%
Herman Comics	8%	2%
Hershey's – Almond Joy/Mounds	8%	2%
Hershey's – Bubble Yum	8%	2%
Hershey's – Good & Plenty/Good & Fruity	8%	2%

Figure 1: Scientific Games' Traditional Pricing Model

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Hershey's – Heath	8%	2%
Hershey's – Ice Breakers	8%	2%
Hershey's – Jolly Rancher	8%	2%
Hershey's – Kissables	8%	2%
Hershey's – Kisses	8%	2%
Hershey's – Milk Duds	8%	2%
Hershey's – Payday	8%	2%
Hershey's – Reese's	8%	2%
Hershey's – Reese's Pieces	8%	2%
Hershey's – S'Mores	8%	2%
Hershey's – Take 5	8%	2%
Hershey's – Twizzlers	8%	2%
Hershey's – Whoppers	8%	2%
Hershey's – York	8%	2%
Hershey's – Zero	8%	2%
Hires Cola Brands (all flavors)	8%	2%
Hot Tamales	8%	2%
Huevocartoon	8%	2%
I Love Lucy	8%	2%
IGT Slots – Cleopatra	8%	2%
IGT Slots – Dam Lumberjack Beavers	8%	2%
IGT Slots – Double Diamond	8%	2%
IGT Slots – Gopher Cash	8%	2%
IGT Slots – Haywire	8%	2%
IGT Slots – Hexbreaker	8%	2%
IGT Slots – Hoot Loot	8%	2%
IGT Slots – Jackpot Jewels Video Slots	8%	2%
IGT Slots – Little Green Men	8%	2%

Figure 1: Scientific Games' Traditional Pricing Model

Official Proposal Price Sheet

LICENSED PROPERTY	MERCHANDISE MODEL AS A PERCENTAGE OF THE PRIZE FUND	LICENSING FEE MODEL AS A PERCENTAGE OF SALES
IGT Slots --	8%	2%
IGT Slots – Money Storm Video Slots	8%	2%
IGT Slots – Red White & Blue	8%	2%
IGT Slots– Sizzling 7	8%	2%
IGT Slots – Spin Poker	8%	2%
IGT Slots – Top Dollar Slots	8%	2%
IGT Slots – Wild Cherry	8%	2%
Jane Wooster Scott (Artist)	8%	2%
Jeep	8% + Vehicles	2% + Vehicles
Jeopardy	8%	2%
Loteria	8%	2%
Mad Magazine	8%	2%
Magic 8 Ball	8%	2%
Major League Baseball	10%	N/A
Moto GP Motorcycle Series	8%	2%
National Hockey League	10%	N/A
NBA	10%	N/A
NHL Player Images	8%	2%
Norman Rockwell	8%	2%
Pac-Man (US/CA)	8%	2%
Palms Casino Resort	8%	2%
Password & Million Dollar Password	8%	2%
Paycheck	8%	2%
Pictionary	8%	2%
Pink Panther	8%	2%
Popeye	8%	2%
Press Your Luck	8%	2%
Price is Right	8%	2%

Figure 1: Scientific Games' Traditional Pricing Model

Official Proposal Price Sheet

LICENSED PROPERTY	MERCHANDISE MODEL AS A PERCENTAGE OF THE PRIZE FUND	LICENSING FEE MODEL AS A PERCENTAGE OF SALES
Professional Bull Riders	8%	2%
RC Cola Brand	8%	2%
Rocky & Bullwinkle	8%	2%
Rubik's Cube	8%	2%
Skee Ball	8%	2%
Slingo	8%	2%
Space Invaders	8%	2%
Speed Racer	8%	2%
Squirt Cola Brands	8%	2%
Survivor	8%	2%
The Jetsons	8%	2%
The Lottery Bank Cash Card	8%	2%
Tom Browning (Artist)	8%	2%
Ultimate Fighting Championship (UFC)	8%	2%
UNO	8%	2%
USA Today	8%	2%
Wheel of Fortune	8%	2%
Will Bullas (Artist)	8%	2%
Win My Wage	8%	2%
World Poker Tour	8%	2%
Zelda Wisdom	8%	2%

Figure 1: Scientific Games' Traditional Pricing Model

**STANDARD TERMS AND CONDITIONS**

**Delivery Tolerance** – The Lottery will be billed only for the exact quantity of conforming tickets actually delivered within the delivery tolerance at the price for the ordered quantity involved.

**Interpolation** – Prices quoted are such that linear interpolation between cost levels applies should the Lottery wish to purchase a quantity of tickets other than those actually listed.

**Royalties for Game Theme Trademarks, Copyrights, Licensed Properties, etc.** – Our pricing does not include royalties to be paid for the use of intellectual property rights for game themes or designs not required to print our standard tickets. These property rights include our portfolio of licensed or patented game themes and play styles, such as MONOPOLY®, HARLEY-DAVIDSON®, HOLD ‘EM POKER® or BETTY BOOP®. In the event we or our affiliates are an authorized licensing representative for such rights and the Lottery desires to use them, such rights will be provided in a separate licensing agreement at additional cost. In all other cases, where such rights are requested for a given game, the Lottery shall be responsible for acquiring the right to use them. In the alternative, if requested by the Lottery, we will attempt to acquire such rights upon such terms and conditions as may be acceptable to the Lottery.

**Standard Items** – Our standard inks, materials, and procedures, which meet all specified requirements of the RFP, will be used in producing the tickets under this proposal. If any special items or steps are desired beyond these standard items, we will endeavor to provide them, and will quote the additional charge for them, if any, beforehand, for the Lottery’s consideration.

**Inter-Relationship of Options** – Most of the options presented here may be selected independently of one another. However, some of the options are inter-related because of equipment limitations or technical reasons. For example, the total number of coatings which consist of the front display colors, back display colors, lily pad coat, seal coats, release coats, latex coat and overprints is limited by the total number of printing stations on the printing press in use at a given time.

**Dates** – We strongly advise against placing of dates of any kind onto instant lottery game tickets. Note that dating tickets converts instant game tickets into a “perishable” commodity. If ticket delivery is delayed due to force majeure, a condition of such dating is that the Lottery agrees to assume the risk of such force majeure and to accept such delayed tickets (regardless of the dating thereon).

**Taxes** – The price quoted is based on the assumption that no sales or use tax, no gambling-related tax, or no customs, duties, or importation taxes will be levied on the goods and services involved herein, and if they are, our price should be considered to be increased to the extent of such taxes.

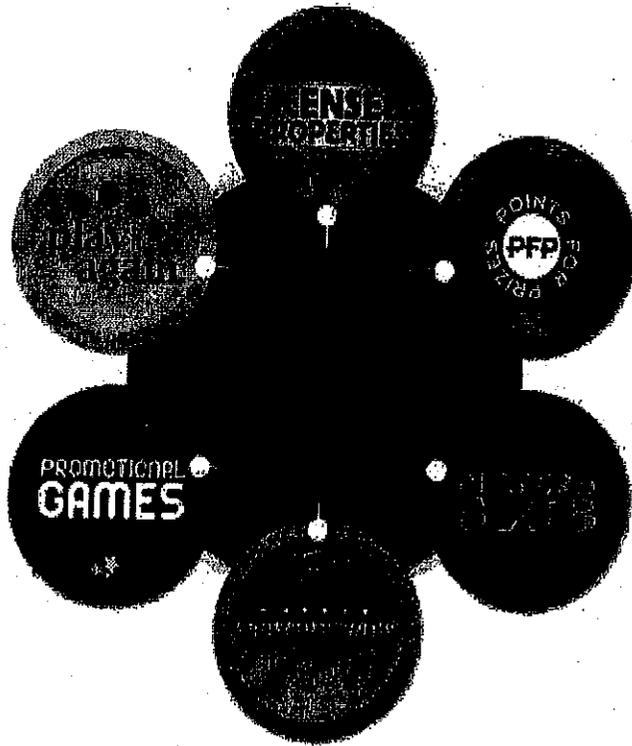
**NASPL Best Practice Pricing Methodology** – Scientific Games subscribes and supports the following NASPL RFP Best Practice Pricing Methodology for Deliverables and Services Not Originally Defined (NASPL Guide to the Standard Request For Proposal (RFP) Template, Section 3.23.2):

*“Changes and enhancements that exceed RFP and contractually specified requirements (and which are not otherwise accommodated for in this RFP or by the pricing method in the RFP) will have the terms and price negotiated and approved by both parties, or be subject to a separate agreement. These include, but are not limited to, categorically different service obligations, and new technology enhancements.”*

Official Proposal Price Sheet

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Properties Plus includes everything lotteries need to implement an integrated, internet-based marketing initiative that addresses several critical challenges, including:

- Delivering more value for players without sacrificing margins
- Creating a more dynamic presence on the internet
- Strengthening relationships with existing players, especially more regular players
- Broadening appeal to younger adult demographic groups
- Establishing a robust database of players and transactions
- Developing new, efficient marketing tools to build sales
- Reducing costs and demonstrating ROI

Components of the Properties Plus package include:

- **Points for Prizes® (points-for-prizes.php)**
- **Players Clubs (players-clubs.php)**
- **Play It Again™ (play-it-again.php)**
- **Interactive Games (games.php)**
- **Licensed Properties (licensed-properties.php)**
- **Subscription Platform (subscriptions.php)**
- **Database Analysis & CRM (database-crm.php)**
- **Easy Entry Validation (easy-entry.php)**
- **Player Registration Module (player-registration.php)**
  
- **Home (index.php) |**
- **About Us (about.php) |**
- **Contact Us (contact.php) |**
- **MDI Entertainment (https://www.mdi-entertainment.com) |**
- **Scientific Games (http://www.scientificgames.com) |**
- **Legal Notices (https://www.mdi-entertainment.com/notices.php)**

**MINUTES**  
**ARKANSAS LOTTERY COMMISSION**  
**Wednesday, August 5, 2009**  
**1:30 p.m.**  
**Legends Room**  
**Jack Stephens Center**  
**University of Arkansas at Little Rock**

Arkansas Lottery Commissioners present were Commissioners Ray Thornton, Chairman; Dianne Lamberth, Vice Chairman; George Hammons; Mike Malone; Ben Pickard; and Patty Shipp; with Commissioners Susan Ward-Jones; and Joe White present by telephone.

Arkansas Scholarship Lottery staff in attendance: Director Ernie Passailaigue; David Barden, Vice President Gaming Operations; Ernestine Middleton, Vice President Administration; Julie Baldrige, Bridgette Frazier, Bishop Woosley, Patricia Vick and Sarah Thomas.

Bureau of Legislative Research staff present: Marty Garrity, Assistant Director, Legal Division; Estella Smith, Administrative Analyst; Kendra Drone, Secretary; and Patrick Ralston, Legislative Oversight Committee staff.

The meeting was called to order by Chairman Thornton, who introduced UALR Chancellor Joel Anderson, praising him as one of the great academic leaders of Arkansas. Chancellor Anderson welcomed the Commission to the UALR campus, asking the members to spend time looking at the remarkable changes and growth of UALR and urging them to attend the Trojans basketball games played in the Stephens Center, where the meeting was taking place. He noted proudly that UALR is a comprehensive University with 35 master's programs and six doctoral degrees, along with the juris doctorate degree at the UALR Bowen School of Law. He said he was

5m 45s

looking forward to the Lottery Scholarships that would meet the educational needs of Arkansas citizens. He commended the Commissioners for their dedication and hard work and said the educational institutions of Arkansas and their students and prospective students look forward to the fruits of the Commission's labor.

Minutes, July 29, 2009 11m 20s

The minutes of the July 29, 2009, meeting were reviewed and approved unanimously after a motion by Commissioner Shipp and a second by Commissioner Malone.

Permanent Promulgation of Arkansas Scholarship Lottery Operational Rules

Commissioner Thornton pointed out that Commissioner Derrick Smith had worked tirelessly with ASL Attorney Bridgette Frazier to formulate and write both these rules and the rules to be discussed in the next order of business. Director Passailaigue recognized Ms. Frazier, who explained that every lottery has operational rules to regulate the conduct and operation of lottery games. They cover draw integrity, player error, how to determine ticket validity, whether a debt is owed to the state, consumer complaints and other such things. Given the ASL timeline, Ms. Frazier asked that the Commission authorize these rules be put into place, which allows a 30 day public comment period. Ms. Frazier further stated that she had spoken with Commissioner Smith, and following the 30 public comment day period, the Legal Committee would meet and report the permanent rules back before the Commission for review and approval. Upon a motion by Commissioner Malone, a second by Commissioner Hammons, the Commission approved the Permanent Promulgation of ASL Operational Rules unanimously.

Emergency Promulgation of Rules for Claims in Contract and in Torts and Authorization for Permanent Promulgation

Ms. Frazier said that an emergency exists because these rules cover the procedure to handle any dispute with any party that enters into a contract with the Commission. Ms. Frazier stated that Commissioner Smith feels very strongly that these rules be adopted

before the Commission enters into any contract with a vendor. The scope of the rules covers any dispute involving a contract, such as a misrepresentation, a mistake or any tortuous act, such as conversion of trade secrets or conspiracies. She said the rules also contain definitions and reaffirm that there is no waiver of sovereign immunity; and that they set forth procedures for prehearing negotiations, which include a detailed timetable for action. The rules include the procedures for conducting a negotiation and negotiating a settlement agreement. Further, the rules provide time for the Commission to delay the process if necessary, require all dispute hearings to be open to the public and press, and define the appeal process. Commissioner Malone asked if there is a difference between these rules and the procurement rules. Ms. Frazier replied that these rules require neither a bond nor subpoena power. After these rules are approved, the Commission would end up with four different sets of rules. By motion of Commissioner Malone, seconded by Commissioner Thornton, the emergency promulgation was approved unanimously. By motion of Commissioner Malone, seconded by Commissioner Lamberth, the permanent promulgation was approved unanimously.

Online Contract Execution Pending Legislative Oversight Committee Review

27m 17s

Director Passailaigue recognized Mr. Woosley to discuss the Execution of the Online Contract, pending Legislative Oversight Committee (LOC) review. Mr. Woosley stated reminded the Commission that last week they unanimously passed the Online Contract Intent to Award. The LOC informed the Commission that they would review the Online Contract when the Commission had formally passed a resolution to Execute and Award the Contract. Therefore, the Commission needed to proceed to adopt the motion of Execution before the LOC would conduct its review. Commissioner Pickard moved approval of the Execution of the Online Contract, pending LOC review, which was seconded by Commissioner Hammons. Commissioner Lamberth inquired whether this was simply a change of wordage to add "pending LOC review." Mr. Woosley responded that this would add Commission approval to execute the Contract, pending LOC review. Commissioner Malone asked what the LOC review entailed and whether

the Contract award could be executed by the Commission with this contingency attached. Mr. Woosley answered in the affirmative and stated this was the guidance provided by the LOC. Further, Mr., Woosley indicated the Oversight review process is defined in the statute, that a major procurement contract must be filed with the LOC, and the LOC would conduct a review, and then issue an opinion within 30 days, based upon its review of the documentation. Commission staff was provided guidance on the mechanics of this process on July 31st and supplemented on August 3<sup>rd</sup>, by the LOC. Commissioner Malone inquired that, if this resolution was passed as worded, whether this would be the Commission's final action necessary to award the Online Contract; and, Mr. Woosley answered affirmatively. Commissioner Shipp asked if this would preclude any further contractual negotiations between the Commission and the Successful Vendor; Mr. Woosley stated that there would be a signing of the contract, which would include a satisfaction of the bond requirement. Mr. Passailaigue stated that the Staff is satisfied with the major elements of the Successful Vendor's proposal. The motion was unanimously approved.

\* Instant Ticket RFP Intent to Award and Execution Pending LOC Review

33m 225

Mr. Woosley was recognized to discuss a Staff proposal for the Commission to adopt a resolution of both Intent to Award and Execution of the Instant Ticket Contract, pending LOC review. Mr. Woosley directed the Commission's attention to the Executive Summary, the Evaluation Scoring Spreadsheet, and the Official Price Proposal Sheet submitted by the Vendor that achieved the highest number of points on the RFP's Evaluation Criteria, Scientific Games International (SGI). Mr. Woosley also noted that SGI's Official Price Proposal Sheet offered the Commission a percentage rate of 1.75, the lowest percentage rate proffered by the three vendors that bid on the Instant Ticket RFP. Mr. Woosley directed the Commission's attention to a comparison of Instant Ticket vendors and prices prepared by *LeFleur's Magazine*, which may be helpful in the deliberations of the Commission. Mr. Woosley stated that SGI was ranked number one of the three vendors submitting proposals on the Instant Ticket RFP, based upon the points awarded by the Evaluators selected to review the proposals. It was Staff's

recommendation that the Commission approve both the Intent to Award and also Execution of a Contract with SGI, based on its receiving the highest number of points. Commissioner Hammons asked about the evaluation process; Mr. Woosley conducted an in depth discussion of the mechanics of the evaluation criteria, the relationship to the RFP and the awarding of points, noting a scoring grid was utilized by the Evaluators that referenced back into the RFP. Commissioner Hammons then asked whether there was evidence of minority-owned business participation proposed by the vendors and Mr. Woosley stated that this element was specifically and thoroughly scored by the Evaluators in each proposal submitted. Commissioner Hammons further inquired whether the cost element was a driving factor in vendor ranking and Mr. Woosley pointed to the fact that cost was weighted at 50 percent of the Evaluation Criteria pursuant to the RFP; therefore, cost was a significant element of the scoring and ranking of each vendor. Mr. Woosley indicated that the Lottery Scholarship Act's intent was to maximize revenues and, therefore, cost was deemed a significant factor in the RFP approved by the Commission. The Director pointed out that three world recognized vendors bid on the contract, and that three experts (the Evaluators) – one with marketing skills, one with IT skills, and one with security skills – had combed through the bids and prepared a thorough, objective assessment of each proposal. He said that the process was thorough, fair and impartial and the rankings reflected the appropriate point totals awarded to the vendors.\* Mr. Passailaigue reminded the Commission that the RFP provided for a secondary Instant Ticket Vendor, noting that the Commission may select up to seven games annually from this source and therefore, it likely the ASL would actually be doing business with one of the two unsuccessful vendors.\* The Director further emphasized cost was significant and that there must be integrity of the process to assure that the Commission maintain high standards. Attention was called to the *LeFleur's* Instant Ticket statistics, reflecting that SGI was a recognized leader in the Instant Ticket business for lotteries across the United States. Mr. Passailaigue stated that one sentence in the RFP was modified to give the Arkansas Scholarship Lottery access to a vendor's online games royalty-free, and pointed to the absence of that one sentence in South Carolina's Instant Ticket RFP,

40m 22s

resulting in additional cost to the state of \$500,000 a year for seven years, for only two online games. The Director said the savings brought by this one sentence was a lesson learned from South Carolina that would potentially save the ASL significant money. He said that the early startup date provided by SGI (October 1) gave him confidence that SGI could be ready by September 28 and be a part of that early startup. He recommended that they move forward with the Motion discussed previously by Mr. Woosley.

Before the vote, the Director made an announcement that Jill Thayer, a Bureau of Legislative Research attorney who provided invaluable assistance to the Commission in drafting the Online and Instant Ticket RFPs, had this week given birth to a baby boy named Benjamin Grant Thayer. Mr. Passailaigue said he took flowers to the hospital on behalf of the Commission and gave her credit for the exemplary difference she had made in the process.

Commissioner Malone asked about the mechanics of the evaluation formula and Mr. Woosley explained the mathematical process of computing the cost and early start up date into a numeric score.

A motion was made by Commissioner Hammons and seconded by Commissioner Pickard for the approval of the Intent to Award of the Instant Ticket Contract and the Contract Execution, pending review by the LOC. The vote was unanimous to approve the Intent to Award and Execution.

Advertising RFP Intent to Award and Execution Pending LOC Review

49m 59s

Commissioner Thornton stated that although his participation in the Advertising and Marketing RFP would not be a violation of statutory law, he would recuse himself from any discussion or vote on this matter, because of prior relationships with the Vendors that were under consideration. He then relinquished the chair to Vice Chairman Lamberth, who assumed the Chairmanship temporarily.

Mr. Woosley called the Commission's attention to the evaluation scores and executive summary of the Communications Group, along with the Official Proposal Sheet.

Mr. Passailaigue elaborated that the RFP was published on July 15 by the Commission, with a number of criteria—both subjective, to be scored by evaluators and objective, scored by a mathematical formula. Prospective vendors were offered an opportunity to ask questions and receive answers. Under the Procurement Rules adopted by the Commission, a vendor has the opportunity to protest the RFP process up until the date of the bid opening. Once the bids are open, those rights of protest of the RFP process lapse. Mr. Woosley affirmed the Director's statement. The bid closing was July 31st at 4 p.m. and six firms submitted proposals. Mr. Woosley then reviewed all six bids for compliance with the criteria outlined in the RFP. There had been no protest filed of the process before the bid opening. There were two firms deemed responsive and four firms deemed nonresponsive, based upon the criteria outlined in the RFP. Further, the Director selected four evaluators, all Arkansas residents and ASL employees, who had demonstrated skills in the field of advertising and marketing. This fact was pointed out to the Commission because he heard that a firm from South Carolina may partner with a vendor submitting a proposal and the Director wanted to make it clear that no one employed by the Commission from South Carolina would have anything to do with the evaluation of the Advertising and Marketing RFP proceedings.

As was the case in the other RFPs covering the Online and Instant contracts, the Commission developed a plan to award points based on subjective criteria (Evaluators reviewing the documents submitted by the Vendor and relating that material to the RFP specifications) and objective criteria (points assigned by arithmetical calculation based upon the cost criteria outlined in the RFP). Commissioner White (by telephone) stated he was unable to understand Mr. Woosley's explanation of the reasons four bids were found nonresponsive. Mr. Woosley explained that the RFP required vendors to provide specific responses, including documentation, to the specifications approved by the Commission. Four vendors failed to provide the appropriate documentation required by the RFP; specifically, three years of financial statements audited by an independent accounting firm which resulted in vendor net income of at least \$300,000 or more in two of the three prior years. Also, one vendor failed to sign an addendum, which was a requirement. Director Passailaigue addressed the issue, saying that in the lottery

business, there must be a high standard of integrity in the procurement process, in order that the people of Arkansas can have confidence in the awarding of major contracts. Audited financial statements provide assurance to the Commission and the public that a respected, independent third party has formed an opinion as to the vendor's financial condition and results of operations. It addresses issues such as, is a vendor a viable entity able to administer a multi-million dollar, annual media campaign.

Commissioner Ward-Jones asked what date the four bidders were told that their proposals had been deemed nonresponsive. Mr. Woosley said they were told Sunday morning, after a review stretching from Friday at 4 p.m. to Sunday morning.

Commissioner Malone inquired about the organizational chart presented by one vendor submitted in the Executive Summary provided to the Commission. Mr. Barden discussed the relationship of the skill sets incorporated in the RFP criteria and the aforementioned organizational chart, and how the Staff would interact with the vendor to acquire the requisite level of services.

Mr. Gary Lay, Owner of GWL Advertising and a vendor deemed nonresponsive to the RFP bid requirements, asked to address the Commission. Mr. Lay stated that a formal protest had been filed by his firm and that he had visited with Mr. Woosley. He said that he had owned the business for 20 years and that he had sought a low net income because of taxation. He further stated that his business did not need an audit since he is the sole owner of his Company, has no debt and he had furnished his firm's unaudited financial statement prepared by a CPA. He said that his Company's proposal had been eliminated before it was reviewed, as were the proposals of the other three vendors who were deemed nonresponsive. Mr. Steve Jacuzzi, GWL President, noted that RFPs in other states did not use net income as a qualifier. Commissioner Malone asked whether the staff received questions prior to the bid opening. Mr. Woosley affirmed that there were questions submitted by vendors regarding specifications of the RF prior to opening the bids; however, the Procurement Rules clearly state that any dispute regarding the bid process must be filed before the bid opening. Mr. Passailaigue commented that he realized that the Arkansas RFP may be different from RFPs issued previously by other states, but in light of the current

financial crisis, the economic conditions have changed and the resultant expectations have also changed, in order to protect the public. The Director further stated that net income and working capital are important considerations in gauging the financial health of a business, as many companies generate substantial sales, but are not profitable. Commissioner Lamberth said that her personal corporation has audited financial statements every year as a requirement of their business and that the bank which she serves on as a board member also requires audited financial statements from borrowers. She said she wanted to go on the record that she thinks it is imperative that this half-billion dollar enterprise, such as the ASL, require audited financial statements. Commissioner Shipp moved and Commissioner Pickard seconded a motion to approve the Advertising and Marketing Intent to Award and Execution of a Contract with the Communications Group, pending LOC review. The motion received passed unanimously.

Other Business 1 hr 27m 30s

Commissioner Thornton resumed the Chair at the request of Commissioner Lamberth. He then recognized Commissioner Lamberth, who said that the Arkansas Building Authority had completed work with Union Plaza for permanent space for ASL headquarters and had signed a contract. The contract could be delivered to the ASL office by Thursday morning. She said that Mr. Passailaigue was authorized to sign the contract. Commissioner Malone asked about the terms, and Commissioner Lamberth reported that the terms were the same with an early out, with three renewals of the six year contract. The only change involved the early startup, permitting the Staff to move forward. By motion of Commissioner Lamberth, second by Commissioner Ward-Jones, Mr. Passailaigue was asked to review and sign the headquarters lease contract.

Commissioner Lamberth stated that the Arkansas Scholarship Lottery Commission had worked diligently, meeting up to three times some weeks to move the process forward responsibly. Commissioner Lamberth stated she had received letters asking what she makes, and she responded 42 cents a mile and it was her view that Commissioners serve because of the desire to improve the quality of life for the people of Arkansas and

are excited at the opportunity to meet a September 28 startup goal. Commissioner Lamberth noted the compact timeframe of this early startup and strongly encouraged the LOC to be mindful of these date(s) as it schedules the review of the major procurement contracts, because time is of this essence. She further observed that a delay could push back the targeted startup date of September 28 and that may mean fewer scholarships available.

Top Lottery Talent Makes a Difference 1 hr 32m 55s

Commissioners Thornton and Lamberth called to the Commission's attention to the current issue of *Arkansas Business*, published August 3, 2009, to a Letter to the Editor from Paul Jason, CEO of the Public Gaming Research Institute of Kirkland, Washington, and titled "Top Lottery Talent Makes a Difference," which read as follows:

"The question of salaries for the Employees of the Arkansas lottery has become a flash point for controversy.

"The right to challenge the decisions of our political leaders is one of our most cherished freedoms. Thus, the perfectly justifiable question: Why should employees of the state lottery be paid as much as they are?

"The answer is that the salaries are an investment that yields a higher Return on Investment than any other lottery expenditure, hands down. As Gordon Medenica, director of the New York lottery, puts it, 'The critical insight for understanding lottery economics is realizing that it is not, for the most part, a cost-driven business. Revenue growth trumps all.

"That is to say, a relatively small difference in top-line revenue produces a quite dramatic difference in the funds available to support good causes like education. For example: If 33 percent of the revenue goes to support education, and an effective

management team increases sales just 10 percent, from \$300 million to \$330 million, that's an additional \$10 million in net funds going toward education per year.

"How does a lottery get that extra 10 percent? Top management talent. The difference between top management talent and competent management adds up to many millions of dollars in net funds. It does cost more money to acquire this top talent, but it's worth it. Management makes all the difference.

"In Ernie Passailaigue, the Arkansas Lottery Commission has hired one of the most accomplished lottery executives in the United States. He started the South Carolina Education Lottery in 2001 and served as its executive director for the past eight years. He executed a large-scale conversion in lottery terminals and central system just last year, increasing the state's profits and making the lottery even more efficient. Financial performance metrics in South Carolina have been among the best in the nation (with the lottery's administration expensis held at 4.7 percent within a U.S. range of 2.6 percent to 19.1 percent for non-video lottery states).

"Ernie Passailaigue is as good as it gets, and the difference he will bring in lottery performance will result in many millions of additional dollars per year for Arkansas education programs."

Commissioner Lamberth and Commissioner Thornton asked that the letter be included in the minutes.

Commissioner Thornton said he believes that Arkansas should always aspire to be the best and has been dismayed by the criticism directed at some people because they are the best at what they do. He further stated he wants to see scholarships for the young people of Arkansas, many of whom in the past have not been able to attend college, which impacts their job prospects and potentially requiring them to move out of state to earn a livelihood.

Director Passailaigue thanked the Commissioners and noted that there is no "I" in team. He said that Arkansas people had been welcoming, had made the little group from South Carolina feel right at home, and he was happy to be Arkansan. The Director further stated that he was confident the Commission and Staff will be able to satisfy the requirements of the LOC in a timely manner to meet the September 28<sup>th</sup> startup date and that everyone has one common goal, to provide as much financial assistance to the young people of Arkansas, while at the same time maintaining the vision of running a world class lottery.

Next Commission Meeting 1 hr 31m 29s

Commissioner Thornton thanked Chancellor Anderson for their hospitality today and noted that UALR would once again make available facilities for next week's August 12 all-day meeting at the UALR Bowen School of Law. He thanked Commissioner Pickard for planning the session with the Higher Education Department concerning the required scholarship application process at 10 a.m., followed by a box lunch and the afternoon session beginning at 1 p.m. Commissioner Malone said that he would need to call in, and Commissioner Thornton said that would be arranged. He thanked the Commissioners for their attendance and work.

There being no further business, the meeting was adjourned. 1 hr 41m 48s

LOC Meeting August 13, 2009 per FY 2010 Legislative  
Audit Report.

**Evaluation Summary**

To: Arkansas Lottery Commission Legislative Oversight Committee  
C/O Patrick L. Ralston, Legislative Committee Analyst  
Arkansas Lottery Commission Legislative Oversight Committee  
Bureau of Legislative Research  
State Capitol, Room 315  
Little Rock, AR 72201

From: Arkansas Scholarship Lottery  
Bishop Woosley, Director of Procurement  
500 President Clinton Avenue, #215  
Post Office Box 3238  
Little Rock, AR 72203-3238  
(501) 683-1890

Contract: Instant Ticket Lottery Game Services

Date RFP Issued: June 19, 2009

Date Notice of Intent to Award  
Issued: August 5, 2009

**Names and addresses of all bidders:**

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

Pollard Banknote Limited Partnership  
1499 Buffalo Place  
Winnipeg, Manitoba, Canada R3T 1L7

GTECH Corporation  
10 Memorial Boulevard  
Providence, RI 02903

**Evaluation points for all bidders:**

Scientific Games International, Inc., received 98.80 evaluation points  
GTECH Corporation received 94.72 evaluation points.  
Pollard Banknote Limited Partnership received 79.43 evaluation points.

A spreadsheet of the scores is attached hereto as Exhibit "A"

**Description of why this contract was awarded to this Vendor:**

The proposals of all three bidders were reviewed by 3 evaluators on an individual basis and in a group setting over the course of several days. At the conclusion of the individual

evaluations and the group discussions, the evaluators individually scored the proposals based on the criteria set forth in Section 5.0 of the Instant Ticket Lottery Game Services Request for Proposal. The scores were the product of that intensive evaluation process and the cost proposals submitted by all three (3) bidders. It should be noted that the cost proposals accounted for fifty (50%) percent of the evaluation point total. Once the scores were tabulated, it was determined that Scientific Games International, Inc., received the most evaluation points. As a result, the recommendation to the Arkansas Lottery Commission was to award the contract to Scientific Games International, Inc. The Arkansas Lottery Commission concurred and voted to award the contract as recommended.

<u>Criteria</u>	<u>Maximum Points</u>	<u>GTECH</u>	<u>Pollard</u>	<u>SGI</u>
Experience	10.000	10.00	7.50	10.00
Early Start Up Date	5.000	5.00	2.41	4.83
Marketing Plan	5.000	4.95	4.27	4.23
Operations Plan	10.000	10.00	9.62	9.77
Security Plan	5.000	4.97	4.97	4.97
Proposed Technical Solution	5.000	4.97	4.97	5.00
Background & Financial Viability	5.000	5.00	5.00	5.00
Minority Owned Bus Participation	5.000	5.00	5.00	5.00
<b>Subtotal</b>	<b>50.000</b>	<b>49.89</b>	<b>49.74</b>	<b>48.80</b>
Cost	50.00	44.83	35.68	50.00
<b>Total Points</b>	<b>100.00</b>	<b>94.72</b>	<b>79.43</b>	<b>98.80</b>
<b>Ranking</b>		<b>2</b>	<b>3</b>	<b>1</b>
<b>Point Difference</b>		<b>4.08</b>	<b>19.37</b>	<b>0</b>

Criteria	Maximum			% GTECH		% Pollard		% SGI	
	Points	GTECH	Pollard	SGI	GTECH	Pollard	SGI	GTECH	Pollard
Cost	50.000	44.83	35.68	50.00	1.9620%	2.4623%	1.7500%		

Criteria	Maximum			ESUP		ESUP		ESUP	
	Points	GTECH	Pollard	SGI	GTECH	Pollard	SGI	GTECH	Pollard
Early Start Up Date (ESUD)	5.000	5.000	2.414	4.8276	9/30/2009	10/15/2009	10/1/2009		
Number of Days ESUP					29	14	28		

<u>Mazvek</u> <u>Criteria</u>	Maximum <u>Points</u>	<u>GTECH</u>	<u>Pollard</u>	<u>SGI</u>
Experience	10.00	10.00	8.00	10.00
Marketing Plan	5.00	5.00	4.80	4.50
Operations Plan	10.00	10.00	10.00	9.70
Security Plan	5.00	4.90	4.90	4.90
Proposed Technical Solution	5.00	5.00	4.90	5.00
Background & Financial Viability	5.00	5.00	5.00	5.00
Minority Owned Bus Participation	5.00	5.00	5.00	5.00
<b>Totals</b>	<b>45.00</b>	<b>44.90</b>	<b>42.80</b>	<b>44.10</b>

<u>Meetze</u> <u>Criteria</u>	Maximum <u>Points</u>	<u>GTECH</u>	<u>Pollard</u>	<u>SGI</u>
Experience	10.00	10.00	8.50	10.00
Marketing Plan	5.00	4.85	4.75	4.70
Operations Plan	10.00	10.00	9.85	9.85
Security Plan	5.00	5.00	5.00	5.00
Proposed Technical Solution	5.00	5.00	5.00	5.00
Background & Financial Viability	5.00	5.00	5.00	5.00
Minority Owned Bus Participation	5.00	5.00	5.00	5.00
<b>Totals</b>	<b>45.00</b>	<b>44.85</b>	<b>43.10</b>	<b>44.55</b>

<u>Seeley</u> <u>Criteria</u>	Maximum <u>Points</u>	<u>GTECH</u>	<u>Pollard</u>	<u>SGI</u>
Experience	10.00	10.00	6.00	10.00
Marketing Plan	5.00	5.00	3.25	3.50
Operations Plan	10.00	10.00	9.00	9.75
Security Plan	5.00	5.00	5.00	5.00
Proposed Technical Solution	5.00	4.90	5.00	5.00
Background & Financial Viability	5.00	5.00	5.00	5.00
Minority Owned Bus Participation	5.00	5.00	5.00	5.00
<b>Totals</b>	<b>45.00</b>	<b>44.90</b>	<b>38.25</b>	<b>43.25</b>

<u>Summary</u> <u>Criteria</u>	Maximum <u>Points</u>	<u>GTECH</u>	<u>Pollard</u>	<u>SGI</u>
Experience	10.00	10.00	7.50	10.00
Marketing Plan	5.00	4.95	4.27	4.23
Operations Plan	10.00	10.00	9.62	9.77
Security Plan	5.00	4.97	4.97	4.97
Proposed Technical Solution	5.00	4.97	4.97	5.00
Background & Financial Viability	5.00	5.00	5.00	5.00
Minority Owned Bus Participation	5.00	5.00	5.00	5.00
<b>Totals</b>	<b>45.00</b>	<b>44.88</b>	<b>41.32</b>	<b>43.97</b>

**AGREEMENT FOR CONTRACTUAL SERVICES FOR INSTANT TICKET  
LOTTERY GAME SERVICES**

THIS AGREEMENT dated effective as of August 18, 2009, by and between the Arkansas Lottery Commission ("Lottery"), P.O. Box 3238, Little Rock, AR 72203 and Scientific Games International, Inc. ("SGI"), 1500 Bluegrass Lakes Parkway, Alpharetta, GA 30004, witnesses that the parties have made the agreements set forth below:

**RECITALS**

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

WHEREAS, the Lottery issued a Request for Proposal for Instant Ticket Lottery Game Services on June 19, 2009 with a proposal opening date of July 23, 2009 and subsequent addendums dated June 30, 2009 and July 15, 2009 ("RFP") for the implementation, operation and maintenance of an Instant Ticket Games System ("Gaming System"); and

WHEREAS, upon evaluation of the proposals submitted in response to the RFP, the Lottery determined that the SGI proposal dated July 27, 2009, ("Proposal") met or exceeded each of the requirements of the RFP and was the Successful Vendor pursuant to the Lottery's competitive proposal process; and

WHEREAS, based on in-depth evaluations of SGI, the Lottery desires to enter into a contractual services agreement with SGI to provide a comprehensive solution to instant ticket operations, to include the manufacture of instant tickets, warehousing, ordering and distribution of instant tickets and marketing support services; and

WHEREAS, SGI desires to enter into such an agreement; then

NOW, THEREFORE, in consideration of the above promises, and the mutual promises set forth below, and subject to compliance with Arkansas Law, the Lottery and SGI, with this agreement (the "Gaming Services Agreement" or "Agreement"), hereby make the following agreements:

**AGREEMENTS**

**1. Contract Elements and Incorporations by Reference and Order of Priority**

The contract elements ("Contract Elements"), which are incorporated by reference, and the order of priority shall be as follows;

- a. The RFP, (Exhibit A);
- b. Clarifications, attachments and addenda to the RFP, (Exhibit B);
- c. SGI's proposal, (Exhibit C);
- d. Any Purchase Orders issued pursuant to this agreement, (Exhibit D);
- e. Any Certificates of Insurance or Bonds required pursuant to this agreement, (Exhibit E);
- f. Official Proposal Price Sheet (Exhibit F);
- g. Any addenda to SGI's proposal (Exhibit G);
- h. Arkansas Lottery Commission Rules for Claims in Contract or Tort (Exhibit H);
- i. Any future addenda, modifications or amendments to the contract which may be agreed to in writing between the parties, (Exhibit I); and
- j. SGI's performance bond or standby letter of credit. (Exhibit J)

2. Term of Contract: 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.

\* 3. Terms of Compensation: Instant ticket pricing for SGI's comprehensive product solution is located in SGI's *Official Proposal Price Sheet*. The attached pricing information was offered by SGI in response to Section 5.1.1 and 5.1.2 of the Instant Ticket Lottery Games Services Request for Proposal which commences with the execution of the Contract on the 18 day of August, 2009.

4. Specified, Invited and Offered Options - The Lottery may choose, during the Term or any renewals thereof, to acquire some or all of the options contained in the Contract Elements. The parties agree that the pricing indicated below, or where not set forth below, the pricing set forth in the Contract Elements, for the following items or other items contained in the Contract Elements will be applicable.

Additionally, goods and services not specifically identified within Exhibits A, B and C and of a nature similar to those provided or identified with instant ticket games may also be procured or provided by the vendor at the Lottery's request and approval. The Lottery is solely responsible for all cost associated with such goods and services provided pursuant to this section. The goods and services which may be procured include, but are not limited to, instant ticket games, computer hardware and software, supplemental training programs, system support services and consultative services for system management, and related goods and services for the efficient and effective operations of an instant ticket gaming system. All cost will be provided as a pass through charge at net cost, without mark up.

a. Pricing - Unless otherwise negotiated by the parties, the compensation to be paid for any other options offered by SGI and chosen by the Lottery, which are not specifically identified herein, will be calculated based on the pricing submitted by SGI in connection with its Proposal and addendums thereto.

5. Additional Covenants

a. It shall be a breach of ethical standards for a person to be retained, or to retain a person, to solicit or secure a state contract upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, except for retention of bona fide employees or bona fide established commercial selling agencies maintained by the contractor for the purpose of securing business. SGI hereby covenants and agrees that no person shall

(i) be excluded from participation in, or be denied benefits of, this Agreement, or  
(ii) be excluded from employment, denied any of the benefits of employment or otherwise be subjected to discrimination on the grounds of handicap or disability, age, race, color, religion, sex, national origin or ancestry, or any other classification protected by federal, Arkansas state constitutional, or statutory law. SGI agrees, upon request, show proof of such nondiscrimination and shall post in conspicuous places, available to all employees and applicants, notices of nondiscrimination.

b. SGI further agrees to maintain documentation for all charges against the Commission under this Agreement or any modifications or amendments thereto. The books, documents, papers, accounting records, and other evidence pertaining to products and/or services to be provided or performed or money received under this Agreement:

(i) shall be maintained for a period of five (5) full years from the date of the final payment; and

(ii) shall be subject to audit or inspection at any reasonable time and upon reasonable notice by the Commission or its duly appointed representatives. SGI agrees to make such materials available at its offices, and copies thereof shall be furnished to the Commission or its duly appointed representative by SGI, at no cost to the Commission or its duly appointed representative, if requested by the Commission or its duly appointed representative. Such records shall be maintained in accordance with any applicable provisions of generally accepted accounting principles (or other applicable accounting principles or policies) and any other applicable procedures established by the Commission from time to time.

c. SGI and the Lottery 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.

SGI represents and warrants that its performance under the Contract will not knowingly 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.

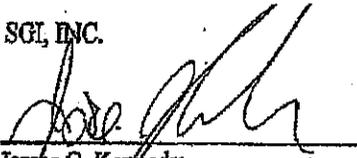
The parties further agree that any and all disputes which may arise from this Contract shall be governed and resolved under the Arkansas Lottery Commission Rules for Claims in Contracts or Torts.

IN WITNESS WHEREOF, the parties have executed this Contractual Services Agreement on this 18 day of August, 2009.

ARKANSAS LOTTERY COMMISSION

  
Ernie Pessailaigue  
Executive Director

SGL, INC.

  
James C. Kennedy  
Senior Vice President

AR Game Specifications  
\$100,000 CASH BONANZA - 4

Page 19 of 19  
August 19, 2009

### Order/Price Confirmation

Scientific Games International  
1500 Bluegrass Lakes Parkway  
Alpharetta, GA 30004

This letter constitutes the order of the ARKANSAS SCHOLARSHIP LOTTERY for 2,640,000 (+5%) tickets of Instant Game No. 004 "\$100,000 CASH BONANZA" as fully described in Version 1 of the "Game Specifications" document dated 8/19/2009 with Prize Structure Version A dated August 12, 2009. Final invoice will be based on total number of tickets sold based on percentage of sales. (1.1500%) \*

You are hereby authorized to proceed with the production of game tickets and performance of the associated services according to the specifications contained herein.

Options	Quantity	Price
FailSafe™ Barcode		\$1.89 per 1000
Full UV		No Charge
Total Price For Options (estimated)		Total price per 1000: \$1.89

ACKNOWLEDGED AND ACCEPTED:

Martha Hernandez  
Scientific Games International (Printed)

Martha Hernandez  
Scientific Games International (Signature)

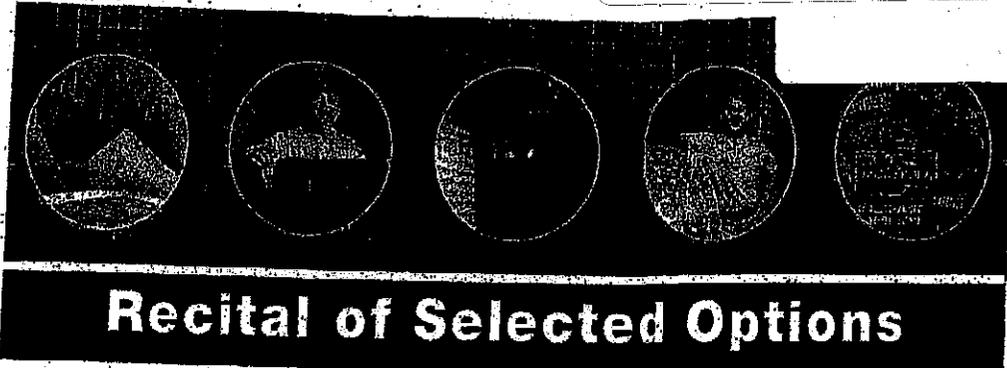
August 25, 2009  
Date

ACKNOWLEDGED AND ACCEPTED:

David M. Barden  
Arkansas Scholarship Lottery (Printed)

DAVID M. BARDEN  
Arkansas Scholarship Lottery (Signature)

August 25, 2009  
Date



## Recital of Selected Options

**RFP #ALC-090001**

**DATE: TUESDAY, AUGUST 25, 2009**

Revisions to Original Pricing Schedule (Dated July 29, 2009) between the Arkansas Lottery Commission and Scientific Games International Agreement for Additional Service Options and Fees.

DESCRIPTION OF SERVICE	PERCENTAGE/PER 1,000 (Written in Words and Number)
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<u>Instant Ticket Lottery Game Services</u>	<u>1.6900% (one point sixty nine percent)</u>
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<u>Web Site Marketing Services (Player's Club/ Internet Marketing)</u>	<u>0.0900% (zero point zero nine percent)</u>
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<u>Play It Again™ and Second Chance Drawing Management Services</u>	<u>0.1400% (zero point fourteen percent)</u>
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Included in "Properties Plus" Program

1.9200%

The three prices shown above are based upon the lottery implementing all three services.

<u>Points for Prizes Rewards/Merchandise Prizes and Fulfillment</u>	<u>1.500% (one point fifty percent) of the prize fund for all instant games included in program</u>
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