

MINUTES  
ARKANSAS LOTTERY COMMISSION  
Monday, February 6, 2012  
8:00 a.m.  
ALC Conference Room  
Third Floor  
124 West Capitol Avenue  
Little Rock, Arkansas

Commissioner Lamberth called the meeting to order. Present were Commissioners Lamberth, Malone, Pickard, Campbell, Engstrom, Faris, Frazier, Hammons, and Shipp. Staff present were Julie Baldrige, Michael Hyde, Bishop Woosley (by teleconference), Mike Smith, Jerry Fetzer, Jeremy Smith, Rick Lee, Patricia Vick, Gwen Armbrust, Valerie Basham and Lance Huey. The minutes of the previous meeting on November 21 were approved without dissent, by motion of Commissioner Faris and second by Commissioner Hammons; and the minutes of January 23 were approved without dissent by motion of Commissioner Shipp, second by Commissioner Frazier.

The Commission next took up the matter of the annual approval of Commission expense reimbursement. Commissioner Malone, with a second by Commissioner Shipp, moved as follows: I move to authorize expense reimbursement for the calendar year 2012 for each Arkansas Lottery Commissioner for performing official Commission duties, provided the expense reimbursement not exceed the rate established for state employees by state and agency travel regulations. The motion was approved without dissent. Also, Interim Director Julie Baldrige asked the Commissioners to look over their current Ineligible Player forms before them, to make any corrections or additions needed, or no changes if they are correct, and to return them to Lottery staff.

Interim Director Baldrige was recognized to report on the status of the Lottery (report included in file). She discussed November and December sales and forecast generally the January numbers. She said that January to date had been somewhat slow. She noted that the FY2012 budget was developed in April 2011, pointing to references to the "Budget" in some of her reports. She said that the management team had expressed they would be more comfortable with a Budget with input from each of them, approximating amounts each month that would be spent and separating out more specific budget items. She said that CFO Jerry Fetzer had reached the same conclusion independently, and that the team felt the detailed budget was what the legislature has in mind. She said such a budget would provide more specific guidance as well as numbers to compare to actual and adjust for future years, in areas where there are great differences in the budget and the amounts that must be spent to operate.

Baldrige described the team's plan to develop a budget to extend the specificity of Lottery transactions, reflected department by department and classification by classification, to produce a document the management can rely on to more accurately produce income and outlay, and serve as an essential tool by which to judge the

Lottery's financial performance in categories large and small. This budget will form a basis for the Lottery business plan, she said.

Baldrige displayed a graph that showed strength in February sales. She pointed out that the \$2.6 Million in unclaimed prizes accumulated thus far in the Fiscal Year remain untouched. Commissioner Malone asked whether any action was needed, and Mr. Fetzer said none was needed at this time. Further clarifying discussion of unclaimed prizes followed.

She brought up the new Arkansas Millionaires' Club \$20 ticket and opined that part of the slow sales in January may have stemmed from all four \$1 Million prizes in the Diamond Dazzler \$20 ticket game had been won (with the last of the five reserved for Play It Again). She said the new \$20 ticket would be introduced the next day, noted that it was the first major ticket created by the new product development team, called attention to the design, and said that the development costs were much lower than the Diamond Dazzler ticket. On the new Powerball, she noted that comparing daily sales on the 197 days of FY2012, daily sales dollars in the three weeks since introduction of the \$2 ticket had risen in revenue by more than 30 percent. She predicted that Powerball sales would continue to be healthier than in the past and noted that since Powerball is a draw ticket, it generates more for scholarships for each dollar spent on tickets than the instants generate. She pointed to the one-night \$466,000 Powerball sales. There also was a discussion, brought forth by Commissioner Shipp, of the need for tutoring players to understand the benefit of Power Play.

On Mega Millions, she said that Mega Millions in the past three weeks were averaging slightly above (\$2000 per day) sales in periods of similar jackpots below \$100 Million. She reported that the 50/50 Raffle was producing 39% of its sales to scholarships. She noted that the new instants in January were introduced a week late, which she thought contributed to the absence of the usual new ticket "bump" each month.

Commissioner Pickard, Chair of the Audit and Legal Committee, was recognized to present a report on the Committee's meeting immediately prior to the Commission meeting, where a report from the Internal Auditor was received and the terms of the Request for Qualifications for outside legal counsel were discussed. He presented the record of the December 7 meeting. He then informed the Commission that the Committee had chosen the proposal from the Mitchell Williams firm for outside legal counsel, and asked Mr. Woosley to present. Woosley recounted that the Committee had considered proposals from Mitchell Williams, Williams & Anderson, the Quattlebaum firm and the Rose Law Firm. The Committee members present as well as Woosley all graded Mitchell Williams in first place, and he was tasked with negotiating specifics of the fee agreement with the firm, stated as \$1500 a month, with an hourly fee of \$200 per hour, significantly lower than all other firms. Derrick Smith, speaking for the firm, had responded that they would attend all Audit and Legal Committee meetings and Commission and other meetings upon request. In addition, they will perform special projects without billing the Commission until the retainer is exhausted at \$200 an hour (7.5 hours). The term of the contract is February 6, 2012, until February 6, 2014, with the option of renewing for one year. Commissioner Malone said he had determined that

the contract could be cancelled with either 10 or 30 days notice. Commissioner Pickard asked for questions and, there being none, moved to approve the contract as negotiated with Mitchell Williams, seconded by Commissioner Engstrom. The motion was approved without dissent.

Commissioner Pickard then called on Internal Auditor Hyde for his report, which is included in the file. He said that monthly review of MSR mileages had resulted most recently in no findings, and that these reports are now subject to good internal controls set up by Jerry Fetzer. Therefore, he said the review will henceforth be periodic as approved by the Audit and Legal Committee. He said they currently were performing monthly review of travel but would move to quarterly review on out-of-state travel. He discussed the retailer sweeps audit and said he would like to consolidate three other audits within the sweeps audit under the Audit Plan (retailer credit adjustments, retailer accounts receivable, and retailer commissions). Commissioner Pickard said that the change had been approved by the Audit and Legal Committee. He said the instant ticket audit report was completed along with that of four of five online games, with no recommendations for either.

Hyde said that his 100% review of travel was ongoing and although there had been discussion with Jerry Fetzer on a couple of minor questions, there were no reportable findings. He said that with Fetzer's new travel policies and procedures, the Lottery is in good shape on travel. Regarding the Legislative Audit, he said that all findings had been cleared except for the 2011 travel findings, and that clearance would occur in the next report to the LOC in February. Commissioner Engstrom said Legislative Audit has a habit of repeat findings and asked whether there would be a gap from July 1 through the implementation of the new travel policies to avoid repeat findings. Hyde said that he felt comfortable that there would be no repeat finding in that area. Commissioner Malone asked whether the new travel policies needed Commission approval, and it was decided that informing the Commission conforms with policy. Commissioner Pickard commended the cooperation between CFO Fetzer and Auditor Hyde. Commissioner Lamberth asked Mr. Fetzer to stand and the Commissioners greeted him and expressed their appreciation.

The Commissioners next heard from Commissioner Hammons, who said the Personnel Committee, of which he is Chair, had no new report for the Commission.

Following, Chief Legal Counsel Bishop Woosley presented a brief review of current legal matters. He referred to an email he had sent to the Commissioners on the trademark lawsuit, on the denial on the motion to dismiss, that the Arkansas Supreme Court had asked for more specificity. He said that he and the Attorney General's Office had drafted a document for submission to the Circuit Court to review, compliant with the ruling of the Supreme Court, and were awaiting the Circuit Court's response.

Also, he informed the Commissioners of the Legislative Audit's plan to send draw auditors who are not Certified Public Accountants to witness the daily draws at the Lottery, but that the fee would continue to be \$80 an hour, as it was when they sent CPAs. He said that he believed Commissioner Campbell had some concerns, including

whether the DLA was required to be the entity to witness the draw. He said there were no rules requiring a CPA to witness the draws. The computers are certified as accurate by a Quality Assurance firm. A CPA must be present for any manual draw, but thus far the Lottery has had no manual draws. Commissioner Engstrom said that finding external qualified non-CPAs who are graduate accountants to witness the draws, in his experience, would cost more than \$80 per hour. Commissioner Campbell said he was concerned that the Legislative Audit is not bonded. Commissioner Engstrom asked if the non-CPAs from Legislative Audit were graduate accountants. Mr. Woosley answered that they were. Commissioner Lamberth asked the staff to further research this matter, including what percentage of the net profits on the Cash 3 and Cash 4 games were going for these accountants.

Commissioner Engstrom said it was his understanding that there is an ongoing trial on the matter of the Beebe \$1 Million instant ticket lawsuit. Mr. Woosley reported that there was a hearing two weeks ago in Searcy Circuit Court. The second witness claimed that she was the original purchaser of the ticket and that she threw it away. The trial court stopped the proceedings during her testimony shortly after she said that she scanned the ticket and that the scanner said it was not a winner. The judge commented that not everyone who could be a party to the lawsuit was represented and that he would delay the trial. Since Lance Huey, the Lottery Security Director who was subpoenaed to testify, had not yet been called, the Lottery management felt that the information presented was not accurate. He said he wanted to reassure the Commissioners that the Lottery equipment, including the scanners, worked perfectly, that the scanner at the selling retailer showed the ticket to be a winning ticket, and that the ticket was scanned several times at several Beebe-area retailers including the selling retailer, by the second person, who was said to have found the ticket in the trash, and that the ticket scanned as a winner each time. Also, the ticket scanned as a winner in the Claim Center when it was brought to Lottery Headquarters. Following the ticket being claimed, the ticket was scanned again, and it again showed to be a winner. He wanted the Commissioners to understand this issue, since there had been press reports about the scanning testimony, including the Lottery's response.

Under Other Business, Commissioner Lamberth asked Commissioners Shipp, Malone and Faris to serve as a subcommittee to research and explore development of a line of succession for Lottery Commissioner officers.

Commissioner Lamberth opened the process of establishing guidelines and setting groundwork for the Director search. First, she asked Julie Baldrige to introduce Gwen Armbrust, HR Generalist, who handled the receipt and disbursement of all applications (and updates of applications) to Commissioners. Interim Director Baldrige praised Ms. Armbrust's excellent work and organization of the massive materials comprising the 96 applications, providing them details of Ms. Armbrust's work with the Lottery and educational achievements. The Commissioners thanked Ms. Armbrust for the weeks of work in getting these materials properly organized and sent out to them every two or three days, and gave her an ovation. Ms. Baldrige also thanked Patricia Vick for her hard and excellent work for the Commission during this process and for the last 2 years and seven months and was joined by the Commissioners in expressing their

appreciation. Ms. Armbrust informed the Commission about the books of applications and addenda, noting that there were 96 applicants and that the documents were arranged in both alphabetical and chronological order.

Commissioner Lamberth went over the preferred qualifications to be considered in selecting the Director, as listed in the job description. She then called on Mr. Fetzer about candidate travel. Mr. Fetzer said that provisions developed in the new Arkansas Lottery Commission Travel and Expense Reimbursement Policy can be utilized to classify those brought in from out-of-state to interview for the Director position as "Official Guests" of the agency, whose travel if authorized by the Director is paid or reimbursable so long as the proper documentation is provided. He explained that all expenditures are covered by a maximum, referred to as a per diem, but they must be based on actual expenses.

Commissioner Lamberth brought up scheduling of the interviews and said that Julie Baldrige was prepared to handle the scheduling. She and Commissioner Malone spoke about the importance of the decision and urged all Commissioners be present. Commissioner Faris suggested the Commission consider a Saturday. It was decided to interview on Saturday, February 11, with February 12 and 20 as backup dates, with Julie Baldrige making the arrangements. Each interview is to be allotted an hour and 15 minutes. Commissioners said they would be willing to work all day and also through the day Sunday, up until 6 p.m. They said they would like to deliberate immediately following the last interview. Commissioner Pickard asked about checking references and otherwise vetting the applicants, and it was decided individual Commissioners would undertake that process. Julie Baldrige was asked to take each candidate on a tour of the Lottery Headquarters following each interview. The interview procedure was discussed, with the request that the furniture be rearranged for circular seating to allow all Commissioners and the candidate to easily see and hear each other.

Commissioner Lamberth said she had asked the Mitchell Williams law firm to address the group at the beginning of the first interview day on the rules for an executive session. The Commissioners discussed establishing a salary for the position. By motion of Commissioner Faris, seconded by Commissioner Campbell, the Commission approved a salary maximum of \$175,000, pursuant to the review of the Legislative Oversight Commission. Commissioner Pickard moved to enter Executive Session to discuss personnel, with a second by Commissioner Shipp, was approved without dissent.

Upon emerging from the Executive Session, Commissioner Lamberth thanked all applicants and announced that the Commission had narrowed the list as follows for interviews: Charles McIntyre, Richard Knight, Bob Nash, Joan Schoubert, Bill Stovall, Edwin Van Petten, and Bishop Woosley. The list was presented to Interim Director Baldrige, who was instructed to schedule interviews with the candidates and then notify the Commissioners. There being no further business, the meeting was adjourned.

MINUTES  
ARKANSAS LOTTERY COMMISSION  
Saturday, February 11, 2012  
8:00 a.m.  
ALC Conference Room  
Third Floor  
124 West Capitol Avenue  
Little Rock, Arkansas

The Commission convened at 8 a.m. The members heard a presentation by the Mitchell Williams firm regarding the rules applying to Executive Sessions. The Commission then called an Executive Session, the sole purpose of which was to interview applicants for the ALC Director position and to deliberate on filling it. In attendance were Commissioners Dianne Lamberth, Mike Malone, Ben Pickard, George Hammons, Patty Shipp, Smokey Campbell, Raymond Frazier, Steve Faris and Bruce Engstrom. ALC employees present were Julie Baldrige, Lance Huey and Patti Vick.

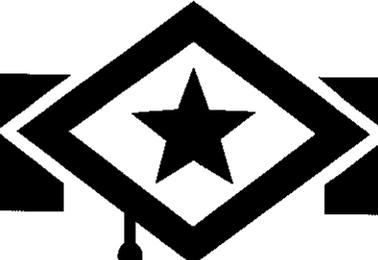
The following applicants were interviewed: Richard Knight; Charles McIntyre; Bob Nash; Joan Schoubert; Bill Stovall; Edwin Van Petten; and Bishop Woosley.

At approximately 8:00 p.m. the meeting was reopened to the public. Commission Chair Lamberth turned the meeting over to Commissioner Faris, who stated that the Commission commended Ms. Baldrige for her skillful management of the Lottery during her time as Interim Director, and that the Commission, with its current direct supervisory capacity over her, had voted to raise her salary to \$130,000 per year.

The Commission voted on offering the Directorship to Bishop Woosley. The vote was six to two, with Commissioners Hammons and Frazier voting no and Commissioner Engstrom abstaining. After some discussion, Commissioner Faris recommended that Mr. Woosley's salary be set at \$165,000 per year, upon approval of the ALC Legislative Oversight Committee, prior to which he would be paid the statutory maximum of \$141,600. Commissioner Pickard seconded the motion, and the motion carried.

There being no further business, the meeting was adjourned.

# **Arkansas**



**Scholarship Lottery**

**Report from the Director**  
**March 19, 2012**

# Comparative Income Statements

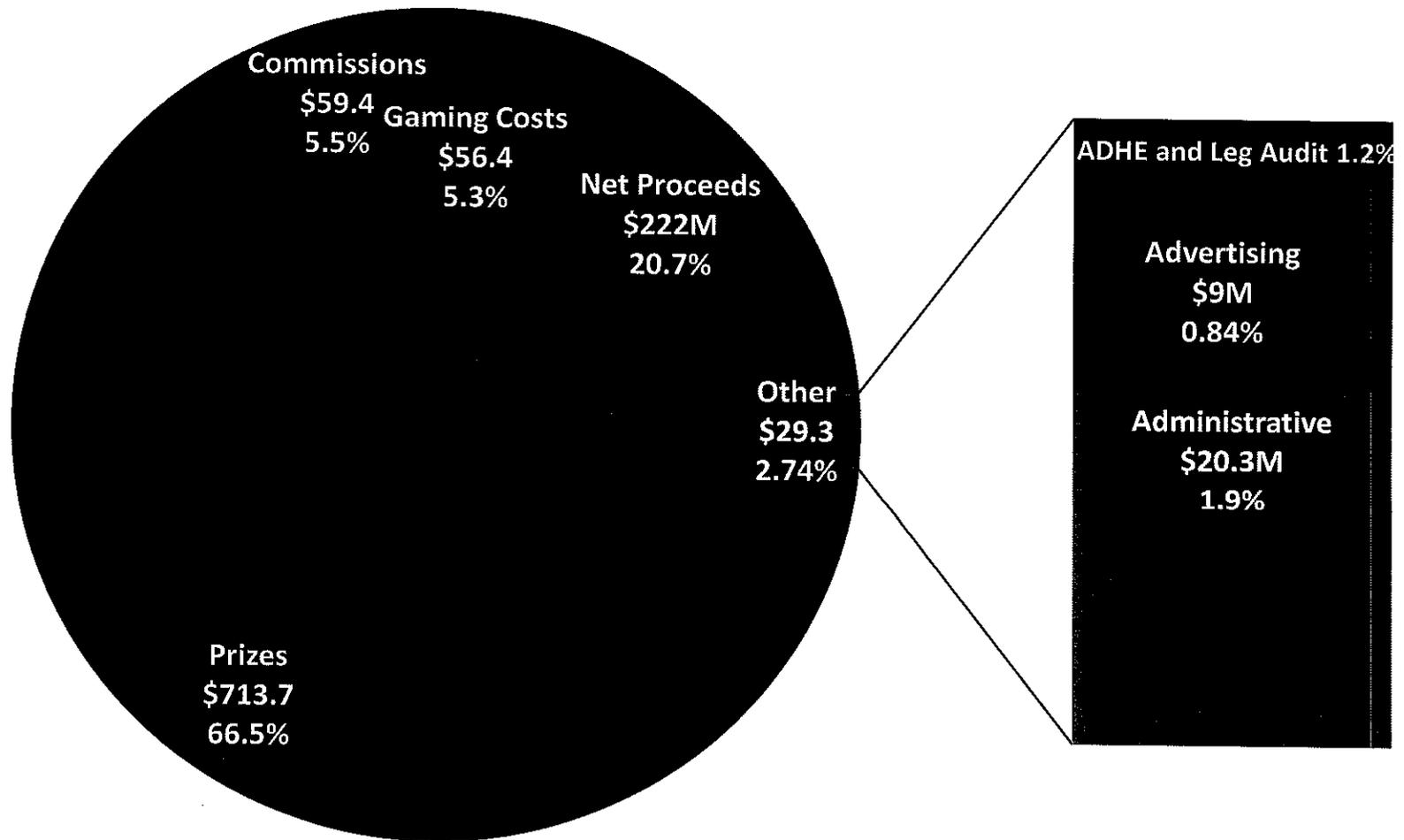
## February 2012 and 2011

<u>Statement</u>	<u>February 2012</u>	<u>February 2011</u>	<u>Variance</u>	<u>% Variance</u>
<b>REVENUES</b>				
Instant Tickets	\$ 40,567,832	\$ 35,356,641	\$ 5,211,191	14.7%
Online Tickets	8,553,300	5,995,649	2,557,651	42.7%
Retailer app. Fidelity	39,263	76,896	(37,633)	(48.9%)
Interest Income	<u>18,050</u>	<u>28,896</u>	<u>(10,846)</u>	<u>(37.5%)</u>
<b>TOTAL Revenues</b>	<u>\$ 49,178,445</u>	<u>\$ 41,458,082</u>	<u>\$ 7,720,363</u>	<u>18.6%</u>
<b>TRANSFERS to ADHE</b>	(9,729,594)	(8,232,576)	\$ 1,497,018	18.2%

# Percentage Comparative Income Statements

<b>GAAP Basis Income Statement</b>	<b>February 2012 Actual</b>	<b>February 2012 Budget</b>	<b>February 2011 Actual</b>
<b>REVENUES</b>			
Instant tickets	82.5%	83.9%	85.2%
Online tickets	17.4%	16.0%	14.5%
Retailer application, fidelity & service	0.1%	0.1%	0.2%
Interest Income	<u>0.0%</u>	<u>0.0%</u>	<u>0.1%</u>
<b>TOTAL Revenues</b>	<b><u>100.0%</u></b>	<b><u>100.0%</u></b>	<b><u>100.0%</u></b>
<b>COSTS, EXPENSES &amp; NET INCOME</b>			
Prizes, net of unclaimed	65.5%	64.8%	66.7%
Retailer Commissions	5.6%	5.6%	5.7%
Gaming Contract Costs	5.0%	5.1%	5.1%
Advertising	0.6%	0.9%	1.1%
General and Administrative	1.1%	1.7%	1.4%
Services Provided By Other Agencies	0.2%	0.4%	0.1%
<b>Net Income</b>	<b><u>22.0%</u></b>	<b><u>21.5%</u></b>	<b><u>19.9%</u></b>
<b>Total Costs, Expenses &amp; Net</b>	<b><u>100.0%</u></b>	<b><u>100.0%</u></b>	<b><u>100.0%</u></b>

**Arkansas Lottery Dollar**  
**9/28/2009 thru 2011 -- \$1.074 Billion**  
**(Unaudited)**  
**Scholarships \$222M**



**(Totals Expressed In Millions)**



**The Government Finance Officers Association  
of the United States and Canada**

*presents this*

## **AWARD OF FINANCIAL REPORTING ACHIEVEMENT**

*to*

**Finance Department  
Arkansas Lottery Commission**



*The Award of Financial Reporting Achievement is presented by the Government Finance Officers Association to the individual(s) designated as instrumental in their government unit achieving a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is presented to those government units whose annual financial reports are judged to adhere to program standards and represent the highest award in government financial reporting.*

Executive Director

Date: March 7, 2012

# Social Media

## FACEBOOK

## TWITTER

facebook Search Arkansas Scholarship Lottery Home

Coming Soon: New Facebook Pages  
On March 30, 2012, all Facebook Pages will get a new design. Preview your page new to see what it looks like and try out the new features. [Preview](#) [Learn More](#)

**Arkansas Scholarship Lottery**  
Government Organization · Little Rock, Arkansas · [Edit Info](#)

Admins (5) | [See All](#)

Winners: **WINNER!** \$20,000 **WINNER!** \$20,000 **WINNER!** \$20,000 **WINNER!** \$10,000

Wall

Share: [Status](#) [Photo](#) [Link](#) [Video](#) [Question](#)

What's on your mind?

Arkansas Scholarship Lottery  
Paula just won \$10,000 playing a \$10 Money Maker ticket! Congratulations!

**We have a WINNER!**  
\$10,000

Winners

[Like](#) · [Comment](#) · [Share](#) · 53 minutes ago via HoodSuite

Carlene Smothers · [Blogs](#) and 2 others like this.

La Tanya Johnson congrats  
52 minutes ago · [Like](#)

Write a comment...

Arkansas Scholarship Lottery  
Do you play Cash 47's a four-digit draw game and you can win up to \$5,000. Afternoon drawings are Monday through Saturday at 12:59 p.m., evening drawings are 8:59 p.m., daily. (p.s. Cash 4 is also now eligible for Points for Prizes!) <http://ew.ly/9mY18>

731 like this

95 talking about this

11 were here

Get Updates via RSS  
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**ARScholarshipLottery**  
View my profile page

28 TWEETS · 0 FOLLOWING · 73 FOLLOWERS

Compose new Tweet...

Worldwide trends · Change

- #FreeDoodleDay Promoted
- R.I.P. Davy Jones
- #BedFirstDateQuestions
- España 0-0 Venezuela
- England 0-0 Holland
- #ThingsGirlsLoveAboutBoys
- Lovato Owns March
- #classicblackmovie
- Vamos Vinotinto
- Ayden Doğan

Twitter  
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Tweets

**ARScholarshipLottery** @MyARLottery 52m  
Paula just won \$10,000 playing a \$10 Money Maker ticket! Congratulations! [ow.ly/Vu5tY](#)

**ARScholarshipLottery** @MyARLottery 1h  
Do you play Cash 47? It's a four-digit draw game and you can win up to \$5,000. Afternoon drawings are Monday through Saturday at 12:59...

**ARScholarshipLottery** @MyARLottery 3h  
Congrats to Kristy of Beach Grove, who won \$20,000 playing a \$2 Cash Money ticket! [ow.ly/Vu5tY](#)

**ARScholarshipLottery** @MyARLottery 20h  
Sherrie of Benton won \$10,000 playing a \$10 Money Maker ticket! Congrats! [ow.ly/VZJUT](#)

**ARScholarshipLottery** @MyARLottery 20h  
Sue just won \$20,000 playing a Super Jumbo Bucks ticket! Congratulations! [ow.ly/VZJTY](#)

**ARScholarshipLottery** @MyARLottery 21h  
We have another winner! Brenda won \$20,000 playing a \$2 Wild 10's ticket. [ow.ly/VZT5](#)

**ARScholarshipLottery** @MyARLottery 21h  
Johnny just won \$10,000 playing a Powerball ticket! Congratulations! [ow.ly/VZSU](#)

**ARScholarshipLottery** @MyARLottery 28 Feb  
The Club is free and exclusively for ASL players. [ow.ly/918kK](#)

**ARScholarshipLottery** @MyARLottery 27 Feb  
The Mega Millions jackpot for Tuesday's drawing is \$84 million. Don't forget to add the Megaplier for the chance to multiply your...

**ARScholarshipLottery** @MyARLottery 27 Feb  
Hooray! Bradley of Bentonville just won \$75,000 playing a \$5 High Roller ticket!

**ARScholarshipLottery** @MyARLottery 27 Feb  
We have another winner! Dusty won \$1,000 playing a \$5 High Roller ticket. [ow.ly/VISL3](#)

**ARScholarshipLottery** @MyARLottery 27 Feb  
Brenda just won \$1,000 playing a \$20 Arkansas Millionaires ticket. [ow.ly/VISL7](#)

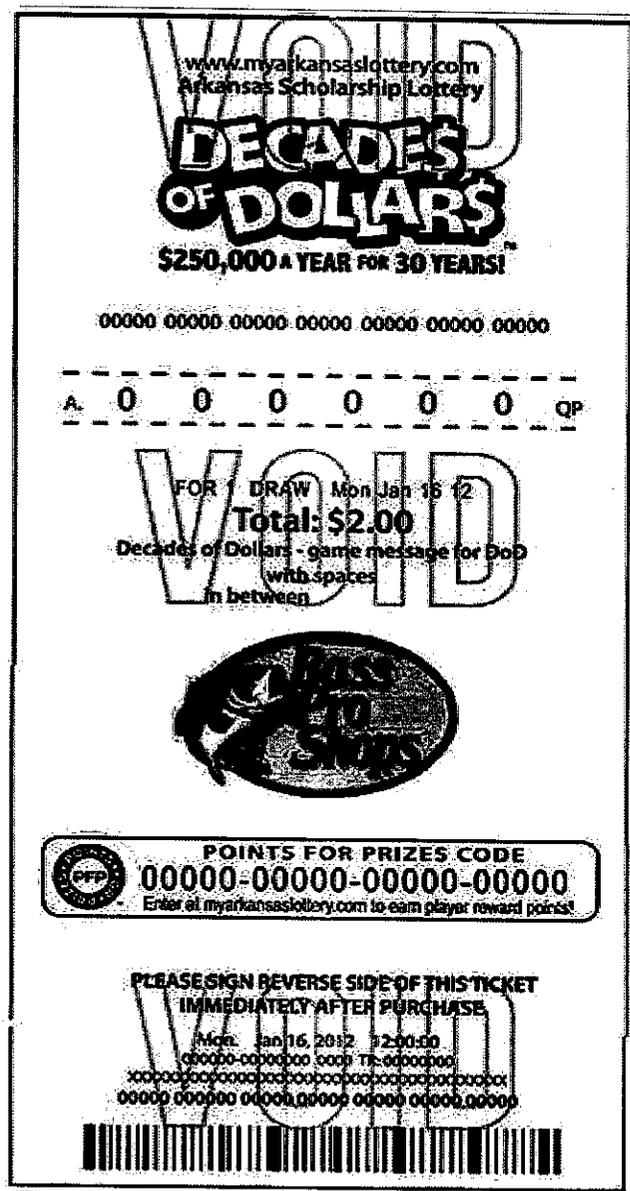


## **APRIL 2012 PROMOTION**

- **Decades of Dollars®: Game of the Month**
- **Double Points for Prizes during April**
- **All Decades of Dollars® tickets purchased in April and entered into Points for Prizes by May 10 will qualify for chance to win an Outdoor Adventure Trip for 4 people for 4 days at the Big Cedar Lodge® in the Ozark Mountains, near Branson, MO.**
- **Decades of Dollars® tickets entered into Points for Prizes by end of day April 15, 2012, will also have a chance to win a \$200 Bass Pro Shops® gift card.**



- All Decades of Dollars tickets purchased in the month of April 2012 will print the Bass Pro Shops® logo on it.
- Players need to enter the points for prizes code on the ticket into the Points for Prizes program.



# Bin Inserts

Provided to Retailers Week of March 12

**\$5** Ask your retailer for jackpot info.

# ARKANSAS 50/50

Arkansas 50/50 sales end on the last day of each month  
 Drawings are held the first Tuesday of each month

Call 1-800-221-7777 for more information.

**50¢** **Cash 3** **\$1**

**50¢** **Cash 4** **\$1**

Drawings:  
 Monday-Saturdays at 12:59 p.m.  
 Monday-Sundays at 6:59 p.m.

Call 1-800-221-7777 for more information.

**\$1**

# BINGO

**\$1**

# FIND the 9s

Call 1-800-221-7777 for more information.

**\$2** Ask for a Quick Pick.

# DECADES OF DOLLARS

\$250,000 A YEAR FOR 30 YEARS

Drawings are Mondays & Thursdays at 10:00 p.m.

Call 1-800-221-7777 for more information.

**\$2** Ask for a Quick Pick.

# ARKANSAS MEGA MILLIONS

Current Est. Annuitized Jackpot

Drawings are Tuesdays & Fridays at 10:00 p.m.

Call 1-800-221-7777 for more information.

**\$1** Ask for a Quick Pick.

# ARKANSAS MEGA MILLIONS

Current Est. Annuitized Jackpot

Drawings are Tuesdays & Fridays at 10:00 p.m.

Call 1-800-221-7777 for more information.

**\$3** Ask for a Quick Pick.

# ARKANSAS POWERBALL

Current Est. Annuitized Jackpot

Drawings are Wednesdays & Saturdays at 9:59 p.m.

Call 1-800-221-7777 for more information.

**\$2** Ask for a Quick Pick.

# ARKANSAS POWERBALL

Current Est. Annuitized Jackpot

Drawings are Wednesdays & Saturdays at 9:59 p.m.

Call 1-800-221-7777 for more information.

# Arkansas 5-Digit Game

- Arkansas Exclusive
- 5 of 39 Matrix
- \$1 per play
- Draws are Monday through Saturday (8:00 p.m.)
- Jackpot starts at \$25,000 and rolls by \$5,000
- Match 5 – Jackpot
- Match 4 - \$300
- Match 3 - \$7
- Match 2 - \$2
- Based on early sales estimates and odds, the average jackpot could be approximately \$158,000



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>

March 12, 2012

Mr. Thomas Little  
President & CEO  
Intralot  
11360 Technology Circle  
Duluth, GA 30097

Dear Mr. Little:

I write to confirm our previous conversation and ultimate resolution of the issue related to the irregularities in sales of the Powerball game in January of 2012.

As a result of Intralot's failure to conduct a manual drawdown after your testing of the new Powerball game, tickets were sold beyond the allowed number of draws. Specifically, this resulted in the sale of eleven (11) Powerball tickets which contained a total of eighteen (18) invalid plays in Arkansas. Fortunately, the Arkansas Lottery Commission (ALC) was able to take mitigating steps that negated any potential detrimental impact to the ALC and the affected customers. We appreciate your assistance in that regard.

As a result of the error, I have determined that the liquidated damages should be assessed against Intralot. Pursuant to Section 1.8 and section 5.7 of the Intralot proposal, I am asking that Intralot remit five thousand and sixty one dollars (\$5,061.00) as liquidated damages for this event. This total represents five thousand dollars (\$5,000.00) for untimely software additions, and sixty one dollars (\$61.00), which represents the value of the non-conforming tickets. Notwithstanding anything to the contrary in this letter, the ALC continues to expect that Intralot will adhere to all requirements in the contract between the parties and reserves any and all contract rights and remedies therein.

Also, you have agreed to pay the out-of-pocket expenses of the ALC related to staff efforts to mitigate the situation. The total out of pocket expenses is four hundred and seventy five dollars and six cents (\$475.06). This represents four hundred and fifty three dollars and six cents (\$453.06) for staff mileage costs incurred and twenty two dollars (\$22.00) for meals incurred during the staff's travel. The total amount to be tendered to the ALC from Intralot is five thousand five hundred and thirty six dollars and six cents (\$5,536.06).

Additionally, it is my understanding, per ALC request, that Intralot has undertaken efforts to automate the drawdown in order to avoid a similar event in the future. Those efforts are greatly appreciated, and I hereby request that Intralot remain diligent in that regard.

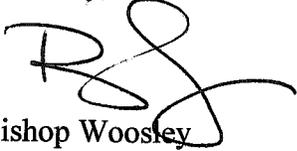
Mr. Thomas Little

Page 2

March 12, 2012

Thank you for your attention to this matter, and please feel free to contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to be 'Bishop Woosley', written over the printed name.

Bishop Woosley  
Director

cc: Ms. Dianne Lamberth, Chair  
Arkansas Lottery Commission

1. Player Advertising Display ("PAD") - described and depicted in Section 3.1.10 of Intralot Proposal, pages 3 - 5

Some basic information on the PADs:

- located at the retailer site and obtain content from retailer terminals, which is supplied by the central site
- content may also be loaded at retailer site through use of a memory stick
- content may be tailored to an individual retailer, groups of retailers or the entire retailer network
- it is able to display static data, animated graphics and full motion video with sound
- the PAD can be used for many things, including display of customer transactions, winning numbers, jackpot information, promotions, AMBER alerts, advertisements and instant ticket point of sale information
- retailers will also be able to promote products and specials within their own store
- the lottery will be able to display its own promotions and advertising as well

2. Section 3.1.10 of Pricing proposal, which corresponds to the Proposal

- 15" are \$180 each
- 17" are \$200 each

The Player Advertising Display (PAD) has many uses, including the display of customer transactions, winning numbers, Jackpot information, promotions, AMBER Alerts, Lottery advertisements, instant ticket point of sale information, and monitor style games.

It also provides retailers with an excellent way of promoting products and specials within their stores through the ability to present retailer-specific, full-color screen ads to help the retailers drive additional sales, as well as to advertise current Lottery programs, games, services, and promotions. In addition to the advertising and promotions placed on these displays by each retailer, the Lottery will be able to run their own promotions and advertising on the monitors. This state-of-the-art, electronic POS equipment allows the Lottery and its retailers to quickly and easily develop and display bright, eye-catching timely advertising and promotional material.

The display type is an Active TFT Color LCD Screen with high image resolution capability. It provides the capability to accommodate graphics, text, or multimedia content. The display is an industrial type and is characterized by high luminosity and wide angle of view. The display is covered with a special overlay, in order to minimize the reflections that are created in locations with extreme lighting. It provides environmental protection to spills and other adverse conditions found in retail shops, bars, hotel lobbies, and restaurants.

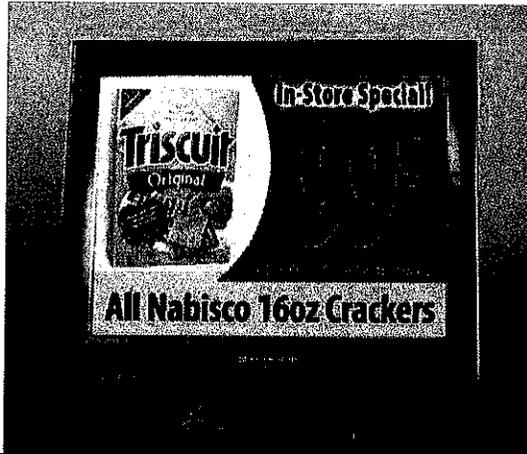
The display's angle can be set from 0 degrees up to 25 degrees from the vertical. The display's maximum viewing angle is 120 degrees horizontal and vertical. It is self-contained and has a stand that facilitates its accommodation on any horizontal surface. The display monitor is available as a pole-mounted device, providing the retailer with additional counter space and providing the customer with greater visibility. The height of the pole is adjustable, giving the retailer additional flexibility in positioning the monitor. The monitor may also be wall-mounted or placed on a tabletop.

The PADs are high-resolution, flat screen display monitors and are capable of presenting large, bright, crisp images from a very small footprint. Two versions will be available: a TALL version, which can rise above counter-top clutter on a tip-proof, telescoping pole stand, as well as a SHORT version on a rugged mini-pedestal. Both versions have tilt and rotation capabilities to provide for the broadest viewing wide viewing angles. Whether the players are waiting in line or anywhere in the store within view of the PAD™, they will be able to see continuous Lottery- and retailer-specific ads, even during the transactions of other players. The extra bright Thin Film Transistor (TFT) display has multiple uses that can include showing game information and results, messaging, advertising, and promotions. It supports more than 16.7 million colors that translate to an exceptionally high resolution to images.



INTRALOT will provide advertising downloads to be displayed on the Lottery monitors. Downloading of content to retailer terminals will occur at low-volume periods and will not affect the performance of the system during peak activity periods, such as during Powerball jackpot mania and high traffic, busy sales times during the day.

## CUSTOM RETAILER SPECIFIC ADS



## CUSTOM LOTTERY ADS



### 3.1.10 Electronic Displays

24 Inch Scrolling Jackpot Display	Cost to upgrade from 12" Scrolling Jackpot Display	\$150 each
Flat Panel LCD Monitor 15"	Cost to upgrade from 12" Scrolling Jackpot Display	\$180 each
Flat Panel LCD Monitor 17"	Cost to upgrade from 12" Scrolling Jackpot Display	\$200 each

### 3.1.11 Neon Or Equivalent Signs

Sign #31770311, White LED Hybrid Illumination – single jackpot 16 inches wide, single jackpot	Cost to upgrade from 12" wide single game Jackpot wirelessly updated sign	\$25 each
Sign #3177011, Hybrid Illumination, Jack pot Digits, 20 inches wide, single jackpot	Cost to upgrade from 12" wide single game Jackpot wirelessly updated sign	\$175 each
Sign #3140061, White LED backlit illumination, three games, with programmable scroller	Cost to upgrade from 12" wide single game Jackpot wirelessly updated sign	\$746 each
Sign #3140051A, White LED backlit illumination, three games with interchangeable graphics	Cost to upgrade from 12" wide single game Jackpot wirelessly updated sign	\$503 each
Sign #3140051B, White LED backlit illumination, one game, with programmable scroller	Cost to upgrade from 12" wide single game Jackpot wirelessly updated sign	\$486 each

### 3.4 Other Requirements

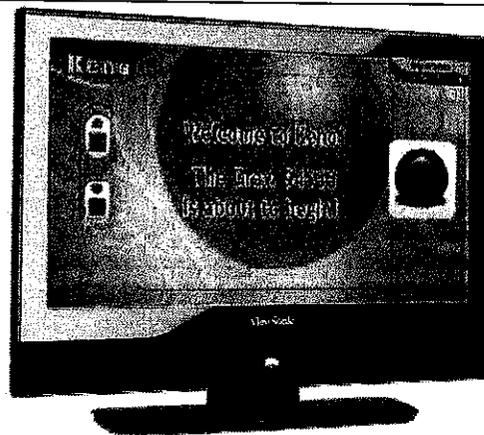
CORONIS High End Enhanced Retailer Terminal	Cost to upgrade from microlot+ terminal offered as the base terminal	\$1500 each
PHOTON Retailer Terminal	Cost to upgrade from microlot+ terminal offered as the base terminal	NO CHARGE, INCLUDED IN BASE PRICE
37" Monitor for Monitor Games	Cost to upgrade one of the 400 monitors included in the base price	\$700 each
37" Monitor for Monitor Games	Cost to purchase one monitor	\$1100 each
Wall mounting bracket for 37" monitor	Cost to purchase	\$125 each
Ceiling mounting bracket for 37" monitor	Cost to purchase	\$225 each
CORONIS MP, self service vending machine for online lottery products	Cost to purchase	\$11,500 each
Stylot Multi lane solution by component: (one microlot for up to 10 lanes, 10 pens, and 10 thermal printers)	Cost to purchase each component	
microlot+		\$1,500 each
stylot pen		\$290 each pen
thermal printer		\$400 each printer

copy

## **400 Monitors (Base Offering)**

INTRALOT will supply up to four hundred (400) monitors for the purpose of running monitor games. Pricing for additional monitors greater than 400 is provided in the pricing section.

We are proposing the following 26-inch LCD monitor from ViewSonic, known in the industry for quality and durability. We will supply all required connectivity as well as all mounting and connection hardware.



**Model N2635W - 26-inch LCD receiver**

LCD Type: 26" color TFT active matrix, wide LCD

Display Area: 22.7" horizontal x 12.7" vertical; 26" diagonal

Native Resolution: 1360x768

Viewing Angles: 160° horizontal; 150° vertical

Brightness: 500 cd/m2 (typ)

Aspect Ratio: 16:9

TV TV/cable: composite (RCA), component YPbPr/YCbCr, S-video

Audio Out: Speakers 2x10-watt Dolby® Digital sound

Compatibility: PC 1360x768 (preferred), 1024x768, 1280x768

Mac®\* Power Mac™ G3/G4/G5 up to 1280x1024

Dimensions: Physical with stand 25.9"x 22"x 8.2" (660mm x 559mm x 210mm)

Weight: Net with stand 30.4 lb. (13.8 kg)



## Bishop Woosley

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**From:** Bauer, Phil [Phil.Bauer@scientificgames.com]  
**Sent:** Friday, March 16, 2012 3:48 PM  
**To:** Bishop Woosley  
**Subject:** Scientific Games

CONFIDENTIAL

Bishop,

Thank you for the opportunity to meet with you, Mike, Patty and Commissioner Pickard and to answer the Arkansas Scholarship Lottery's questions. We appreciate the frank discussion regarding the circumstances concerning the former Lottery administration's failure to obtain the LOC's review of the Recital of Selected Options, among other things. Although this situation was noted and reviewed a number of times in both internal and Legislative audits and cleared, we wish to finally resolve any ambiguities. As we discussed, we relied on the former administration's authority to negotiate and enter into the amendment and we've both been operating under its terms ever since. However, we wish to work with you and your staff to remedy the situation and put this issue behind us for good. We as a company take legal compliance very seriously and want to ensure that our business with the State of Arkansas complies with the rules in force. To that end, in order to avoid an unnecessary and unproductive dispute, SGI, as a gesture of good will and accommodation to the Lottery, and not in the performance of any obligation or as an admission of any kind of liability, offers the following proposal to assist the Lottery in this matter.

In consideration of and as a condition precedent for the following, the Lottery shall agree to and obtain all necessary reviews, if any, and approvals for an amendment to our CSP contract recording the pricing in the August 25, 2009 Recital of Selected Options (the "Recital") for the remainder of the contract term.

1. As an incentive to the Lottery for maintaining the terms of the Recital, SGI will grant a credit of \$2 million, to be amortized over the remaining term of the contract paid in cash. This will address any issue related to the printing of the first four (4) games from the date of contract;
2. Amendment of the exclusivity clause for which we will suggest language;
3. Additionally, a credit of approximately \$200,000 applicable to the purchase of additional merchandise usable as in-game prizes; or for merchandise used in the Points for Prizes store and
4. Amendment to the contract authorizing the Lottery, in its discretion, to purchase additional merchandise as second chance prizes in conjunction with licensed games (ie; out of game merchandise).
5. Our rate for Linked Games will be discounted by the rate paid to SGI by the Lottery for Properties Plus.

If this is acceptable let me know and we will prepare a draft contract amendment or other writing to record the understanding.

Philip J. Bauer  
Vice-President, Corporate Counsel  
Phone: 770-663-6783  
Cell Phone: 404-242-7232  
Fax: 678-297-5118

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