



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

OFFICE OF THE ARKANSAS LOTTERY

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November 16, 2015

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

RE: Notice of Execution of Third Amendment to Agreement for Contractual Services
for Instant Ticket Lottery Game Services

Gentlemen:

In accordance with the letter of December 14, 2010, from the Co-Chairs of the Arkansas Lottery Commission Legislative Oversight Committee, please consider this letter and the attachment as notice of the execution on November 14, 2015 of the Third Amendment to the Agreement for Contractual Services for Instant Ticket Lottery Game Services between Scientific Games International ("SGI") and the Office of the Arkansas Lottery ("OAL"). The following information is provided:

1. Date of Agreement: November 14, 2015.
2. Term of Agreement: OAL exercised the remaining extensions under the Agreement such that the Term of the Agreement now expires on August 18, 2019. In addition, OAL and SGI have agreed to amend Section 2 of the Agreement to provide that the Term shall expire seven (7) years following the completion of the current Term, as extended herein, with said expiration date on August 18, 2026.
3. Vendor or other parties to the Agreement: Scientific Games International.
4. Value (cost or cost savings projected for the agreement): Effective on November 14, 2015, the aggregate percentage of sales SGI is paid for Instant Ticket Lottery Game Services is reduced from 1.81% to 1.30% of Net Sales. Also, effective as of November 14, 2015, SGI will receive a one-time bonus payment should the instant ticket sales exceed \$360,000,000 in a contract year of the agreement. SGI will receive a one-time bonus payment in an amount equivalent to 4.5% of all such incremental sales exceeding \$360,000,000. SGI will provide, at no additional cost to OAL, an annual SOC-2 Type 2 audit of the Player's Club during the extension term. SGI will also provide OAL with an Arkansas-specific Player Segmentation Study at no additional cost to the Lottery.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to be 'Bishop Woosley', with a long horizontal flourish extending to the right.

Bishop Woosley
Director

Enclosure

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

**THIRD AMENDMENT TO THE
AGREEMENT FOR CONTRACTUAL SERVICES FOR INSTANT TICKET
LOTTERY GAME SERVICES**

THIS **THIRD AMENDMENT ("Third Amendment") TO THE AGREEMENT** dated effective as of August 18, 2009, as amended (~~the "Agreement"~~), is entered into on this 4th day of November, 2015, by and between the Department of Finance and Administration Office of the Arkansas Lottery ("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 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, the Lottery and SGI entered into an *Agreement for Contractual Services for Instant Ticket Lottery Game Services* ("~~Agreement~~") for SGI to provide a comprehensive solution to instant ticket operations, including the manufacture of instant tickets, warehousing, ordering and distribution of instant tickets and marketing support services on August 18, 2009; and

WHEREAS, the term of the Agreement was for seven (7) years from the date of award, with an option for renewal up to three (3) additional times in one (1) year increments or a portion thereof ("~~Term~~").

WHEREAS, the Lottery and SGI entered into a *First Amendment to the Agreement for Contractual Services for Instant Ticket Lottery Game Services* on August 18, 2012 ("~~First Amendment~~"); and

WHEREAS, the Lottery and SGI entered into a *Second Amendment to the Agreement for Contractual Services for Instant Ticket Lottery Game Services* on **December 9, 2014** ("~~Second Amendment~~"); and

WHEREAS, the parties now desire to amend the Agreement;

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, hereby amend the Agreement as follows:

A. Amendment to the Agreement

1. The Lottery hereby exercises the remaining extensions under the Agreement such that the Term of the Agreement now expires on August 18, 2019.
2. The parties agree to amend Section 2 of the Agreement to provide that the Term shall expire seven (7) years following the completion of the current Term, as extended herein, with said expiration date on August 18, 2026.
3. SGI agrees to reduce the aggregate percentage of sales from 1.81% to 1.30% of Net Sales (as this term is defined in the RFP). ~~The parties agree that the Properties Plus™ program and the use of Failsafe®~~

by the Lottery shall continue throughout the extended term, except to the extent reasonably agreed upon by the parties in writing.

4. The parties agree that should the total Net Sales of Lottery instant ticket sales exceed \$360,000,000 in a contract year of the Agreement, SGI shall receive a one-time bonus payment in an amount equivalent to 4.5% of all such incremental sales exceeding \$360,000,000. During the contract year running from August 18, 2015 through August 17, 2016, such bonus payment, if any, shall be calculated based on the total Net Sales of instant ticket sales for such contract year, then multiplied by the percentage of the contract year comprised of the period running from the effective date of this Third Amendment through August 17, 2016.
5. The new rate shall be effective for all sales of Lottery tickets as of the Effective Date (as defined below) of this Third Amendment.
6. SGI agrees to continue to provide, at no additional cost to the Lottery, an annual SOC 2 Type 2 audit of the Player's Club pursuant to all applicable AICPA Trust Service principles during the extension term.
7. SGI agrees to provide the Lottery with an Arkansas-specific Player Segmentation Study in accordance with the schedule and scope to be agreed upon by the parties at no additional cost to the Lottery.
8. Except as amended by this Third Amendment, all other terms and conditions of the Agreement, including but not limited to the Recital, shall remain in effect as set forth therein.

IN WITNESS WHEREOF, the parties have executed this Third Amendment on the 14TH day of November, 2015 (the "Effective Date").

DEPARTMENT OF FINANCE & ADMINISTRATION
OFFICE OF THE ARKANSAS LOTTERY


Name: _____

Title: Director

SCIENTIFIC GAMES INTERNATIONAL, INC.


Name: _____ (Schulz)

Title: SVP, INSTANT PRODUCTS