



June 29, 2010

Patrick F. Thompson
Graves, Dougherty, Hearon & Moody
401 Congress Ave, Suite 2200
Austin, Texas 78701

Re: Texas Lottery Commission – INTRALOT's Cost Proposal and Schedule of Startup Costs
in response to the Texas Lottery Request for Proposal No. 362-10-001 dated January 4, 2010.

Dear Mr. Thompson,

INTRALOT is pleased to present our Pricing Proposal and Schedule of Startup Costs for the Texas Lottery Commission in response to the RFP No. 362-10-001. Our proposal includes products and services that are proven winners in the lottery industry. Our products and services are operationally sound, incorporate the highest levels of security and maximize growth opportunities for the Lottery. Equally important, the products and services that we propose will deliver the highest levels of retailer and player satisfaction for quality, efficiency, and accuracy.

INTRALOT has committed to use the products and services of many Texas companies creating new jobs for Texans and more revenue for the state. Our staffing levels are much higher than those proposed by our competition. No other vendor will create and maintain more jobs in Texas for Texans than INTRALOT. We are dedicated and very committed to this important project and we thank you for the opportunity to submit our proposal.

By my signature, I certify that I am legally authorized to execute contractual obligations on behalf of INTRALOT.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Little". The signature is written in a cursive style and is positioned above the typed name of the signatory.

Thomas F. Little
President and CEO
INTRALOT, Inc.
11360 Technology Circle
Duluth, GA 30097
Direct line: 770-295-2433
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Attachment H COST PROPOSAL

NOTE TO ALL PROSPECTIVE PROPOSERS: THE COST PROPOSAL MUST BE SUBMITTED IN ACCORDANCE WITH THE REQUIREMENTS SET FORTH IN SECTION 2.15 OF THIS RFP OR THE PROPOSAL WILL BE REJECTED.

Options

As part of the basic compensation that has been proposed by the Successful Proposer, all items represented in the Proposal must be provided unless specifically identified as Specified or Invited Options. Any such options must be specifically detailed in the Cost Proposal.

If programs, equipment or services represented in the Proposal are not clearly indicated as optional items, the cost for such programs, equipment, and services shall be deemed to be included in the "Base System and Services" proposal price. Base System and Services includes any and all requirements, goods and services described in this RFP that are not specified as an option.

Offering a required function as an option may be cause for rejection of the Proposal.

Offered Options are not identified in this RFP, but may be identified by the Proposer and included in the Proposal. This is an opportunity for Proposers to offer options that the Texas Lottery may not have been aware of at the time the RFP was written. The Texas Lottery makes no commitment to quantity or timing for acquisition of Offered Options.

Evaluation of the Cost Proposal

For purposes of evaluation and comparison, the percentages submitted by each Proposer will be multiplied by a uniform hypothetical annual sales figure. The same uniform hypothetical annual sales figure will be used in evaluating all proposals.

Base System and Services Pricing

The Successful Proposer's payment will be based on the specified percentage of Sales processed by the Successful Proposer's Lottery Gaming System.

Proposers are required to include the following items as a percentage of Sales. Sales are defined as sold tickets processed by the Lottery Gaming System, less any tickets that have been canceled or returned, less any promotional tickets or promotional coupons and less any retailer adjustments. Carry the percentage to four (4) decimal places (to the ten-thousandth decimal place) for the Base System and Services.



The Successful Proposer will receive no compensation prior to successful conversion. The conversion period is expected to last approximately twelve (12) months. Price quoted will be firm for the initial Contract term and will be mutually agreed for any extension periods.

Price Quoted as a Percentage of Sales:

Base System and Services 2.6490%

Annual Credit

The Texas Lottery relies on marketing advice and expertise from the Successful Proposer in making business decisions about Lottery Products. As the Successful Proposer will be compensated under the Contract based on a percentage of Sales (see definition in the Glossary of Terms), it is important to the Texas Lottery that the interests of the Successful Proposer and the Texas Lottery are generally aligned to ensure the greatest return to the State of Texas, consistent with the Lottery's objectives in section 1.3. The prize payout percentage from the sale of Lottery Products is a significant factor in determining net revenue and must be considered by the Successful Proposer when providing advice and expertise to the Texas Lottery. , the Successful Proposer shall provide credits to the Texas Lottery based on lottery sales and increases in the overall prize payout percentage for Texas Lottery games as follows:

Annual Credit Based on Increase in Overall Prize Payout Percentage. Effective upon successful conversion, and continuing through the remainder of the Contract term (and any renewals thereof), the Successful Proposer shall provide a yearly credit to the Texas Lottery equal to 12% of the Successful Proposer's annual incremental revenue from sales above those revenues from sales over the previous state fiscal year (September 1 through August 31) for every .1% increase (rounded to the nearest tenth) in the overall prize payout percentage for Texas Lottery instant and on-line games, using the prize payout percentage for the previous state fiscal year as the basis. Sales are defined as sold tickets processed by the Lottery Gaming System, less any tickets that have been canceled or returned, less any promotional tickets or promotional coupons and less any retailer adjustments. State Fiscal Year 2011 revenue and prize payout percentage will be the basis for the calculation for the state Fiscal Year beginning September 1, 2011. This credit calculation shall be conducted quarterly (in December, March, June and September) each state fiscal year (with a final adjustment at the end of each fiscal year, if necessary) and the Texas Lottery will withhold the credit, if any, from payments to the Successful Proposer. Such credit will not exceed 50% of the Successful Proposer's incremental annual revenue in any state fiscal year. If the credit calculation final adjustment at state fiscal year end results in a credit payment owed to the Successful Proposer, such credit payment will be added to payments due to the Successful Proposer and paid by the Texas Lottery to the Successful Proposer within 60 days after the state fiscal year end.

Annual Credit Based on Declining or Flat Lottery Sales and Increase in Overall Prize Payout Percentage. Effective upon successful conversion, and continuing through the remainder of the Contract term (and any renewals thereof), the Successful Proposer shall provide a yearly credit to the Texas Lottery equal to 4.5% of the year-to-year decline (comparing current year dollar



returns to the state to returns in the immediately preceding year), calculated on a modified accrual basis, in Texas Lottery monthly transfers to the state under Tex. Gov't Code § 466.355 (or as may be amended), excluding Texas Lottery transfers of any unspent administrative funds—provided, during the applicable period, (i) overall lottery sales are flat or decline and (ii) the overall prize payout percentage for Texas Lottery instant and on-line games increases by at least .1% (rounded to the nearest tenth). This credit calculation shall be conducted quarterly (in December, March, June and September) each state fiscal year (with a final adjustment at the end of each state fiscal year, if necessary) and the Texas Lottery will withhold the credit, if any, from payments to the Successful Proposer. If the credit calculation final adjustment at state fiscal year end results in a credit payment owed to the Successful Proposer, such credit payment will be added to payments due to the Successful Proposer and paid by the Texas Lottery to the Successful Proposer within 60 days after the state fiscal year end. This section will be rendered null and void and no additional credits will be due if Texas law mandates a reduction to the prize payout percentage.

Amendment No. 27

Texas Lottery-Specified Options

Proposers are **required** to submit specifications and pricing for the following Specified Options. The unit cost is a one-time fee that is for the use of the equipment or services for the remainder of the Contract.

- a. ~~In counter Ticket Dispensing Unit (Section 7.12). The Proposer must offer an automated in-counter ticket dispensing unit. The Proposer shall thoroughly describe the design, installation, maintenance and functionality of the unit. If the Texas Lottery exercises this option, the Successful Proposer must install and maintain the units.~~

Price Per Unit: _____

- b. **In-lane Terminals** (Section 7.12). The Proposer must offer an in-lane terminal designed for use in multi-lane stores such as supermarkets. The Proposer shall thoroughly describe the design, installation, maintenance and functionality of the terminal. If the Texas Lottery exercises this option, the Successful Proposer must install and maintain the terminals.

INTRALOT offers the **STYLOT in-lane Solution**:

Price for up to 500 Units:	<u>\$ 500,000</u>
Price for 501 - 1000 Units:	<u>\$ 1,000,000</u>
Price for 1001 - 1500 Units:	<u>\$ 1,500,000</u>
Price for 1501 - 2000 Units:	<u>\$ 2,000,000</u>
Greater than 2001 Units:	<u>\$ number of units @\$1000 each.</u>



INTRALOT offers the **Catalina in-lane Solution**:

Price: \$0.045 per inch of tickets printed

INTRALOT offers the **microLOT+ in-lane Solution**:

Price for up to 500 Units: \$1,100,000

Price for 501 - 1000 Units: \$2,200,000

Price for 1001 - 1500 Units: \$3,300,000

Price for 1501 - 2000 Units: \$4,400,000

Greater than 2001 Units: \$ number of units @ \$2200 each.

Texas Lottery-Invited Options

Proposers are not required to submit specifications and pricing for Invited Options. The unit cost is a one-time fee that is for the use of the equipment or services for the remainder of the Contract.

a. **Single Instant Ticket Accounting** (Section 7.3). As an Invited Option, the Proposer must describe if its Lottery Gaming System will support single Instant Ticket accounting. This includes the functionality to track all transactions (e.g., location, status, sales, validation, etc.) and activities at the ticket level.

Price: \$10,000,000

b. **Specialty Terminals and Equipment** (Section 7.12) As an Invited Option, the Proposer may offer specialty terminals and equipment, to include new and emerging technology, for future deployment.

CORONIS MP – Self Service Online Terminal Price per Unit: \$12,000

Triton Transactions In-lane Solution - Price: 3% of sales processed

Monitor Gaming Equipment

26-inch LCD TV (includes mounting) Price Per Unit: \$800

37-inchd LCD TV (includes mounting) Price Per Unit: \$1,200

Price Per Unit: \$300

WINSTATION (vending machines greater than 3500) Price per Unit: \$20,000



Offered Options

The Proposer should respond to this section on sheets attached hereto the price for Proposer offered optional items. Clearly identify the items offered and the terms under which they are offered. Proposers are not required to submit any Offered Options.

PHOTON Terminal Finger Print Scanner Price per Unit: \$200

PHOTON Magnetic Strip Reader Price per Unit: \$200

POOLING PLUS Price: 2% of pooling sales

Copy



A handwritten signature in black ink, appearing to read "T. Little".

Signature of person authorized to contractually bind the Proposer

THOMAS F. LITTLE

Printed Name

PRESIDENT & CEO

Title

JUNE 29, 2010

Date

COOPY