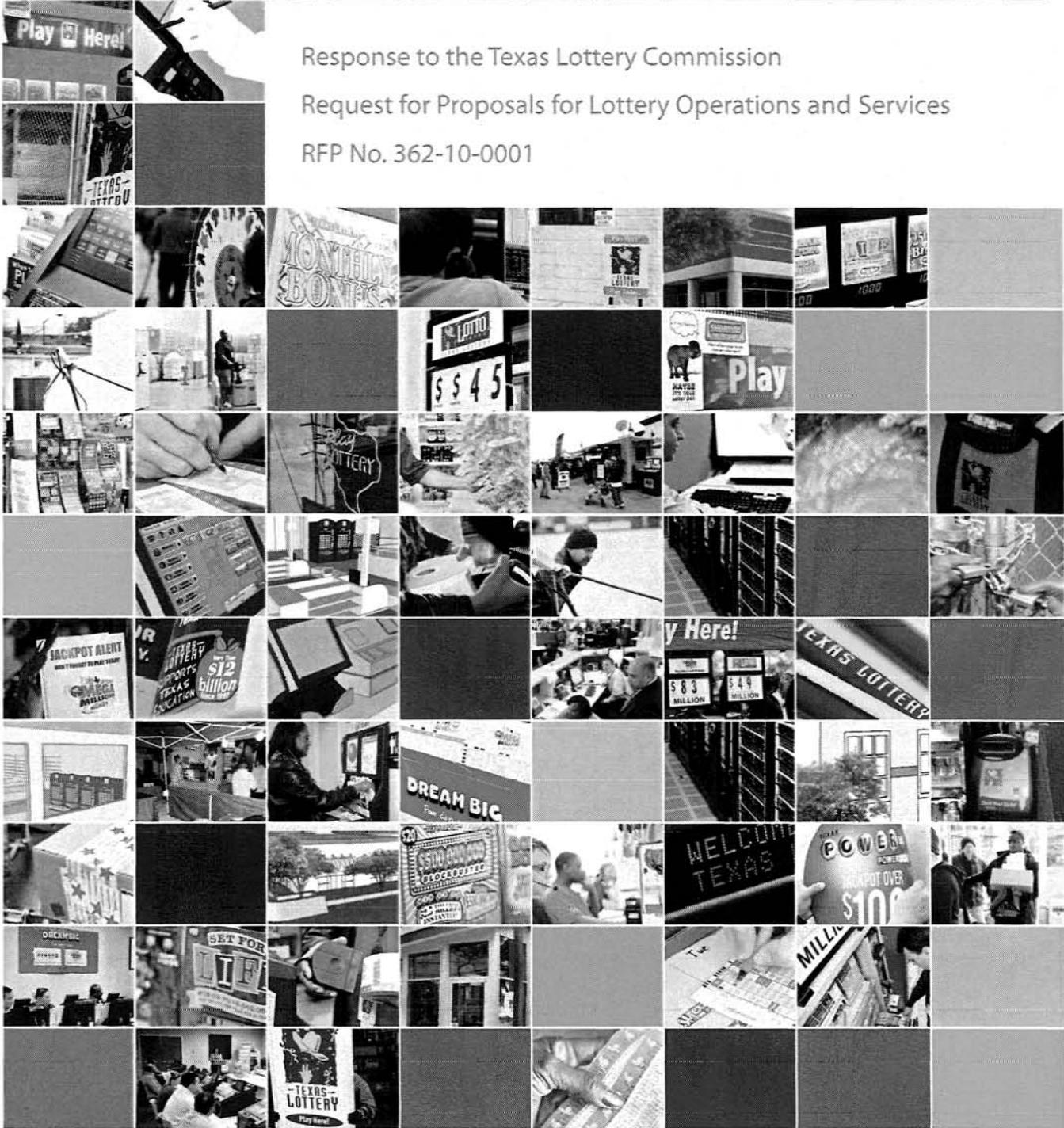




Response to the Texas Lottery Commission  
Request for Proposals for Lottery Operations and Services  
RFP No. 362-10-0001



The enclosed proposal contains trade secrets and other confidential information of GTECH Corporation ("GTECH"), as defined by Texas state law. Such information is exempt from public disclosure pursuant to the Texas Public Information Act and Texas State Lottery Act, specifically the Texas Government Code, [Title 5 (Open Government; Ethics), Subtitle A (Open Government), Chapter 552 (Public Information), Subchapter C (Information Excepted from Public Disclosure), in particular, §§ 552.101 (Exception: Confidential Information), 552.102 (Exception: Personnel Information), 552.104 (Exception: Information Related to Competition or Bidding), 552.110 (Exception: Trade Secrets; Certain Commercial or Financial Information)]; and the Texas Administrative Code [Title 16 (Economic Regulation), Part 9 (Texas Lottery Commission), Chapter 401 (Administration of State Lottery Act), Subchapter G, § 401.501 (Lottery Security)]; as well as applicable Texas common law.

Pursuant to RFP Section 1.9, Proposals Subject to Texas Public Information Act, GTECH has clearly marked each instance of confidential information by placing the word "CONFIDENTIAL," on each such page in its proposal, including exhibits and inserts where applicable. In addition, where only part of the information on a page is considered confidential, GTECH has identified the information that is exempt from public disclosure with the following marking: "Confidential material begins here" and "Confidential material ends here." In each instance where confidential information appears in the enclosed proposal, GTECH has included a reference to the statutory exemption(s), which protect(s) this information from public disclosure.

As further required by RFP Section 1.9, a catalog of confidential information (in table format) within GTECH's proposal is included immediately after the Transmittal Letter. The catalog provides a reference to the page and section number within the proposal where the confidential information is located, the statutory exemption(s) that applies, and the specific details as to why each instance of confidential information is exempt from public disclosure, including relevant facts as to how disclosure would cause substantial competitive harm to GTECH.

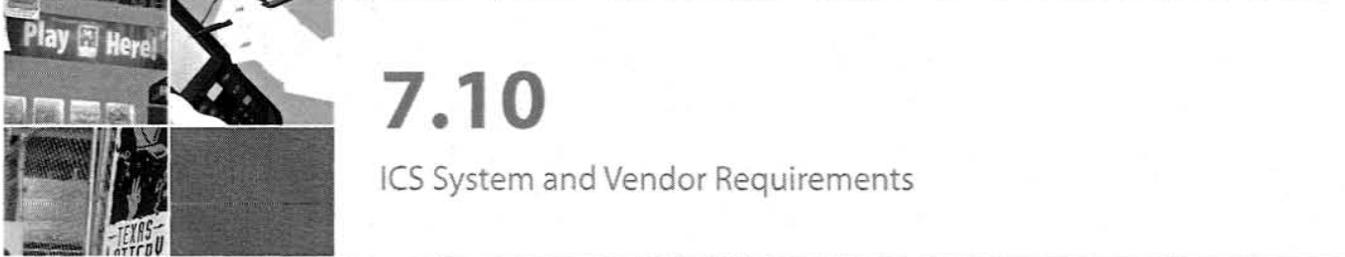
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# 7.10

## ICS System and Vendor Requirements



# 7.10

## ICS System and Vendor Requirements

### Introduction

GTECH is very familiar with the Texas Lottery's Internal Control System (ICS) support requirements and its current ICS vendor, Elsym. As you know, we have worked with Elsym in support of the Texas Lottery's ICS functions for nearly eight years, during which time we have amassed a body of knowledge about how to most effectively interface with your ICS. Elsym has been more than pleased with the performance of GTECH solutions, in Texas as well as in other jurisdictions, as it relates to ICS processing and out-of-balance resolution.

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*"In the case of auditing GTECH and its ProSys and now host system, Elsym has found that the costs and effort to verify the system are significantly reduced because of the attention to detail paid by the GTECH team. This attention, including requirements-collection, design, and testing of the system before each release – is so comprehensive that problems after installation are significantly reduced to occasional imbalances, usually attributed to the ICS processing transactions incorrectly.*

*We have found, through our own ISO 9001:2008 Elsym Management System, that our production-verification process confirms that the system is a consistently stable and accurate system and process."*

- Len Simonis, CEO and founder, Elsym Consulting, Inc.

### Table 59

## ICS System and Vendor Response Requirements

### 59.1

#### Roles, Responsibilities and Detail Requirements

GTECH acknowledges and accepts the roles, responsibilities, and detail requirements indicated in this section.

## 59.2

### Support of Third Party ICS Vendor

We have worked diligently, within the parameters of the Texas Lottery's requirements, to keep the ICS interface functional and reliable, even accommodating short testing cycles as required. With the last system conversion, we again proved our ability to customize our data formats and feeds to meet your ICS vendor's requirements.

In addition to the Texas contract, we currently work with Elsym in support of ICS services in 17 jurisdictions. We have also worked in support of two other ICS vendors' systems, as shown in the following figure.

**Figure 7.10 – 1:  
Summary of GTECH's ICS Vendor Contracts**

Elsym		Lapis	H&S
Texas	Rhode Island	New Jersey (in process)	Mexico
Kansas	Wisconsin	Florida	Trinidad and Tobago
California	Tennessee	Thailand	Columbia
Louisiana	US Virgin Islands		Jamaica
Michigan	Ireland		
Missouri	New York		
Nebraska	Virginia		
New Jersey	West Virginia		
South Dakota			

Although the TLC stipulates that there should never be an out-of-balance situation between the ICS and the Lottery Gaming System, it does acknowledge that it might happen by requiring procedures to be developed to solve out-of-balance situations. We have encountered, as all vendors do, out-of-balance situations in Texas under the current contract. But our experience in Texas has shown that these situations are rare, and our rapid resolutions confirm our dedication to providing immediate and effective service.

GTECH has the most accurate, reliable, and consistent ICS data feed in the industry, and Elsym has confirmed this in its statement, which we included earlier in this section. We would encourage you to ask for more details from Elsym regarding how GTECH solutions compare to those of our competitors. In fact, we are so confident in our solution, we would urge you to ask the same question of all of the ICS vendors. We know they will state that GTECH's systems stand far above the rest in terms of reliability.

**GTECH has the most accurate, reliable, and consistent ICS data feed in the industry.**

GTECH will work with whichever ICS provider the Texas Lottery chooses. Having partnered with each of the proposed vendors more frequently than any of our competitors, we are confident of our ability to work successfully with any vendor you select. We will provide the necessary resources to your ICS vendor to maintain linkage between the ICS and our system. GTECH will be responsible for reimbursing the Texas Lottery for all costs billed by the ICS vendor and paid by the Texas Lottery for ICS software and support.

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### Near-Real-Time Feed of Gaming Transactions

The GTECH excels at integrating third-party solutions, no matter which third-party ICS vendor the Lottery chooses. A strong benefit of is that it can support a near-real-time connection to an ICS. This means that transactions are sent to the ICS within seconds after being recorded on the primary . This feature will be useful to you because the ICS can process transactions, build games, and draw totals as they occur.

In addition, the solution will provide a synchronization process to ensure that the ICS stays current with the most recent transactions. In the event of a communications disruption, the following will occur:

- If the ICS production servers are unable to connect to any of the servers, the will forward an email alert to the Lottery and/or GTECH Operations.
- Once the reason for the failure has been determined and resolved and communication with the ICS re-established, the system will determine the last transaction sent to the ICS prior to the failure and resynchronize. Re-establishment of communications is automatic once an issue has been resolved.

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Please note that connectivity between the primary and ICS server is a one-way connection. Per MUSL rules, the is not allowed to initiate any direct connections to the production ICS server(s).

GTECH systems support this type of ICS configuration in a number of current jurisdictions. As we always have, GTECH will work with the Texas Lottery, any Texas Lottery designated third-party vendor, and the current ICS vendor to convert, from the existing ICS or the current GTECH Texas system's database, daily transaction history/files for the past ten (10) years, at a minimum.

### **59.3**

#### **Out-of-Balance Incidents and Electronic Funds Transfers**

##### **Out-of-Balance Incidents**

In general, Internal Control Systems receive and reprocess transactions for draw sales and winners in near-real time from the gaming system transaction log file for the purpose of auditing and balancing of system processes. This approach permits all ICS processing to begin once the draw closes. Balancing between the and ICS can begin once processing is complete on both. The ICS typically uses a continuous balancing approach, which audits and

balances the ICS against the \_\_\_\_\_ at each checkpoint. Balancing is automated and follows the \_\_\_\_\_. This means that any out-of-balances can be found immediately instead of at draw break, and thus resolved more quickly.

The \_\_\_\_\_), generated by our system software, will contain very detailed information on every system and operator-generated command. In the event of an out-of-balance scenario, this detailed information is scanned to identify any command that is out of the ordinary. Any situation that the Lottery deems abnormal can be scanned for, and, if found, reported on the System- and Operator-Generated Command Exception Report. This report provides information on the type of exception generated, who generated it, and when it was generated. This information can then be supplied to you for follow-up. This process will ensure the integrity of data captured by the ICS.

### **Electronic Funds Transfers**

The \_\_\_\_\_ system will produce a sweep file for the TLC to use for the Electronic Funds Transfer process. This information will be transferred to the ICS or the TLC's internal systems as specified by the Lottery. The system will load debit, credit and/or new retailer files from the TLC into the \_\_\_\_\_ system within four (4) hours after the receipt of the files.

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# 7.11

## System Supported Terminal Functions

### Table 62

### System Supported Terminal Functions Response Requirements

#### 62.1

#### Roles, Responsibilities and Detail Requirements

GTECH acknowledges and accepts the roles, responsibilities, and detail requirements indicated in this section.

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#### 62.2

#### Terminal Functions

GTECH's system, in combination with its proposed assortment of sales terminals, supports all the functions required to operate a modern lottery. This includes all those listed in Table 61 of the RFP. In the following figure, we highlight some of the special features and benefits that our new lottery gaming system, sales terminals, and communications network, working with our sales force, will provide the TLC and its retailers.

**Figure 7.11 – 1:  
 Features and Benefits of GTECH's Offering**

Feature	Benefit to the Texas Lottery
	<ul style="list-style-type: none"> <li>• Provides full support of all terminal functions, including:               <ul style="list-style-type: none"> <li>- Sales and validation of all Texas Lottery products</li> <li>- All inventory transactions, including but not limited to the confirmation, activation, settlement, ordering, and return of all Instant Ticket Game packs</li> </ul> </li> <li>• Provides retailers with a full suite of reports that summarize their On-Line Game and Instant Ticket business</li> <li>• Enables terminals to provide information as to the win status of On-Line and Instant Tickets (ticket prize inquiry communication)</li> </ul>
Integrated supply chain management	Supports inventory and management of Instant Tickets, consumables, roll stock, and promotional items
Automatic checks of the win status of any multidraw/advanced wager ticket presented for validation	Provides security and convenience
Enhanced algorithm for journal sealing	Enhances security by ensuring a tamper-free journal file
Single Ticket Accounting	Reduces shrinkage and improves accountability; Instant Tickets can be activated and accounted for at the single ticket level in addition to the standard, existing, pack-based functionality for Instant Games
Privileged transaction types restricted to authorized users, including inquiry capability and dollar amounts for validations	Offers more granular control over retailers, tellers, and terminals
Multiple levels of access	Supports different sign-on IDs for clerks, allowing multiple levels of control over terminal functions. Only certain users have access to privileged functions
One-to-many relationship of terminals to retailers	Allows TLC retailers to request aggregated reports, in which all sales and validations for every device in the location are rolled up into one report
Enhanced chain reporting	Enables comprehensive rollup of chain and super chain sales

Feature	Benefit to the Texas Lottery
System and terminals that allow clerks to confirm sales and validations	<ul style="list-style-type: none"> <li>Alerts retailers to prize amounts over specified thresholds, allowing them to verify that they have sufficient funds on hand to pay prizes of up to \$599 before recording the prize as paid</li> <li>Alerts the retailer of Lottery purchases greater than a TLC-defined amount</li> </ul>
Smart card reader	Information stored on these cards can be transmitted to the central system through the Altura GT 1200 terminal
Bar code reader	<ul style="list-style-type: none"> <li>Supports keyless ticket inquiry and validations</li> <li>Reads packs and single tickets, boxes/cartons of tickets, tickets of various sizes, On-Line Tickets, roll stock, gift cards, Renaissance Club cards, coupons, and field service ID cards</li> </ul>
Contact Image Sensor (CIS) reader	Allows reading of play slips, validation of On-Line Tickets, and survey tools
order generation	of Instant Tickets and reducing returns
GTECH s	Extends into the field for improved communication and access to real-time sales data
Management functions	Provides integrated capabilities for field service and sales force personnel, including, but not limited to, diagnostics, Instant Ticket ordering, returns and transfers, and asset management (playstations, neon signs, etc.)
AccuTherm® Ultra printer	Provides high-quality printing, including graphics and bar codes in accordance with International Organization for Standardization (ISO)/International Electrotechnical Committee (IEC) standards
Programmable screensaver	Enables variable messaging to retailers
Terminal grouping	Sends messages targeted to retailer groups by zip code, business type, chain, sales level, or other grouping criteria
(	<ul style="list-style-type: none"> <li>Enables content to be packaged, distributed, and streamed from the terminal to the video display connected to the terminal</li> <li>Provides ability to customize message content such as weather alerts, AMBER/Silver/Blue Alerts, as well as news and other emergency messages as required</li> <li>Streams content and information from the TLC to retailers</li> </ul>

Feature	Benefit to the Texas Lottery
1	<ul style="list-style-type: none"> <li>• Targets top prizes remaining down to the retailer level</li> <li>• Automatically shows winner awareness information that can even be targeted to the retailer level</li> <li>• Keeps your content fresh and in line with new Lottery initiatives</li> </ul>
Mail messages	<ul style="list-style-type: none"> <li>• Allows messages to be targeted to single retailers or groups</li> <li>• Enables the Lottery to designate messages to be read immediately or deferred to be read later</li> <li>• Old messages can be overwritten or retained for later reading</li> </ul>
Message synchronization	Synchronizes all terminal messaging in real time or, if the terminal is not communicating at the time of the message broadcast, synchronizes when the terminal signs on
Peripheral communication	Receives messages from central system and transmit to wired and wireless messaging devices, e.g., Instant Ticket Vending Machines (ITVMs), Starlight displays, and jackpot signs
Retailer terminal sales reports	Via provides: <ul style="list-style-type: none"> <li>• A wide array of retailer reports on all financial, inventory, and adjustments transactions</li> <li>• Retailers with information on their bonus and incentive payments</li> </ul> All of these reports have the capability to mirror the sales period activity of the retailer
Ticket-Scan™ self-service validator	Enables players to easily check the win status of their On-Line or Instant Tickets
Multichannel statement information access	Provides multiple methods to access retailer statements, including access by Retailer Website, electronic files, printed and mailed. Statements are stored and available for 36 months

## The Lottery Gaming System

GTECH's \_\_\_\_\_ will provide a comprehensive set of features in support of the Texas Lottery. All terminal functions will be supported by the \_\_\_\_\_. All of your current On-Line Games as well as your existing business rules surrounding Instant Tickets have already been implemented on the \_\_\_\_\_; we can demonstrate this functionality at the site visit.

## Logging Transactions

All transaction activity from all retailer and player terminals will be logged within the \_\_\_\_\_) via the \_\_\_\_\_. Through our unique N-plexed configuration, the transactions are replicated on two other systems and on multiple hard drives on each system. Please refer to Section 7.6.1, System Configuration and Capacity, for more information on N-plexing.

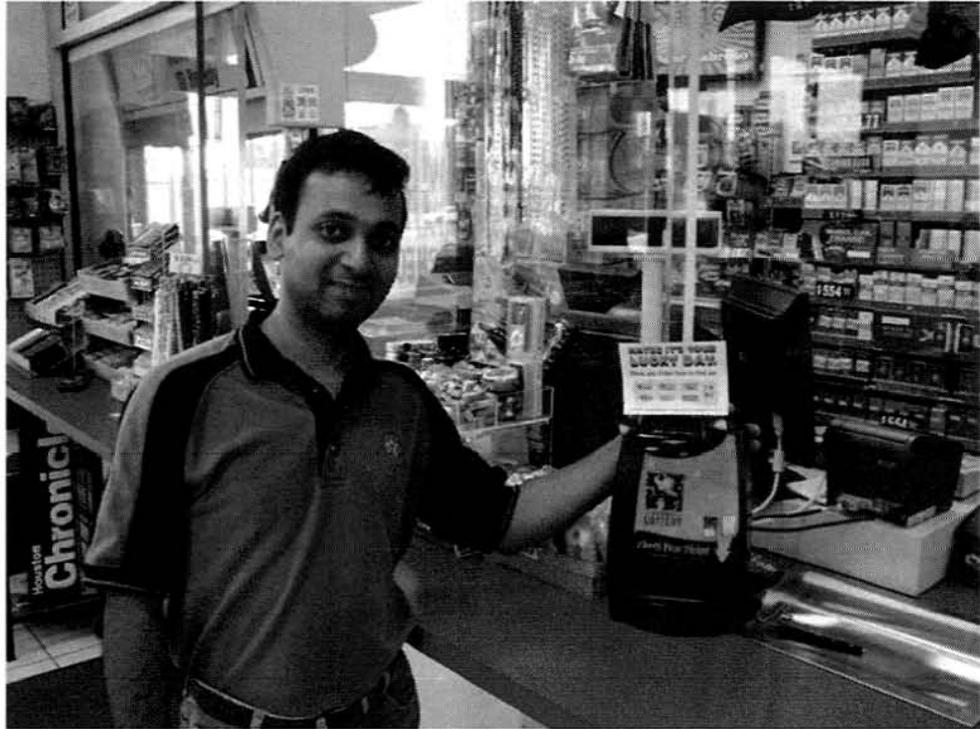
The system will ensure that transactions are completely written to the \_\_\_\_\_ before sending a response to the terminal. In this way, we guarantee that there is a log of all records in the central system for all Instant and On-Line Tickets printed in the field. Furthermore, our patented journal-sealing technology ensures that the record is tamper-proof, so every file within the \_\_\_\_\_ remains unaltered. Please see Section 7.8, System Security, for more information.

## Ticket Prize Inquiries

Retailer sales terminals and player-activated terminals work in association with the central system to support ticket prize inquiries. With player-activated terminals, players can easily check the win status of On-Line and Instant Tickets via the resident bar code reader in our Lottery Vending Machines (LVMs), or through our secure Ticket-Scan self-service validator. The \_\_\_\_\_ logs the activity from all of these devices. Our Ticket-Scans and player terminals are fully customizable; each can display exact prize values for all prize levels. If requested by the Lottery, the devices will display prize amounts up to \$599 only and display a "Winner Claim at Lottery" message (or other Lottery-specified text) for tickets that win more than this amount.

For retailer and player convenience, Ticket-Scans can be located up to 100 feet away from the retailer terminal to minimize congestion at the retailer counter. For more information on the Ticket-Scan self-service validator, please refer to Section 7.12, Sales Terminals and Related System Sales Equipment.

**Figure 7.11 – 2:  
Ticket Scan**



**Secure, Simple, and Convenient:** Ticket-Scan is a fast, easy-to-use, player-activated device that checks On-Line and Instant Tickets so retailers can concentrate on selling.

### **Reading Various Items**

The Altura® GT1200 retailer sales terminal is equipped with two kinds of readers. CIS readers are contained within the terminal and are capable of reading of play slips, validating On-Line Tickets, and reading survey tools. In addition, the terminal has an external bar code scanner for reading a wide variety of industry-standard bar codes on other items, such as those listed in Detail Requirement 5 in Table 61. The external bar code reader on our Altura GT 1200 is attached with a cord, providing additional flexibility for the retailer to read cartons, Instant Ticket packs, and other items that would not fit below a fixed-position bar code reader as well as individual tickets of any size, gift cards, etc.

## Training Mode

Two visual cues will clearly indicate to the retailer that the terminal is in training mode. The screen will change to a different background color from the active mode. In addition, the screen will display the words "Training Mode" behind the buttons.

A retail clerk can access the terminal training mode through an On/Off button on the terminal. Training mode simulates all terminal transactions allowed for that particular clerk without updating production files such as the winners file, etc. "Test" tickets are graphically represented on the display screen and will not be printed. The training mode will always be available and be updated prior to the start of a new On-Line Game.

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## Multidraw/Advanced Wager Tickets

For security and convenience, the \_\_\_\_\_ will automatically check the win status of any multidraw/advanced wager ticket presented for validation. \_\_\_\_\_ will check the winner's file for each drawing in which the ticket was registered up to the time the ticket was submitted for validation. Multiple draw date results can be provided for each draw that has been completed prior to the ticket validation. The maximum draw dates available will match the length of the multidraw or advanced wager functionality for each On-Line Game. If the ticket won a prize during any of the drawings that occurred and is still eligible for one or more additional drawings, an exchange ticket will be printed. An exchange ticket replaces the original ticket, since the player will have collected his or her winnings from the earlier drawings.

## Terminal Capabilities

Through \_\_\_\_\_ terminal behavior is highly customizable, resulting in a high degree of flexibility throughout the terminal network. As illustrated in the following screen, \_\_\_\_\_ provides the capability to set terminal parameters so that Lottery-designated terminals, such as those in claim centers, only have inquiry functionality by product type (both Instant and On-Line). Additional information on terminal privileges can be found in Section 7.5, Retailer Management.

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Not released**

Financial classes may be configured by product type or individual retailer; terminals and clerks can be set to have different thresholds for sales, inquiries, and validations. This means, for example, that at a single retail location, one clerk can be allowed to validate and pay tickets that win less than \$40, while the store manager or another clerk can pay tickets for any amount up to \$599.

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Not released**

Likewise, as previously indicated, Texas Lottery claim center terminals can be configured to allow inquiry on any amount but not have the ability to pay any ticket. These privileges and thresholds are fully configurable; if your business rules change, changes to the thresholds can be made at a moment's notice.

## Support for Secure Multilevel Access

The GTECH and retailer sales terminals allow the Lottery to restrict privileged transaction types to authorized users. supports a secure, multilevel access program that allows for enhanced security with the flexibility to support a variety of business needs.

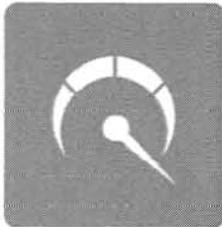
Individual clerks and individual terminals within a store can be assigned various privileges, such as the ability to view and print retailer financial reports. Through the Teller Privileges function, the Lottery can assign one clerk, such as the store manager, the ability to view and/or print financial reports, for instance, while another clerk can be denied this ability. Dozens of individual privileges can be set, from the ability to sell *Powerball*® to the ability to cash Instant Tickets or change a clerk's password.

The following screen is used to establish privileges for each user (teller).

**Confidentiality Claimed**  
**Not released**

Authorized users gain access to the retailer sales terminal through a password. Passwords can be changed at a management terminal/workstation by authorized Lottery or GTECH staff with proper privileges. No passwords are ever displayed, printed, or visible in any manner at the terminal. All sign-on attempts, both valid and invalid, will be recorded in the \_\_\_\_\_ as is the practice today. If someone exceeds a specified number of sign-on attempts without correctly entering the password, a message is sent from the \_\_\_\_\_ to the \_\_\_\_\_), and the terminal is deactivated.

### **Capturing Validation Information**



Our system will capture and track the store and clerk ID for *every* validation attempt, no matter the size of the prize. This *exceeds* your requirement to record this data for prizes from \$25 to \$599. This information is stored in the \_\_\_\_\_. Authorized staff analyzes this information using the Reporting module of GTECH's \_\_\_\_\_.

### **Confirmation Mode for Validation**

The \_\_\_\_\_ system is fully customizable to alert retailers whenever a prize they are trying to validate is over a certain dollar amount. This value can be set per product, so that the validation threshold set for *Powerball*, for example, can be different from the threshold for *Mega Millions*®. This alert will allow clerks to confirm they have sufficient funds on hand to pay prizes claimed before recording the prize as paid. GTECH has offered this functionality in its systems for winning On-Line and Instant Tickets since the early 1990s.

### **Confirmation Mode for Large-Dollar Transactions**

\_\_\_\_\_ is also fully customizable to alert retailers when a transaction exceeds a specified dollar amount, so they can subsequently alert players. This allows the retailer to confirm that the player is willing to purchase the tickets before recording the wager on the system and printing them at the terminal. This capability is particularly helpful for games such as *Powerball* and *Mega Millions*, which do not allow cancellations.

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## Transaction Cards

Retailer sales terminals and player-activated terminals are all equipped to support various cards with an accompanying variety of applications. The functionality supplied by these cards is supported with specific central system applications as well as local logic and control in the terminals. GTECH has implemented successful gift card and player club programs in several states. California, in particular, has a large gift card program implemented by GTECH.

### **Proven Gift Card Processing**

In California, the more than 20,000 lottery retailers process gift card transactions using the bar code reader on their Altura terminals. Each gift card has a unique serial number represented as a bar code. These gift cards have no value until activated by a retailer using the Altura terminal. By scanning the gift card, the retailer either adds or deducts value from the card. The majority of self-service lottery devices in California also redeem value from the card. Cards can be used for purchasing both On-Line Game Tickets and Instant Tickets.

The Altura GT1200 terminal is equipped with an external smart card reader and thus can process smart card transactions. This will provide Texas Lottery retailers with the ability to read smart cards that conform to the ISO 7816 standard. Information stored on these cards can be transmitted to the central system through the Altura GT1200 terminal. In addition, due to the expandability built into the retailer sales terminal and the gaming system have the capability to support other forms of transaction cards, such as debit cards. For example, GTECH Colombia offers a full complement of transaction-processing services (through its brand, VIA) that include cellular phone top-ups and bill payments. And in the United Kingdom, we provide a full-service debit/credit card solution using a peripheral device attached directly to the retailer sales terminal to accept payment for lottery products. GTECH will be happy to discuss how the implementation of these solutions can be tailored to best meet the needs of the TLC.

## **Reading Bar Codes for Keyless Inquiry and Validation**

For keyless ticket inquiry and validations, our terminals are equipped with bar code readers that have the capability to read PDF417 bar codes and other ISO/IEC standard bar codes. Combining our unique Smart Cash auto cashing feature with our Simple Keyless Validation method will provide exceptional retailer convenience and unparalleled security. More information on these two processes can be found in Section 7.12, Sales Terminals and Related System Sales Equipment, under the heading "Validation of Winning Instant Tickets."

## **Printing Graphics and Bar Codes**

Our retailer sales terminals will be equipped with our new AccuTherm Ultra printer. The AccuTherm Ultra prints high-quality text and graphics, quietly and quickly. The AccuTherm Ultra can print the following ISO/IEC industry-standard bar codes: PDF417, Interleaved 2 of 5 (I 2 of 5), European Article Numbering (EAN), Universal Product Code (UPC), and Code 39. In addition, it is capable of producing and printing a variety of numbers and symbols generated by and sent from the central system; these are generally referred to as user-defined characters. The printer has room for 256 user-defined characters. Our self-service terminals are also capable of printing bar codes, numbers, symbols, and graphics.

## **Licensing Rights**

GTECH will secure and obtain any and all necessary rights to allow the use of a self-check process that is acceptable to the TLC, such as what is in place with the current process.

GTECH understands that the Texas Lottery reserves the right to review any language required to be printed on Instant and On-Line Tickets by license rights obtained by the successful proposer. Additionally, GTECH understands that the bar code technology must pass all tests performed by the Texas Lottery or its authorized designee for compliance with current Texas Lottery quality and security standards, including all changes to such standards during the term of the contract.

All of our self-check devices can read On-Line Ticket bar codes, confirm without retailer intervention if a ticket is a winner, and display the winning amount if desired. This solution requires no license.

Our current self-check solution for Instant Tickets in Texas makes use of a bar code that is printed underneath the latex of Texas Lottery Instant Tickets. This bar code allows players to confirm without retailer intervention if a ticket is a winner and the winning amount if desired. Our proposed system will continue to process all tickets produced during the term of the existing contract without issue. No license is required to process these tickets using the current method. For tickets produced during the new contract period, GTECH is pleased to propose an alternative: a new, two-scan, self-check ticket checking process based on our Simple Keyless Validation patent, as described under the heading Simple Keyless Validation in Section 7.12, Sales Terminals and Related Systems Sales Equipment. Because GTECH owns this patent, there will be no need to procure a license from any third party.

This new process will provide the TLC with something that it has wanted since Instant Ticket checking was implemented: visibility into the use of ticket checking. With this new approach, the ticket checking process becomes a “validation inquiry” from the software perspective. Thus, it will now be possible to:

- Log all ticket checking attempts in the
- Check the frequency and sequence of tickets being checked on the Ticket-Scan to identify if a retailer is trying to pick out winning tickets.

This solution will satisfy all current lottery security requirements. If selected, GTECH is prepared to provide a license to the TLC that will allow any vendor that supplies Instant Tickets to the TLC to produce tickets that support this new process without paying a licensing fee while we are the TLC's vendor for lottery operations and services.

These commitments satisfy the requirements of paragraph iii of Detail Requirement #15 from Table 61. We will expect that the contract will include appropriate language that will formalize our commitment to the TLC regarding this topic.

## On-Line Ticket Stock Management

On-Line Ticket stock will be delivered in much the same way as it is done today. GTECH Lottery Sales Representatives (LSRs) will be assigned rolls and cases of ticket stock to be delivered to the retailers as needed. Once at the retail location, the LSR will transfer ticket stock using either the sales terminals or GTECH . Each roll has a unique bar code that can be scanned by the retailer terminal upon receipt.

On-Line Ticket stock will be returned to the warehouse in much the same way. Full rolls of ticket stock can be redistributed to other retailers, while partial rolls will be destroyed.

GTECH will provide hardware and software necessary to store, maintain, inquire of, and/or interpret ticket stock tracking information. All ticket stock transactions will be securely logged on the and can be fully researched by authorized users.

## Delivery Confirmation and Survey Data Collection

Our system and Altura GT1200 retailer sales terminals will support all Instant Ticket inventory functions. The retailer will be able to confirm delivery of Instant Ticket packs easily by simply pressing the Confirmation icon on the terminal screen and using the external bar code reader to scan the confirmation bar code that accompanies each shipment.

The new system includes a variety of ways to collect survey data and transmit it to the host. A customized play slip is likely the easiest way to collect data from the retailer. To answer survey questions, the retailer will fill out the custom play slip and then just drop it through the reader on top of the terminal. Retailers can use the touch screen on the terminal to directly enter survey data for transmittal to the central system. A menu of questions can be presented to the retailer, who can reply by touching the chosen response.

**Confidentiality Claimed  
Not released**

## Returns and Transfers

LSRs can change the status of full packs of tickets in real time as they perform a return to the central warehouse or a transfer to a retailer through our software and the Altura GT1200 retailer sales terminal. These activities will have a minimal learning curve because the new processes are very similar to those in place today. Only the terminal is different.

LSRs will sign on to the retailer sales terminal to access the special LSR menu. Next, they will select either the Return-Full or the Transfer function using the touch screen and then scan the bar code on one of the tickets in the pack being returned or transferred. will automatically change the ownership and status of the pack or packs.

## Terminal Ordering

The flexibility of the system and Altura GT1200 retailer sales terminal will allow retailers to order Instant Tickets directly from their terminals. GTECH provides this functionality today for the New York and Michigan lotteries. This feature can be enabled for a single retailer or for a group of retailers. Our terminal will also allow the retailer to select from a list of available games and specify the quantity of each game.

To provide oversight to this process, a GTECH Instant Ticket Specialist (ITS) will review every order placed directly by a retailer to verify game mix and quantity before it is released for shipping. Additionally, a variety of other checks can be made automatically before the order is released for packing and shipment. Restrictions can include the minimum and/or maximum number of packs retailers may order and the number of times they may place an order in a day or a week. Pending orders can be limited as well. will automatically check each retailer-initiated order against the retailer's Lottery-established credit limit to ensure that the limit is not exceeded.

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Not released**

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### Tracking Signage and Lottery Equipment

The system provides a variety of ways to track signage and other Lottery equipment. Through the LSR menu on the retailer sales terminal's touch screen, the LSR can enter and update quantities of equipment at a retail location. In addition, the bar code readers attached to the terminals easily scan bar codes on Lottery signage and other equipment in order to collect data about the items.

To minimize impact on the retailer's business, GTECH will also provide inventory tracking capabilities. Through Mobile, GTECH staff will be able to enter and track the inventory of playstations, neon signs, dispensers, etc. Using Mobile instead of the retail sales terminal will be more efficient for the retailers, our LSRs, and FSTs.

All this data is then viewable and reportable via the new asset management component of our system. Authorized staff will view a retailer's Lottery equipment through Retailer Services (GTECH's industry-leading platform for retailer management. For more information on the asset management capabilities of Retailer Services, please see Section 7.5, Retailer Management.

## Terminal Messaging

Retail messaging is a key component of an overall retailer strategy. The TLC must be able to send out advertising, alerts, and other information to retailers quickly and efficiently. The GTECH terminals and system will support a variety of messaging channels to reach retailers, players, and the general public.

## Programmable Screen Saver

The Altura GT1200 retailer sales terminal will support a configurable screen saver that engages when the retailer is not actively selling. Lottery-approved messages can be configured to be displayed as part of this screen saver functionality. Sales notifications, jackpot amounts, and other messages can be used as screen savers to remind retailers of vital Lottery information.

As you will read in the next paragraphs, these messages can be targeted to specific groups of retailers. The TLC will be able to advertise a retailer incentive program in the Houston area, for example, while terminals in Austin display the current *Mega Millions* jackpot.

## Message Groups

You will be able to communicate directly and easily with your diverse retailer network using the advanced grouping capability built into the GTECH system. The system allows easy message creation and targeted distribution of messages.

An authorized user can create groups of retailers through predefined criteria, such as county, zip code, business type, corporate account, or sales level as well as by chain code, terminal type, city, or those selling a specific game, through the system. For example, you might group all retailers in Houston or all retailers who sell *Lotto Texas*® or an Instant Game such as *Set for Life*. Any parameter that is common to the retailers can be used to create a group. Even combinations of several criteria can be used: You can create a group containing all of the Valero stores in Houston and Austin, for instance, or all convenience stores in Dallas and Fort Worth that sell *Texas Two Step*®. If there isn't a common criterion, groups can be created by assigning the terminals manually.

The groups created in [redacted] are dynamic. Once the criteria are set up, retailers will be added and removed from the group automatically. In the Valero example above, for instance, if a new Valero store is opened in Houston, it will automatically be added to the group because it matches the group criteria.

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**Not released**

Once a group is created, an authorized user, using the Terminal Message Definition screen, can create a message and assign it to the newly created group. The message will then be broadcast to each retailer in the group. An added feature is that the same group can be used across all functions within

For instance, the Valero group defined previously can be used to target a promotion to just those stores at the same time as specific targeted messages are broadcast to the group. Once the promotion is over, the can analyze sales for the group compared to sales among other stores.

## **Grouping – A Practical Application**

### **The Challenge**

On any given day, more than 1,000 customers visit each Valero store in Texas. This presents an excellent opportunity to boost Texas Lottery sales among this population – and increase contributions to the Foundation School Fund in the process.

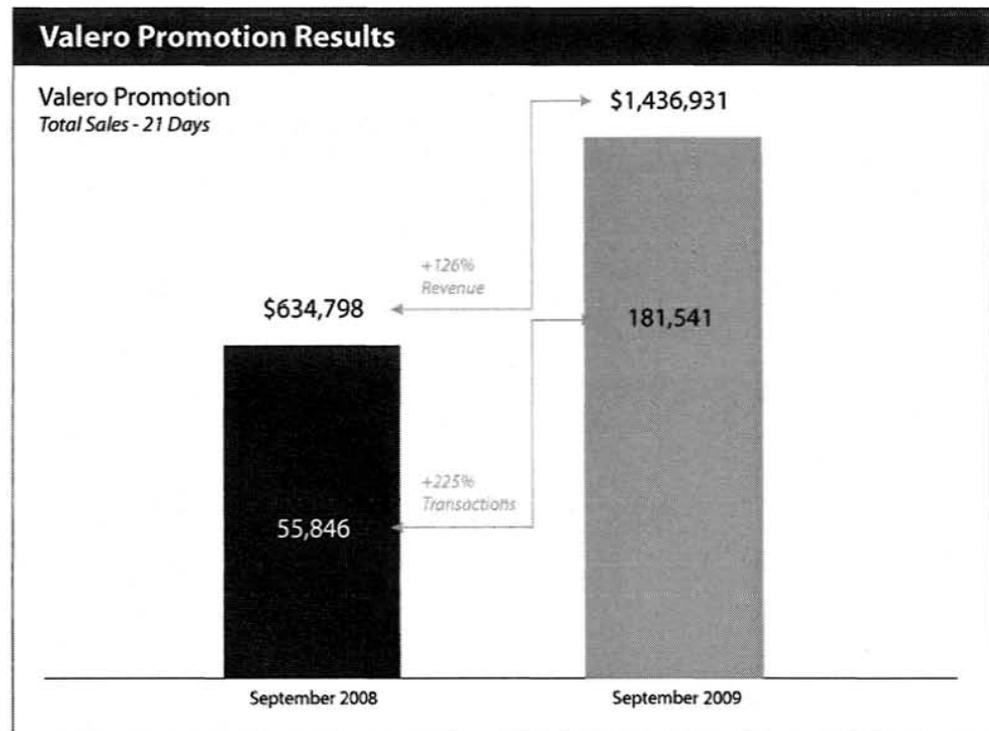
### **The Solution**

In 2009, the Texas Lottery, GTECH, and Valero coordinated their efforts to increase awareness and sales of Texas Lottery products at Valero stores by promoting the Texas Lottery's most popular On-Line Games: *Lotto Texas* and *Mega Millions*. Valero spent close to \$8,000 for promotional materials. GTECH supplied all artwork and produced the promotional materials, motivated the sales force, and conducted pre- and post-promotion sales analysis. The Texas Lottery contributed a free \$1 *Mega Millions* ticket for each \$5 *Texas Lotto* ticket purchased during the promotion.

### **The Result**

Just 21 days into the promotion, the number of \$5 and \$5+ *Lotto Texas* transactions increased 225 percent, from 55,846 in the first 21 days of September 2008 to 181,541 in the first 21 days of September 2009 (see the following chart). In addition, there was a 126 percent increase in total revenue, from \$634,798 in the first 21 days of September 2008 to \$1,436,931 in the first 21 days of September 2009.

**Figure 7.11 – 9:**



**Boosting Lottery Sales:** A coordinated campaign produced significant increases in transactions and revenue.

### Enhanced AMBER/Blue/Silver Alerts

Our system and terminals in Texas today support the Texas AMBER/ Silver/Blue Alert program. When an alert is issued, the GTECH operations staff receives an audible warning along with text and possibly a picture of the missing person. We currently distribute this information through our Starlight Light Emitting Diode (LED) programmable signs and Vacuum Fluorescent Displays (VFDs).

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If we are named the successful proposer, retail locations will be equipped with our new terminals and 17-inch flat-panel monitors, and our operations team will use the content manager to send out pictures in addition to the usual text information. Enhancing the TLC's support of the Texas alert program in this manner will be a TLC public service.

**Figure 7.11 – 10:  
Sending Messages from the TLC’s Alert Network**



**Helping the TLC Help Texas:** GTECH operations supports the TLC in its efforts to help find missing children and senior citizens and speed the apprehension of criminals who have killed or seriously wounded law enforcement officials.

#### **Public Service Helps Texas Senior Citizens**

The phone rings at the GTECH Operations center. On the other end of the line is the Governor's Division of Emergency Management (GDEM). A Silver Alert is being issued. Operations confirms receipt of the fax containing the details of the Silver Alert from the GDEM. Once the fax is received, our operations staff starts entering the message that will be sent to the terminals in the field: "THIS IS A MISSING SENIOR ALERT ISSUED BY THE TEXAS SILVER ALERT NETWORK."

The message includes details about the missing person – gender, height, weight, race, hair color, description of attire, etc. – and whom to contact should he be found. After the message is sent to the terminals in the field, the operations team sets up a message to go to all the Starlight displays. The Starlight message informs the public that a Silver Alert is in effect and customers should inquire with the store clerk for more information about the missing person.

Alerting the public to Silver Alerts provides a significant service to the citizens of Texas. In August 2009, a missing patient from Montgomery County with Alzheimer's Disease was found soon after a Silver Alert was issued. The lost man was located by the Willis Police Department at a convenience store after the store clerk received the Silver Alert information printed by the Texas Lottery terminal. Emergency Medical Services (EMS) responded and determined the gentleman was fine. His family was notified and reunited with him quickly.

Our Texas operations team also processes AMBER and Blue Alerts in the same manner. A Blue Alert (law enforcement officer in jeopardy) was issued for the first time in Texas in August 2009.

## Terminal Message Definition and Classification

The TLC will have additional flexibility for message creativity and content through the enhanced functionality of our solutions. supports terminal messaging for retailers through the Terminal Message Definition screen.

allows messages to be defined as either:

- **Immediate:** The retailer terminal displays the message right away and does not allow any financial activity to take place until the message is read, thus ensuring that the retailer views the message.
- **Deferred:** The retailer terminal notifies the retailer that a message has been received. The retailer continues selling and reads the message when desired.

Messages can be scheduled for automatic posting on a one-time or recurring basis. Once the attributes are saved, the system automatically manages the distribution of the message. If a terminal is powered off when a message is broadcast, it automatically retrieves the message when it signs on again.

The Altura GT1200 is currently configured to store a maximum of 10 messages. It retains all messages after a power failure and even after a download. The messages can also be set up with date constraints; e.g., the TLC might want a message to be automatically deleted after three days in the case of a promotion. Alternatively, a message can be configured to prevent the message from being deleted for a number of days. Only after the time period has passed will the system allow the message to be deleted.

Through our innovative , the Texas Lottery will be able to create jackpot awareness and product promotions and target them to locations where they will gain customer attention and inform potential players. Graphics and messages can change on a periodic basis and are downloadable.

With you can also manage and distribute graphical content to networks of digital displays located at your retailers. Content will be added to playlists using a management interface and downloaded via the retailer communications network. The download will typically take place without interfering with any wagering or other functions of the terminal. This background download is initiated whenever the terminal is idle for a specified period. It is also possible to send the download immediately, in the foreground, in cases where the show needs to be distributed quickly. Each show can be composed of a combination of images, full-motion video, and Flash animations as well as dynamic text such as jackpot information and winning numbers.

**Figure 7.11 – 11:**  
**Sends Players and Retailers Your Messages**



**Digital Communication at the Retail Location:** will enable the Texas Lottery to reach customers and potential customers with clean digital advertising and messaging.

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The Altura GT1200 terminal's expansive memory easily receives and stores image files and transmits them to the Liquid Crystal Display (LCD) monitor attached to the terminal. It also retains messages, i.e., new messages received do not delete the previously sent message. Feedback from retailers currently using our flat-panel displays clearly indicates that one compact solution, delivering a multitude of information, is both an efficient (space) and effective POS device.

The following table highlights the benefits of

**Figure 7.11 – 12:  
Benefits of**

Benefit to the Texas Lottery	Description
Protects players	With showing player transactions, no player will miss out on important information relating to their tickets and the price of their purchases
Gets players' attention	With its compelling demonstrations, branding, and entertainment, can have a greater impact on a consumer's purchasing decision than traditional static marketing. A Tesco (U.K.) study found that 75 percent of all purchase decisions are made right at the point of sale
Cross-promotes	Our goal is to offer you a comprehensive suite of solutions. will tie into any marketing program you plan to run, especially cross-promotions. Players will easily see new campaigns as you roll them out to the public
Boosts sales	can increase product sales. During a recent 13-week, six-store digital signage pilot, Texas saw an increase of 27 percent when compared with similar non-pilot stores
Targets audiences and messages	can profile customers and customize messaging based on scheduled events, time of day, seasonal promotions, demographics
Protects your brand	Players and potential players will be kept aware of the Texas Lottery with when they see the familiar Lottery brand displayed. The Lottery's messages will be accurately displayed at the appropriate time, without any action required by in-store clerks
Reaches out	Thousands of locations instantly and effortlessly receive promotions and other messages

## Best Practices

Through our extensive knowledge of the Texas Lottery market, our experience in deploying digital signage across the U.S., and our industry research, we are uniquely positioned to recommend best practices concerning:

- Retail placement and mounting options.
- show length.
- Alignment with Lottery marketing initiatives.
- Messaging that positively affects sales.
- Sample shows tailored to the local market.

**Figure 7.11 – 13:**  
**Display at a Retailer**



**Attractive Attention-Getter:** Well-placed flat-panel screens provide current and potential players with Lottery information that prompts spur-of-the-moment sales.

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## Communication and In-Store Merchandising

We set up [redacted] to help you target the right promotional messages to the right locations. With [redacted] the Lottery will have a dynamic, clean solution to capture player interest and enhance player security. You can create a multitude of slides and communicate with players on a whole new level.

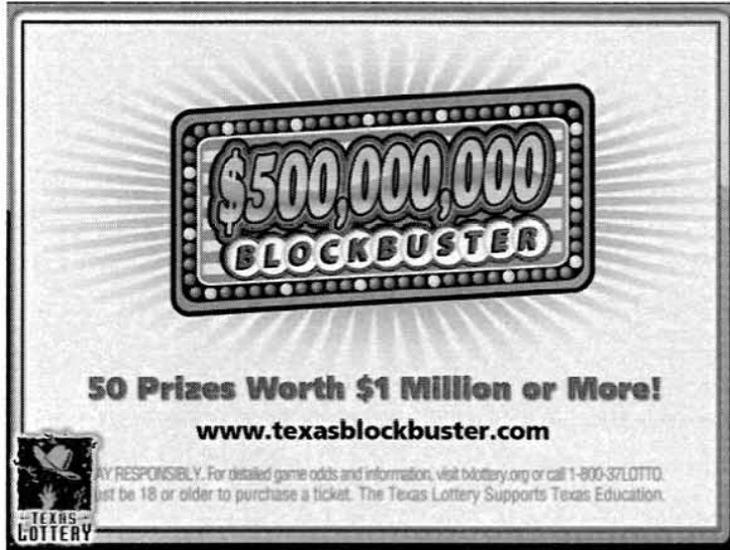
[redacted] will allow the Lottery to convey:

- Customer transaction information (e.g., current sales transaction, customer balance).
- Ticket validation information (e.g., notification to the player that he or she has a winning ticket).
- Jackpot information.
- Marketing, promotional, and informational messages.
- New game announcements/instructions.
- AMBER/Silver/Blue Alerts.
- Lottery winner information.

[redacted] also offers you flexible ways to create slides. If you want to partition a show so viewers see multiple messages, you can do that according to your preferences.

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**Figure 7.11 – 14:  
Information for Players**



**Making the Most of Your Communications:** allows you to impart a wealth of information to your players.

can deliver compelling electronic POS graphics to promote sales at retail locations. This can help you extend your advertising budget by lowering your paper expenditure.

Proof of	Power
The Arizona Lottery added advertising support except Fantasy 5 and an 11 percent increase in Pick 3 in FY07 sales over FY06 sales.	LCDs at all 2,600 retailers. With no other Arizona saw a 9 percent sales increase in

### Cross-Promotions with

The Texas Lottery can also benefit from using as a cross-promotional tool. Whether it's tying into a campaign with another agency, or promoting a new game that's promoting both the Lottery and another Texas department, is an efficient way for the TLC to reach players with cross-promotional messaging.

**Figure 7.11 – 15:**  
**Enhancing Cross-Promotional Campaigns**



**Comprehensive Cross-Promotions:** With your players will see messages that line up with your latest marketing campaign.

**Retailer Feedback**

is a hit! As retailers at a recent focus group testing said:  
 "It's an eye catcher."  
 "I would make room for that. I think it draws attention."  
 As retailers said at a recent focus group, held in a nearby state:  
 "I like the information it gives."  
 "You don't have to print out slips to show them the numbers. They can stand there and get their own *Pick 3*<sup>™</sup> and *Daily 4*<sup>®</sup> numbers from yesterday."  
 "While you're doing their tickets, it keeps them busy reading the screen so it seems like you're quicker. It helps to keep them occupied because some people are really impatient."

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**Not released**

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**Not released**

## Ongoing Show Development

To keep your content fresh and in line with new Lottery initiatives, you can choose whether to update specific portions or the entire playlist.

An authorized administrator can upload pictures and associated text to display messages such as news feeds, winner pictures, and AMBER Alerts. This information will then be displayed in retail locations via an show that was designed with placeholders for this type of information.

To help you track when playlists are created, modified, and/or distributed, and to which retailers they are being distributed, supports an auditing and security feature. When integrated with

it can also track the user who performed the action. This will enable you to keep tabs on which playlists are being deployed, and where.

ability to reach customers provides the Texas Lottery with a distinct digital advantage. And players reap the benefits of being brought up to date with the latest jackpot or promotional information.

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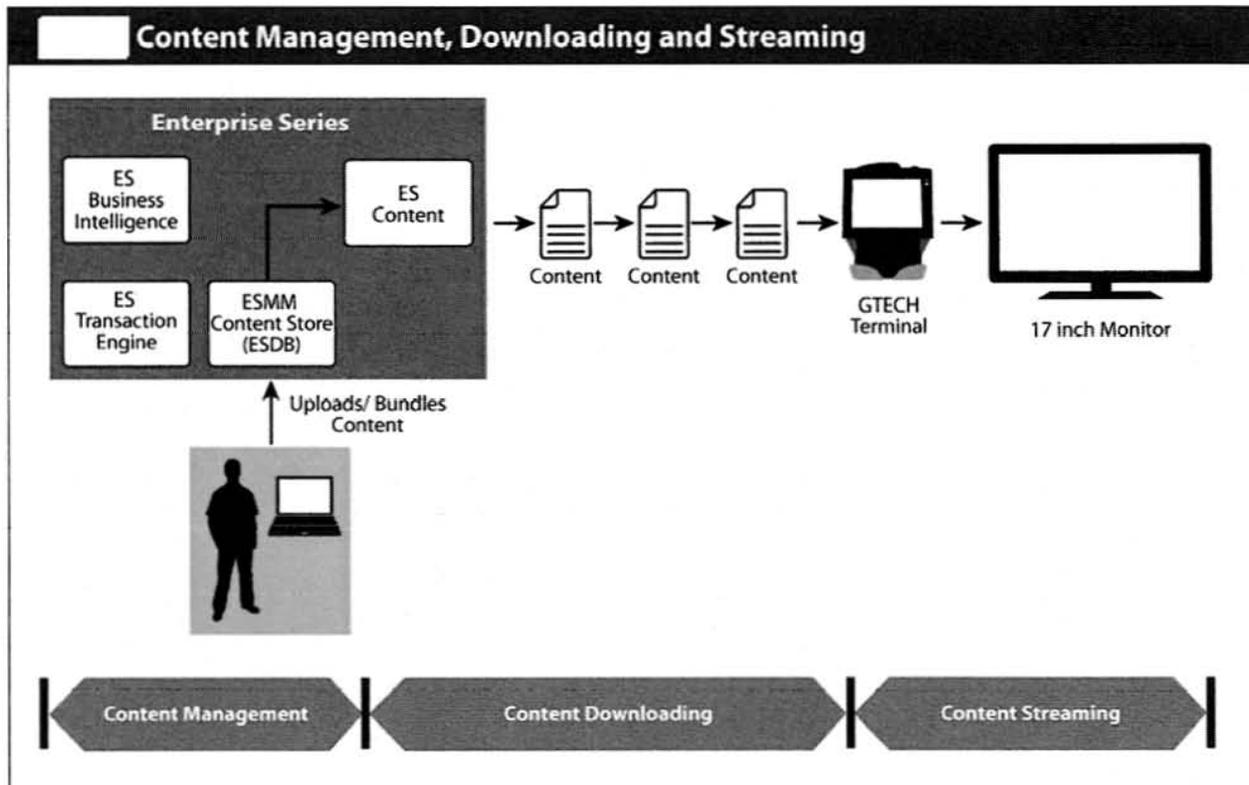
## Managing Content

GTECH, on behalf of the TLC, will stream content and information to retailers through [redacted] as detailed in the following figure. Our [redacted] platform will support presentation of information, advertisements, promotions, and game content at the retail point of sale. Furthermore, [redacted] will:

- Enable the creation, management, and distribution of graphical content to the network of digital displays and monitors.
- Support brand awareness, jackpot awareness, winner awareness, transaction display, social responsibility, monitor games (if used), and new game/promotion announcements.
- Be run internally on the Altura GT1200 terminals.
- Provide a platform for testing and proving new game concepts in the marketplace.

GTECH staff will use [redacted] to manage the content appearing on the screens, schedule and/or release content for downloading or real-time distribution, and designate content for storage on the terminal before being displayed.

**Figure 7.11 – 16:**



**Streaming Content and Information:** TLC will be able to stream content and information to retailers through GTECH's innovative [redacted] solution.

## Messaging Communication Devices

Our LSRs and Field Service Technicians (FSTs) will work with each individual retailer to optimize the placement of the most appropriate messaging devices in each retailer's store. We support both wired and wireless communications from terminals to various devices and displays depending on their capabilities. Our full-service Altura GT1200 terminal is capable of receiving, storing, and transmitting information to a variety of communication devices, as described in the following paragraphs.

### *17-Inch LCD Monitor Panels*

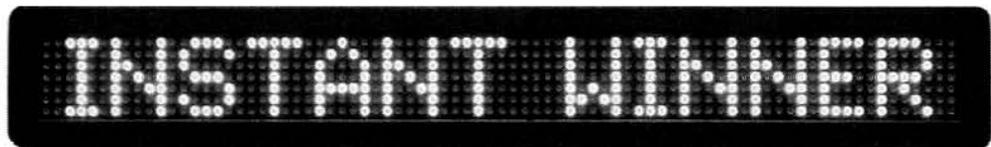
Designed to display bright graphics, the 17-inch LCD monitor will display streaming video, slide shows, and jackpot information from the central system. These units will be connected to the terminal by a cable.

### *24-Inch Starlight LED*

The TLC will be able to attract and inform the public at retail locations using our 24-inch Starlight LED units, currently in use in Texas. The Starlight promotes the Lottery brands, highlights product promotions, and shows up-to-the-minute jackpot information. The Starlight is clearly visible from 15 feet away or more.

Announcements and notices can be displayed through this unit. The Starlight has a continuous-scroll feature that cycles up to 20 different messages, stimulating impulse buys and repeat sales. You can even boost your "down to the wire" jackpot sales using the Starlight by promoting jackpot awareness to players – and potential players – in retail locations. Starlight units will be programmed by our operations staff based upon instruction from the TLC.

**Figure 7.11 – 17:  
Starlight Display**



**GTECH's Starlight Monitor:** The eye-catching Starlight display promotes the Lottery brand and communicates powerful product promotions and current jackpot information.

## Reporting: Providing Valuable Information to Retailers

Retailers will be able to receive accurate, detailed, and timely information concerning the Lottery segment of their business through GTECH's system. and our retailer sales terminals will provide all required information in easy-to-understand formats and in the medium appropriate for each user.

### Lottery Activity Reports

Your retailers will be provided with a full suite of reports that summarizes their On-Line Game and Instant Ticket business. These reports will include sales and validation information for each retailer as well as information about adjustments, including adjustment date, game type, and dollar amount. Summary and detailed information concerning the inventory of Instant Tickets at each retailer, including game and pack numbers of the inventory and the current status of each pack, will also be available, as it is today.

Information will be available on a daily, weekly, and monthly basis, including interim information for the day. Clerk-level accounting, which aggregates information based on date and time of clerk sign-on, will also be available. And with our Single Ticket Accounting capability, Instant Ticket sales information at the ticket level will be available to those retailers who make use of this option. Single Ticket Accounting is available as an **Invited Option included in the base offering.**

### *Most Popular Reports*

Texas Lottery retailers' favorite inventory report is the Inventory Summary report. This report indicates packs that are Active, Confirmed, and On Order. Retailers like the ability to drill down to see the serial numbers of the packs assigned to them to identify any missing packs. High-volume retailers rely heavily on reports to manage their business. The most popular sales reports are the Previous Week's Sales and Weekly Invoicing reports.

### *Inventory Reports*

Retailers can drill down to see serial numbers of packs and the status of each pack; how games have settled based on the time period, slow sellers, or percentages validated; and how tickets are paid for. Inventory reports will show the retailer which packs of Instant Ticket are on hand; the retailer's previous four weeks of sales; what's On Order or In Transit; and games that are ending soon.

## Statements and Other Information

Retailers' weekly statement reports are available in a variety of formats. The retailer can access and print a statement report directly from the Altura GT1200 retailer sales terminal. In addition to supporting the traditional method of printing and mailing the reports, any of a number of file formats can be created and transmitted to the TLC for distribution. We can also make the statements available in our Lottery Services Portal (LSP). LSP is a centralized, Web-based portal for lottery retailers. It builds upon our experience to provide a secure, retailer-focused service for lotteries to easily share information with retailers, including sales and inventory reports and lottery invoices. The LSP offers a convenient means for retailers to browse their statements online, download them in several formats, or print them directly. And since the LSP is synchronized with GTECH's application, the Lottery never needs to update it. Please refer to Section 7.5, Retailer Management, Subsection 40.4, Online Submissions of Retailer Applications, for more information about the LSP.

All of the statements discussed above are available for individual retailers, chains, and key corporate accounts.

## Access to Historical Information

Authorized staff will be able to access statement information electronically for a period of 36 months through our new system.

GTECH will archive financial, inventory, sales, and general statement information for ongoing reference in a manner and format approved by the TLC. These archives will be maintained according to the Records Retention Schedule prepared by the TLC and approved by the Texas State Library and Archives Commission. We will give the Lottery at least 30 days' notice of the planned destruction of records subject to the Retention Schedule.

GTECH affirms that it understands and acknowledges that no records subject to the Retention Schedule or Texas Government Code Chapter 441 shall be destroyed before receiving written approval from the Texas Lottery.

## Player-Activated Terminal Reports

Retailers with player-activated terminals will have access to ticket-level sales information. Retailers will determine the percentage of time that bins are empty in these machines and then estimate lost sales and commissions.

Access to information from player-activated terminals will be easy through the sales terminal. Because the [redacted] employs a one-to-many relationship of terminals to retailers, information on all of the terminals in a location is accessible from the retailer sales terminal. A retailer can view and/or print aggregated reports, in which all sales and validations for every terminal in the location are rolled up into one report, or, if the retailer is interested in the sales of a particular terminal, he or she can elect to display and print the sales for a single device. The [redacted] is configured to alert the Altura GT1200 terminal in the event of a malfunction or bin outage in a player-activated terminal. This alert allows the retailer to be proactive in monitoring the player-activated terminal to further enhance sales by quickly restocking popular games.

### Reporting Retailer Adjustments

Retailers will receive a new report that lists any adjustments that affected their account during an invoice period. The report will indicate the date, game, type (reason), and the amount of each adjustment.

### Reporting Period

In addition to shift and daily reports, our new system will provide retailer terminal reports that mirror the TLC's sales/invoice period in support of their sales goals, just as our current system does. Specifically, we will provide Week to Date reports and Invoice reports that match the Lottery's sales/invoice period. The current sales period for all retailers in Texas is Sunday through Saturday. As needed, alternate sales periods can be configured in support of alternate business models.

### Lottery Transactions Report

All Lottery and financial transactions will be logged and aggregated by the central system. To allow retailers to audit their Texas Lottery account, the new system will provide them with terminal reports. Retailers will have the ability to review their Texas Lottery financial transactions such as On-Line Game sales, cash payments, or validations (for Instant and On-Line Games), adjustments, and inventory through the Altura GT1200 retailer sales terminal.

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### Retailer Bonus Information

Integrated into the \_\_\_\_\_ is the new retailer incentive and bonus system that will provide the Lottery, retailers and GTECH personnel the ability to manage the full life cycle of a retailer incentive program. The program is designed to evaluate eligibility to encourage participation at all levels of performance, trade class, and ownership, and group these retailers into categories based on average weekly Instant and On-Line Game sales during a specified period. The system provides the capability to define incentive programs and associated parameters such as sales goals, start time, duration, and minimum sales for eligibility both for Instant and On-line Games as described in Detail Requirement 3 in Table 93.

By utilizing the \_\_\_\_\_, the Lottery will have comprehensive retailer incentive goal tracking and reward reporting. Additional functionality will include:

- Automated incentive goal tracking.
- Automated calculation of incentive rewards.
- Workflow functionality to review, approve and release rewards.
- The ability to create adjustments for retailers receiving an incentive reward.
- The ability to create export files for the External RNG, with entries for qualifying retailers according to predefined business rules.

We also developed a new software batch to allow retailers to see how they are performing through a terminal report. With these new reports, retailers will know where they stand regarding a potential incentive via the retailer terminal or LSP (Offered Option). These reports are available for download in NASPL-compliant XML format.

### **62.3**

#### **Interaction with Back-Office Systems**

Through GTECH's implementations, we provide many jurisdictions with the functionality required for online devices to interact with the back-office systems of retailers. Not only does this functionality allow for easier accounting of sales by store for larger retailer chains, it has the potential of opening up other sales opportunities and sources of revenue.

GTECH has a number of solutions to accomplish this functionality. The solutions will vary by how the retailer is structured and what interaction is taking place. The basic implementation leverages the retailer sales terminal and existing network infrastructures. From an online perspective, there are two primary implementation methods:

1. GTECH-developed and maintained application that conforms to the retailer's specified integration standards.
2. An application from the retailer's back-office provider embedded in our terminal that conforms to our terminal standards.

With regard to integrating Lottery sales information into retailer back-office systems, it is worth noting that the LSP will enable retailers to download Lottery sales information for reconciliation and analysis in industry-standard formats. With any of the above solutions, our terminal can communicate with the retailer's back-office system to transmit sales and other information.

### **62.4**

#### **Prize Inquiries and Validations**

When retail clerks scan an On-Line Ticket to inquire as to the win status or validate the ticket, a message is sent to the central system ( ). Each and every attempt to validate or inquire on a ticket is logged at the host, along with the corresponding response to the inquiry or validation attempt.

Instant Ticket inquiries and validations are handled in much the same way as On-Line Ticket inquiries and validation attempts. The retailer will scan the bar code, and, depending on options chosen by the Lottery, the validation/inquiry will either be sent automatically to the ( ) for processing or the retailer will need to enter the security digits prior to the transaction being transmitted. In either case, since the transaction is sent to the ( ) a record of the attempt is recorded and will be available for later reporting and analysis.

On-Line Ticket inquiries at the player-activated terminals also cause a transaction to be transmitted to the central system for processing. These transactions are recorded and available for later reporting and analysis.

## **62.5 Prize Inquiry Communications**

GTECH's Altura GT1200 sales terminals, player-activated terminals, and Ticket-Scan devices all have the ability to inquire as to the win/no-win status of an On-Line or Instant Ticket. For On-Line Ticket inquiries, the device can be programmed based on your business rules to display the winning amount regardless of the dollar value. Alternately, a threshold can be provided above which other messaging can be displayed. Some lotteries decide to display the prize amount regardless of the total, while others display the winning amount only if it is under a threshold. For example, in the case of prizes more than \$599, the TLC might choose to display a message such as, "File a Claim at Lottery," rather than display the actual winning amount. This functionality is completely customizable, and we look forward to defining the Lottery's requirements.

For Instant Tickets, there are a variety of methods for determining the win/no-win status of a ticket and the prize amount. The first, and most common, is in use in Texas today. The Instant Ticket vendor, in cooperation with GTECH, prints a small bar code under the latex on the front of an Instant Ticket. Embedded in this bar code are the win/no-win status of the ticket and the dollar amount. The Altura GT1200, the player-activated terminals, and the Ticket-Scan device all have the ability to decode this bar code and determine the win/no-win status of the ticket and with the dollar amount. Just as for On-Line Tickets, Texas Lottery business rules will determine what is displayed on the device. This method of providing win/no-win status to players has been in use by many U.S. lottery jurisdictions for several years without incident and with good player feedback.

An alternate method of displaying win/no-win is to embed the security digits under the latex in a bar code. With this method, the player first scans the bar code on the back of the ticket, then turns the ticket over and scans the front in order to populate the security digits and allow the host to decode the result. Similar to the method described previously, the Lottery has the flexibility to determine the message that is displayed at the device. The winning amount, regardless of value, may be displayed, or another message may display if the prize is over a threshold.

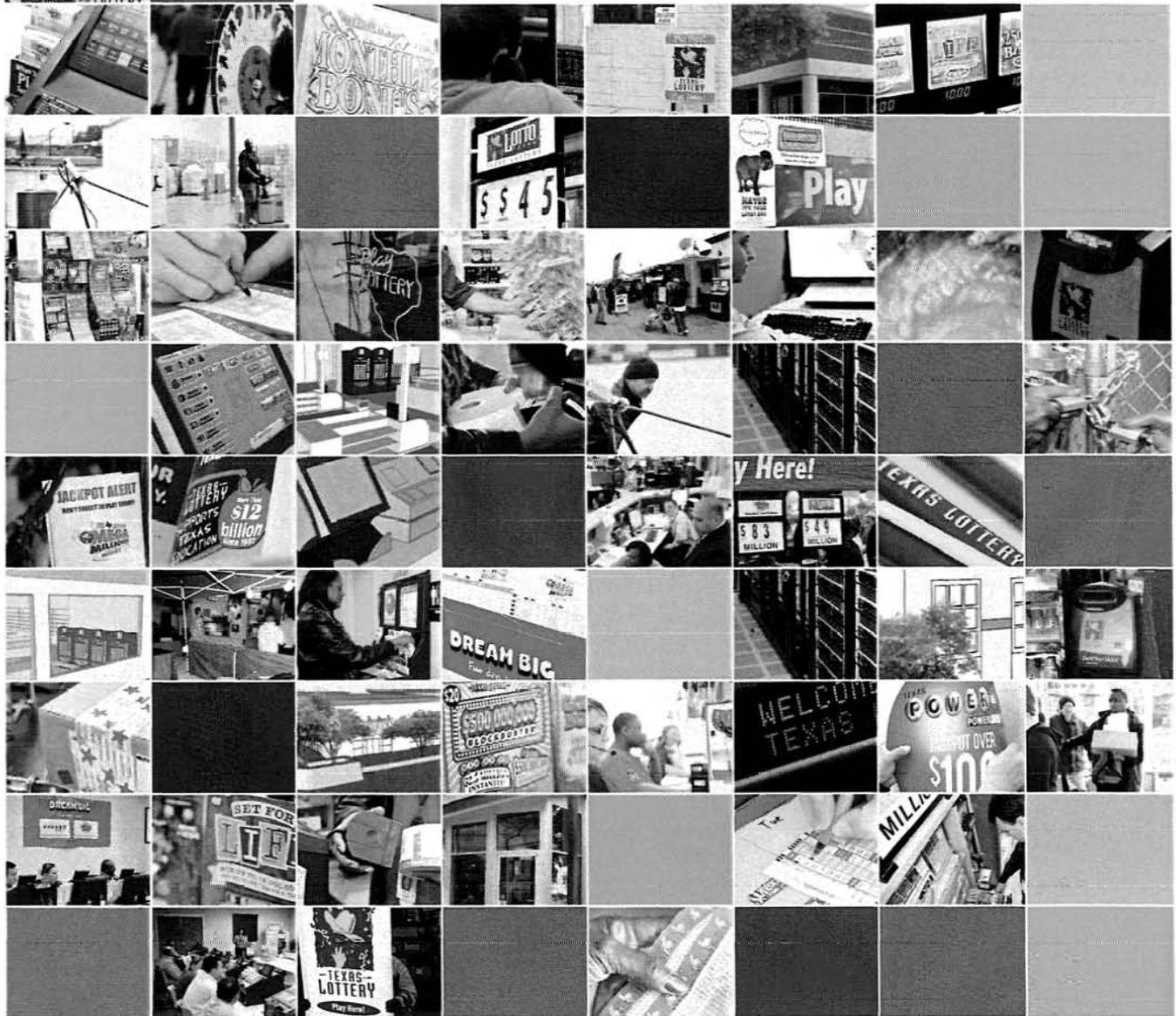
In summary, either method can be implemented in the new system. We look forward to discussing the options, as well as the pros and cons of each method, with you.

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# 7.12

## Sales Terminals and Related System Sales Equipment



# 7.12

## Sales Terminals and Related System Sales Equipment

### Introduction

The TLC is among the largest, most successful lotteries in the U.S. To remain at the vanguard of our ever-evolving industry, you need robust, high-performing sales devices. GTECH's devices and services will meet or exceed your requirements *and* your profitability expectations. That's because what we offer you is more than just terminals. We offer experience, know-how, leadership, and, perhaps most important, the close relationship we've built with your retailers. With every terminal we install comes the GTECH team – ready to bolster your efforts to get the most and the best out of every Texas Lottery retailer. From placing to servicing to improving your sales devices, we're ready to support your retailers and your service goals.

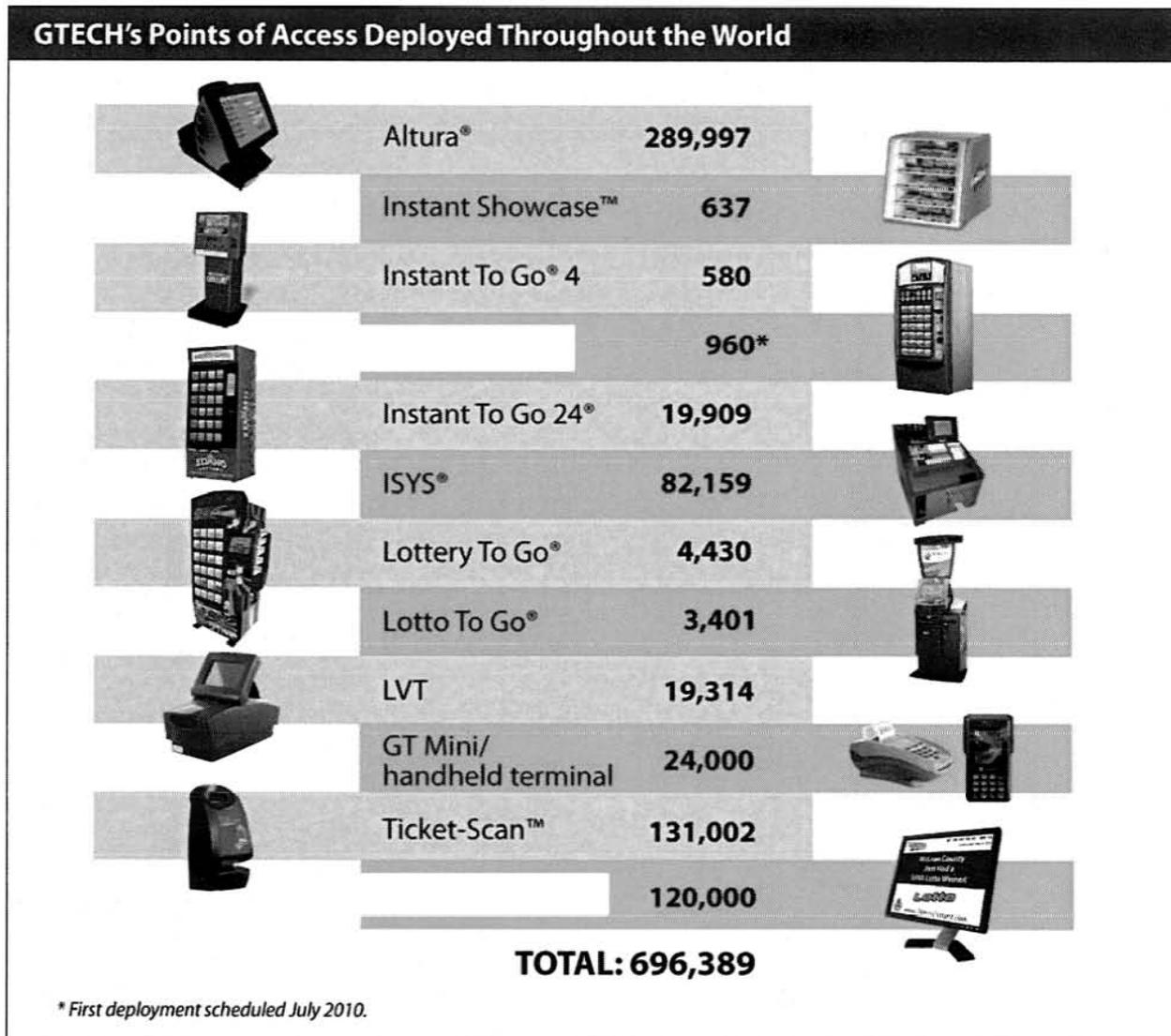
### The Family of Terminals

When developing our retail sales solutions, we always keep four key considerations in mind. These considerations turn into principal features of our terminals. Ultimately, they become important assets to you, your retailers, and your players.

- **Future-Proof:** The TLC needs a terminal that will last the entire contract period. This means our proposed terminal must be designed to easily support updates as new technology is developed. In this section, we explain how our terminals adhere to this essential requirement.
- **Ergonomic/Ease-of-Use:** Because efficiency leads to increased revenue, every aspect of our terminal design, from hardware to software to the Graphical User Interface (GUI) design, is focused on making your retailers as efficient as possible.
- **Reliable:** Our terminals are rugged, designed to withstand harsh retail environments, because uptime equals sell time.
- **High Performance:** We provide the industry's fastest readers and printers, which means quick, convenient sales – a benefit for both retailers and players.

These four essential features and their benefit to the TLC are highlighted throughout this section. Another thing we'll be mentioning is flexibility – the flexibility that comes from having an array of sales devices. To meet your requirements, we've picked the best devices from our Family of Terminals. They offer the flexibility that will allow you to manage your always-changing lottery environment and take advantage of new opportunities.

**Figure 7.12 – 1:**



**Sales Solutions You Can Count On:** We look forward to delivering the right products to the right locations to make the Texas player experience the best it can be.

## Terminal Installation

Once you've decided on your terminals, they have to be delivered, installed, and readied to sell tickets. No other vendor has the worldwide conversion experience or the terminal installation know-how we do to make this conversion virtually risk free. For instance:

- When the ISYS terminals were installed in Texas, we were there, side by side with every Texas Lottery retailer, making sure everything went just right.
- Recently, we completed a major conversion for the New York Lottery from the ISYS to the Altura GT1200 terminal, the same pair of terminals we'll be working with in Texas. This successful conversion is described in detail in this section under the heading Deployment Criteria.

### **Successful Terminal Conversion in Texas**

The statewide conversion of 16,600 retailers from Tiffany terminals to ISYS and GVT terminals in 2002 was not without roadblocks caused by weather and the typical logistical problems. Still, GTECH completed the project *almost one month ahead of schedule*.

## **Table 65 Sales Terminals and Related System Sales Equipment Response Requirements**

### **65.1 Roles, Responsibilities and Detail Requirements**

GTECH acknowledges and accepts the roles, responsibilities, and detail requirements indicated in this section.

## **65.2 Retailer Sales Terminals and Related Equipment**

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### **Terminals and Initial Deployment**

We will provide, as an initial deployment, the following terminal devices, as required by the RFP:

#### **Standard and Mid-Range Retailer Sales Terminals**

The field-proven Altura GT1200 is an extension of the Altura Family of Terminals, and the successor to the popular, proven Altura GT604. It retains all the best features of the Altura family and combines them with the latest technologies to meet TLC requirements. Both the Altura GT1200 Standard and the Altura GT1200 Mid-Range terminals print and validate On-line Tickets, validate Instant Tickets, perform Instant Ticket pack management, perform accounting and reporting functions, and meet all other requirements as identified in this RFP and the contract. We will provide **17,000 Altura GT1200 Standard terminals** for the initial deployment.

Our Altura GT1200 Mid-Range terminal is based on the same software application base and general software/hardware architecture principles as the Altura GT1200, but within a 103-square-inch footprint. We will provide **500 Altura GT1200 Mid-Range Small Footprint Terminals (SFT)** for the initial deployment. *Please note that, throughout this proposal, we use the term Small Footprint Terminal (or SFT) to refer to this device.*

### **Player-Activated Sales Terminals**

The [redacted] and [redacted] are adaptations of the popular and proven GamePoint self-service terminal. Both devices print On-line Tickets, sell Instant Tickets, perform Instant Ticket pack management, perform accounting and reporting functions, and meet all other requirements identified in the RFP and the contract. We will provide **3,500 [redacted] and/or [redacted] player-activated sales terminals** for the initial deployment.

Modeled with many of the same player benefits as the Gemini Ultra, the [redacted] slim width and compact dimensions make it ideal for locations where a traditional, full-sized vending machine would be too large. Using a combination of Instant and On-Line Quick Pick push buttons located on the front of the machine (just like the full-size Gemini), the Gemini Slimline allows for up to 12 Instant Game choices and four simple-to-use On-Line Quick Pick game buttons.

### **Player-Activated Self-Check Terminals**

Our terminals are not simply designed to increase sales; they're also designed to solve issues that arise from operating lotteries, such as ensuring security for players and retailers. Our player-activated self-check terminal, Ticket-Scan, is a standalone device that enables players to check their own Instant and On-line Tickets for winners. The device indicates if a ticket is a winner but won't validate the ticket. Its display screen shows winning and non-winning information and actual prize amounts. We will provide **17,000 Ticket-Scan player-activated self-check terminals** for the initial deployment.

## Handheld Terminals

Terminal mobility opens the door to new points of distribution. GTECH's Mobile Handheld terminal is a compact, wireless unit that sells both On-Line and Instant Tickets in almost any location. This revolutionary product will let you offer players the opportunity to participate in games wherever they may be. Developed for use in select lottery markets for street vendor sales, our wireless mobile technology will let you extend your points of access to increase revenues. We will provide **40 Mobile Handheld terminals** for the initial deployment.

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## **Terminals for Claim Centers and Testing**

We will provide terminals of each type deployed in the state, to be used at Texas Lottery claim centers and for internal testing and testing by other TLC vendors.

## **Terminals Solutions Designed for Ease of Use**

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### **Retailer Sales Terminals: The Family of Altura Terminals**

The ISYS terminal has been operated by TLC retailers for many years. It's proved to be rugged, durable, and dependable. To increase retailer satisfaction and provide terminals that are future-proof, we propose the latest evolution in our line of Altura terminals:

- **Altura GT1200:** The full-service Altura GT1200 includes the fastest reader and printer in the industry, with play-slip buffering, to help busy retailers service customers as quickly as possible.
- **Altura GT1200 SFT:** The SFT is the terminal of choice when counter space is precious.

### **Altura GT1200: The Terminal of Choice**

The New York Lottery recently evaluated retailer terminals submitted by GTECH (Altura GT1200) and a partnership between Scientific Games and Intralot (the Wave, which was selected for evaluation over others submitted by the partnership). After carrying out extensive performance and usability studies, New York chose the Altura GT1200 over the Wave. The reasons cited were numerous and included:

- Memory quoted exceeds need.
- Removable and integrated keypad would greatly improve the speed of retailers with high Numbers and Win4 sales.
- Sensitivity of screen worked well.
- User interface was well laid out.
- Demonstrated the fastest play slip reader at 25 inches per second (ips).

**Figure 7.12 – 3:  
Features and Benefits of the Altura Terminals**

<b>Feature</b>	<b>Benefit to the Texas Lottery</b>
Altura GT1200 optimized for the TLC	Faster reader, faster screens, and an 8.5-inch reader make the Altura GT1200 the first choice for Texas retailers. In addition, we'll customize the terminal to your unique requirements
Altura GT1200 SFT	Our SFT is based on the same reliable, proven software application base and general software/hardware architecture principles as the Altura GT1200, but with a smaller footprint
Open system architecture	Open architecture means you have more choices in peripheral devices
A keypad designed for two-handed manual entry, an Offered Option	Designed for high-volume <i>Pick 3™</i> and <i>Daily 4™</i> retailers who told us a keypad is best for this type of transaction, the added keypad will make their transition to new technology smooth and help them increase sales

Feature	Benefit to the Texas Lottery
Proven technology	The Altura GT1200 is the latest evolution of terminal technology. It is based on knowledge gained through research, consultation with retailers, and the experience of building, deploying, and maintaining more than 550,000 Point-of-Access (POA) devices worldwide
Video support	The Lottery will enjoy more advertising possibilities with our solution as well as the ability to offer monitor games at retail locations
Ease of maintenance	The Altura family of terminals is designed with modular components, which makes it easy and quick to replace parts

### Future-Proofing the Texas Lottery

The proposed Family of Terminals represents the industry's latest solutions with state-of-the-art technology applied. All of the solutions are based on open, industry-standard platforms with built-in flexibility and scalability to meet the TLC's needs for today and the future. The speed of the terminals, use of standard memory slots, integrated Peripheral Component Interconnect (PCI) interfaces, extra Universal Serial Bus (USB) and Local Area Network (LAN) ports are just a few examples of how the Family of Terminals is an investment in the future. All terminals work in coordination with our proposed GTECH

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## Picking the Best-Fit Altura Terminal for the Retailer

### *High-Volume Retailers*

Many options exist if you want to deploy terminals of different sizes, performance levels, and features. To support the Texas Lottery and the demands of its high-volume retailers, we propose the Altura GT1200 terminal, which supports a 64-bit architecture. It's great for busy retailers that require a fast terminal to support all lottery products and services, e.g., in-store digital signage displays.

### *Retailers with Limited Counter Space*

**The Altura GT1200, particularly the SFT, has unique features that make it ideal for small countertop spaces.**

While the mid-range SFT is designed to meet the needs of retail locations where counter space is at a premium, GTECH will collaborate with the TLC to determine which terminal should be placed at each retail location. Our determination will be based upon an analysis of each retailer's sales figures, signage needs, and counter space requirements. The Altura GT1200, particularly the SFT, has features that make it ideal for small countertops; each terminal:

- Can be placed directly next to other objects; no room is needed to ensure it doesn't overheat. Retailers can place other items for sale right next to the terminal without risk.
- Is longer than it is wide, which leaves more counter space facing shoppers. A wide terminal takes up more "real estate," blocking players and other Point-Of-Sale (POS) products.
- Has an ergonomic design making the terminal easy to place and use.
- Has a main unit that's separate from the printer, so retailers can place the printer wherever they choose. Some retailers have told us they like to have players take their own tickets; others don't. With a separate printer, retailers can place the printer on the counter facing the player (or not facing the player) or in a different place, off the counter – so that the counter footprint is much smaller. Terminals with attached printers or printers inside the main units don't offer this flexibility.
- Can employ our optional printer stand, which allows retailers to place the printer on top of the terminal, saving even more space!

The latest member of the GTECH Family of Terminals – the Altura GT1200 – will be designed to your specifications and options.

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## Evolution of the Altura Terminal

GTECH invests about \$8 million a year in Research and Development (R&D) for POA solutions. As a result, we've developed an entire suite of online, self-service, and handheld terminals that meet lottery objectives and retailer needs. Over the last 10 years, based on R&D and customer feedback, we've continued to develop the Altura GT1200 so that it remains the standard for the state-of-the-art, high-performance retailer terminal demanded by our industry. Built upon the best qualities of its predecessors, today's Altura GT1200 is the most highly developed, full-function lottery retailer solution on the market. The following graphic depicts the terminal's evolution.

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## Altura GT1200 Technology: Field-Proven but Modern

The current Altura GT1200 provides the latest technology in terms of terminal design and functionality.

**Figure 7.12 – 7:  
The Latest in Terminal Development**



**Designed to Perform:** The Altura GT1200 is designed with hardware and software that will enable it to accommodate the TLC as it adds retailers, games, and services.

The first Altura was shipped in 2000. Since that time, we have delivered 289,997 units. The most current version, the Altura GT1200, was first delivered in July 2009. There are currently approximately 17,000 Altura GT1200s installed in New York, generating approximately \$130 million in weekly sales.

**“The machine is good, don’t change ANYTHING!”**

Retailers are already expressing their satisfaction with the Altura GT1200 in New York. For instance, Mr. Patel of World Books, a retailer located two stories below ground in New York City’s Penn Station, appreciates the performance of his new Altura terminal. Mr. Patel also happens to be one of the most successful lottery retailers in the world, with over \$9 million in annual lottery sales. When approached for feedback, Mr. Patel answered, as only a happy retailer would: “The machine is good, don’t change ANYTHING!”

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### **The Altura GT1200: Features and Functions**

In this next part of Section 7.12, we describe how our Altura terminals meet or exceed each of your requirements. *Please note, all references to the Altura GT1200 throughout the rest of this section pertain to both the Altura GT1200 terminal and the Altura GT1200 SFT unless otherwise specified.*

The Texas Lottery's next retailer terminal must fit the unique environments of nearly 17,000 Lottery retailers, many of which operate out of convenience stores, liquor stores, and gas stations. Some have limited space, while others have ample counter room. The Altura GT1200 was designed to fit a variety of retail spaces, and it's easy for anyone to use.

As shown in the next figure, the compact Altura GT1200 consists of two separate modules: a base unit and the AccuTherm Ultra thermal printer. The base unit comprises four components:

1. The CIS document/play slip reader (scanner).
2. The external 2D image bar code reader.
3. The flat panel touch screen monitor.
4. The controller, which includes:
  - A motherboard.
  - An Alternating Current (AC) universal input power supply.
  - A cooling system.
  - PCI expansion.
  - An LCD assembly single interconnect.

**Figure 7.12 – 11:**

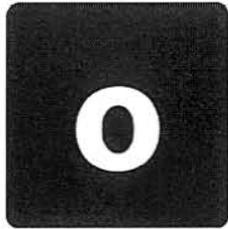


**Integrated Design with Retailers in Mind:** The Altura GT1200 is designed using industry best practices, feedback from retailers, and our nearly 30 years of lottery experience. Each component complements the others.

### Integrated Design – Outstanding Performance

The Altura GT1200 was designed with two separate but integrated modules, the printer and base unit. This allows the retailer, whether operating a large store or small kiosk, to arrange the terminal and printer in the most convenient way.

## Printer Mount



To save even more space, the retailer can place the printer on the back of the Altura GT1200 terminal by simply attaching a mount. GTECH will provide the printer mount as an **Offered Option**, available at an additional charge.

**Figure 7.12 – 12:**

### Saving Valuable Retailer Counter Space



**No Extra Space Required:** Both the Altura GT1200 and the Altura GT1200 SFT can be equipped with a printer mount. It allows retailers to fit the AccuTherm Ultra printer within the terminal's small footprint.

## Cabling

With the Altura GT1200 and SFT, you will get a well-organized interior design, including an orderly arrangement of interior cabling and components. Most of the components (display screen, image reader, etc.) are cabled inside

the main unit of the terminal and, therefore, will not impact the retail location by being obtrusive. The entire terminal is covered by a protective plastic covering that's easy to clean. This means the retailer can go about his or her business without fear of damaging sensitive pieces of the terminal. The separate printer also does not allow access to electronic and electrical components, even when the paper is changed.

The Altura GT1200 unit has one power cord from the terminal to the wall outlet; it is 10 feet long with a three-pronged, grounded plug. The terminal also has one power cord from the back of the terminal to the printer and one interface cable from the back of the terminal to the printer. There is one cable for communications and one for the customer display screen. Our power cords are compliant with guidelines established by Underwriters Laboratories (UL) and the National Electrical Code (NEC).

There are vendors that state a terminal footprint of a certain size, but in their measurements they neglect to include the counter space taken up by the cabling behind the terminal. Our measurements include the protected cabling. The following figure compares the back of the Altura GT1200 and the back of "Brand X" terminal.

**Figure 7.12 – 13:**

The AccuTherm Ultra printer adds 10 watts to the power consumption at idle (when powered by the AC power receptacle on the back of the terminal). This means it can share electrical circuits with other electrical devices when installed on a typical 15A or 20A electrical circuit. Advantages of this are:

- Simplifies the effort required of new locations to prepare for a terminal.
- Saves retailers the cost of installing a dedicated electrical circuit. Saving new retailers money, including start-up costs, leads to less resistance to selling Lottery products.

**The Altura GT1200 has eight additional, unoccupied ports that are available as the TLC expands its services.**

The Altura GT1200 terminal meets the surge requirements of International Electrotechnical Committee (IEC) 61000-4-5 installation class 3. In general terms, compliance with this standard means the device is protected against typical power line surges of up to 1,000 volts line-to-line and 2,000 volts line-to-earth. This provides:

- Significant protection from lightning strikes and other power surges without a power strip or surge protector.
- Increased retailer uptime and minimal inconvenience.

## Port Utilization

How you utilize the ports depends upon which options or peripherals you select. The following graphic shows the equipment lotteries choose most.

**Figure 7.12 – 14:**

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**Sales Terminals and Related System Sales Equipment**

## Moisture, Dust, Grease, Spilled Liquids, Operator Abuse

The Altura GT1200 is built to resist dust and liquid. The entire device is covered with a plastic casing that protects components and is easy to clean. The internal fan helps remove dust. The touch screen is resistant to spills and other types of damage. It also stays where it's put when adjusted; even in the toughest environments, the screen doesn't shift under the sales person's fingertips.

### **Figure 7.12 – 17: Perfect for High-Volume Retailers**



**Terminals with Endurance:** Dust and spills are inevitable; therefore, high-sales retailers need a terminal that can handle continual usage and the wear and tear of the retail environment.

## Made for Diverse Environments

With 289,997 Altura terminals deployed worldwide, we've encountered quite an array of environmental conditions, including the extreme temperature fluctuations in North Texas, the humidity in Houston, and the desert heat of West Texas. The proposed Altura GT1200 will meet the broad spectrum of environmental conditions in Texas.

**Figure 7.12 – 18:  
Environmental Specifications of the Altura GT1200**

In fact, before we outfitted the Altura GT1200, we reviewed the various conditions under which your retailers operate their terminals. Our local team has a close relationship with your retailers across the state and is, of course, very familiar with their locations, which aided in our review. In addition, team members live in Texas and *know* the environment. So the environmental fitness of the proposed Altura GT1200 is truly something we stand behind.

**Figure 7.12 – 19:  
Durability Matters**



**Dependable Terminals:** Replacing the ISYS workhorse terminal with the next-generation Altura will provide TLC retailers with a superior, durable terminal for many years to come. It's built to withstand all kinds of environmental conditions from high humidity and heat to spilled drinks and lots of dust.

## Other Operating Locations

The Altura GT1200 will need to be outfitted to sell TLC tickets in non-conventional locations, such as Promotional Trailers. With our cellular and technology, it can be set up in minutes by just one person and without additional equipment. Because we're committed to your success, we look forward to helping you prepare for about 52 events and festivals a year to ensure your terminals, communications network, and supplies are ready for the crowds. In FY2009, almost 2.5 million people attended fairs, festivals, and summer events in Texas where the Promotional Trailer was stationed and open for business. Lottery sales at these events added up to \$1,006,000 for the year.

**Figure 7.12 – 20:  
Bring the Terminal to the Party**



**Versatile and Mobile at the Arkansas Pass Shrimporee:** Rain or shine, the Texas Lottery needs terminals and supporting equipment that can operate in unique environments such as aboard the Promotional Trailer.

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### GTECH Retailer Touch Screen: Market-Proven, Texas Lottery-Ready

Our Altura touch screens provide highly durable user interfaces:

- The Altura GT1200 touch screen is equipped with Surface Acoustic Wave (SAW) technology, which is rated at 50 million touches per point.
- The SFT touch screen is equipped with resistive technology, which is rated at 35 million touches per point.

Both touch-screen types are designed to display crisply detailed fonts and icons, an array of rich colors, and a wide range of data, graphics, and video.

Of note, the 8.4-inch screen on the SFT is larger than that of some competitors' small footprint terminals; as the screen size diminishes, the risk of retailer error increases.

#### *Our Easy-to-Use Touch Screen GUIs*

The Altura GT1200 combines several technologies (rugged touch screen technology and flexible software) to provide an extremely easy-to-use interface. The fonts, colors, and screen layouts are designed to make reading retailer messages, reports, and transactions (including lists of past transactions) a simple task.

To provide the TLC with the best-possible user interface, we redesigned our Altura GT1200 GUI. We leveraged our expert R&D team to help us apply the trends and best practices of the Information Technology (IT) industry and also utilized our own extensive retailer research. The result is a GUI with features familiar to your retailers and therefore intuitive and easy to use.

Our new GUIs automatically display the entire transaction a retailer or sales associate is processing. When manually entering a game, the retailer sees a “build a ticket” feature on the game’s GUI screen as he enters the sale. This helps him see that he’s entering the correct numbers and what the sale will be – and eliminates the frustration of cancellations and adjustments. (As with every aspect of our offering, we will continue to improve our GUIs over time as innovation in the IT industry continues.) **Information Redacted**

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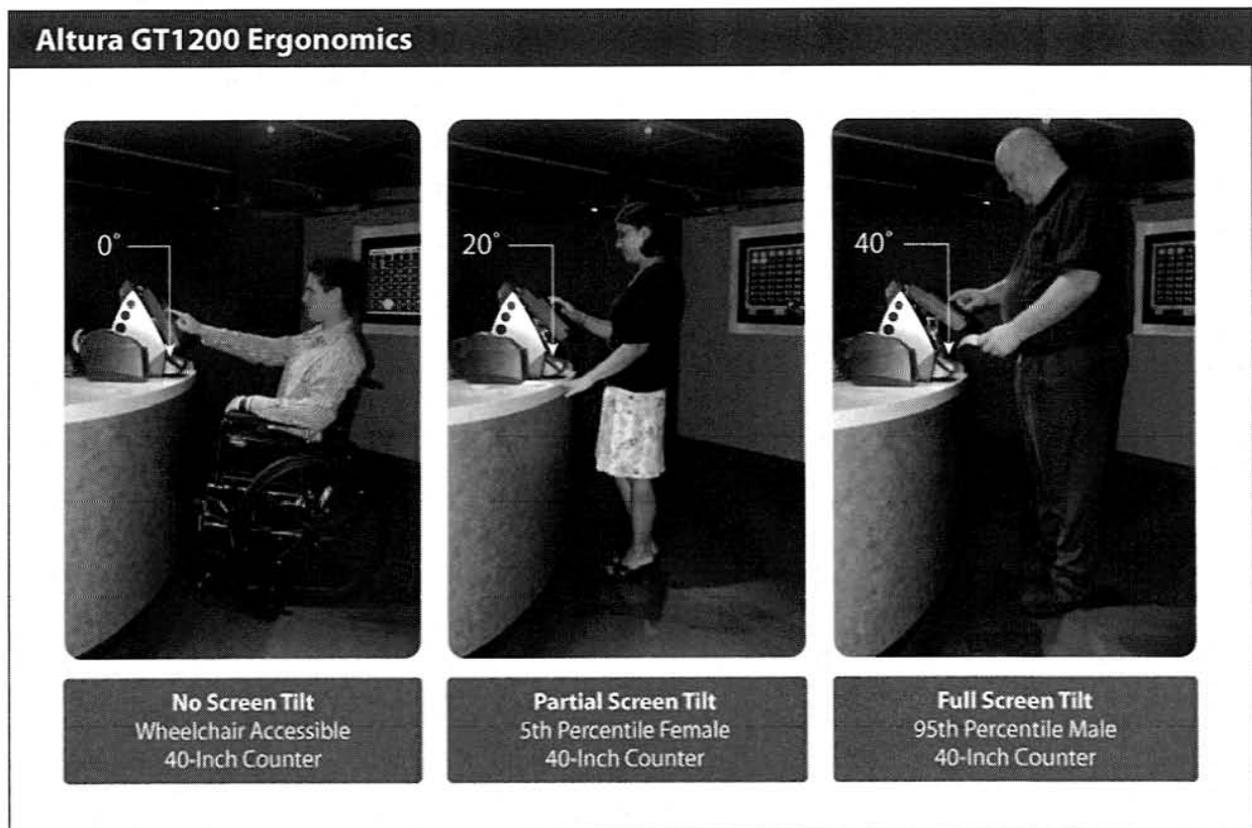
Texas Lottery retailers will find our GUIs logical and straightforward. For instance, the keypad display for every game remains the same, allowing retailers to learn the screens and become very adept at moving through transactions.

### *Customizable Screen Functions*

The Altura GT1200 provides sufficient functionality to support your current games as well as new games and gaming options. Because the GUI is software-programmable, it is easy to make quick changes to it. We will be happy to work with you to design the colors, locations, graphics, and text labels that you know will work best for your retailers.

### *Viewing Angles*

Retailers have varying degrees of lighting, both natural and artificial, in their stores. The high resolution and brightness of the Altura GT1200 screen allows for a clear display of easy-to-read fonts, detailed icons, and vibrant graphics; all can be seen from a variety of distances and angles and under varied lighting conditions.

**Figure 7.12 – 22:**


**Retailer's Choice:** The various tilt settings and automatic contrast adjustments fit a wide range of viewing needs and will provide Texas Lottery retailers with a terminal all clerks will enjoy using.

The display provides easy viewing for retail clerks of all heights in all lighting conditions. The brightness of the display can be easily adjusted; contrast is automatically set and doesn't require adjustment. The position of the display is also easy to fine-tune; a variety of angle adjustments enable each member of a retailer's staff to position the display for his or her own comfort and eliminate any glare from overhead lighting and/or sunlight.

Additionally, retailers appreciate the display's hinged design feature. Because the screen is hinged at the top and adjusts away from the terminal, it doesn't impact any devices located in the rear of the terminal. Another benefit of the screen's design is that clerks can adjust the screen's angle from the front and bottom of the terminal, eliminating the need to extend their arms above their shoulders to reach the screen. And finally, clerks will have the added advantage of being able to view the display whether standing to the right or left of the terminal.

**Figure 7.12 – 23:  
Off-Center Viewing**



**Side Angle Viewing:** With a 70° side angle, retailers can still easily read the screen, even when reaching for items that are far to the side of the terminal.

### *Best-Practice GUI Design*

GUIs play a critical role in a lottery's success. As such, we design our GUIs to outperform those of our competitors; we use a step-by-step approach developed by recognized experts. Without well-designed GUIs, retailers converting from a keypad to a touch screen may be frustrated. Even after initial adjustment to a poorly designed GUI, retailers may face a slower process, which could compromise their sales potential. Our GUIs incorporate feedback from retailers who are already using our Altura terminals. Their comments are included in the bulleted list of features on the next page.

**Our GUIs are built based upon feedback from retailers using our installed Altura terminals worldwide.**

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We will work with you to develop the final user interface design. Each game will be set up with default play parameters, and a subsequent wager will use the same parameter setting unless the wager details are altered by the retailer. Please note that every game in the Altura GT1200 baseline has a set of default parameters. To view examples of a retailer selling a ticket, please refer to **Exhibit 25, Retailer Interaction DVD**, which is located in the Exhibits Volume.

**Figure 7.12 – 24:  
Selling Tickets Is Easy with Best-Practice GUIs**

Because best practices and principles of design are important to us, we follow a specific set of rules to create customized GUIs in partnership with our customers. For example, consistency is a major principle of our GUI design. Following are many of the best-practice features included in our GUIs.

- Our design minimizes keystrokes as well as navigation through levels of nested screens. This makes the GUI very usable and helps sales people be more productive.
- Every game's GUI has the exact same keyboard and location of functions, such as Quick Pick and Manual Entry, so learning a new game is intuitive.
- Shortcuts are included that allow the retailer to quickly move from game to game and achieve other functionality with a minimum of touches and page changes; improves retailer convenience and efficiency.
- The keystroke flow is intuitive and easy to learn.
- Common activity is laid out to minimize keystrokes. For some games, especially numbers-type games, keying efficiency is essential to gaining retailer acceptance.
- Screen design is forward-thinking, so the addition of new games or features won't cause a rearrangement of existing buttons.
- The layout of the GUI enables sales staff to operate at maximum efficiency. GTECH's experience with high-volume retailers, especially those who manually enter numbers-game tickets, has given us unique insight into how to optimize retailer workflow. It's not enough to simply produce a single ticket quickly; the terminal interface must focus on overall operator efficiency.

The sample screen in the following figure shows how simple it is to sell lottery using a GTECH-designed GUI.

**Minimize Keystrokes and Maximize Efficiency:** You can either enter numbers manually or hit the Quick Pick button in the lower right-hand corner. Hit Send and you're done!

#### **GUIs that Outperform the Competition**

A retailer or sales clerk shouldn't have to maneuver through two to three nested screens to place a wager, so we designed a simple and direct way to place wagers with our GUIs, with several shortcuts. In other words, **there are no mazes to navigate.** High-volume retailers especially like these features. They also help increase the overall player experience and improve same-store sales. You will see that our GUIs – designed for clarity and consistency – really do make a difference.

In our experience, retailers quickly learn the pages and then move very quickly through their sales. “Power users” often don’t even need to look directly at the screen. On the game pages, the GUI “keyboard” has a 3D quality to it – the buttons appear “pushed” on the screen after being touched. Other GUI features include:

- Support for repeat/bulk printing of plays.
- Customized screens designed for optimal use by left-handed or right-handed users.
- Easy access to the Help screens and the Altura GT1200’s training mode.

### *Our Step-by-Step Approach to GUI Design*

When we set out to create highly functional GUI designs with a customer, we use a step-by-step process that includes the expertise of a Certified Usability Analyst (CUA), as well as a “usability” and user-centered design approach. We’ll use this process in collaboration with the Lottery. We believe the resulting GUIs will provide Texas Lottery retailers with an enjoyable user experience. The GUIs will be logically configured for beginners to learn and enable experienced users to move through sales as quickly as possible.

Our GUI design staff includes personnel who have completed CUA training and passed the Human Factors International (HFI) Usability Analyst Certification exam. HFI is the world’s leading strategic advisor and provider of user-experience design services to the private and public sectors. HFI’s Schaffer-Weinschenk Method is the only International Organization for Standardization (ISO)-certifiable process for user-centered design. The method is built upon principles from the human-computer interaction, ergonomics, psychology, computer science, and marketing fields.

The steps of the process are described in the following pages.

**Figure 7.12 – 26:  
GUI Design Personnel**



**Certified Usability Analyst:**

Collaboration among the Texas Lottery, GTECH CUA Rabia Karatela, and our Business Analysts (BAs) will provide your retailers with GUIs optimized to their unique needs.

**Step 1: Use Recognized Industry Experts**

With a CUA in our group, we've enhanced our ability to create the best GUIs. CUAs are trained to keep the user perspective in mind when developing GUIs. To achieve certification, a CUA must complete coursework in user-centered design, usability testing, effective Web and application design, and putting usability research into practice. User-centered analysis is now the foundation of our GUI development cycle, benefitting our retailer-facing and player-facing products.

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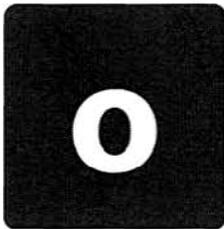
**Confidentiality Claimed**  
**Not released**

## Confidentiality Claimed Not released

Our strategic approach to GUI design is all based on one goal: to ensure the Texas Lottery's success.

### Keypad

As the vast majority of Numbers Game play happens through manual entry, you *must* have a terminal capable of supporting heavy manual entry. A terminal that's designed upon a proven, tested foundation *and* outfitted to meet its retailers' manual entry needs will be a big benefit. That's why we took great care in designing the Altura GT1200 for your high-volume retailers, and why we suggest supporting these retailers with keypads to facilitate manual entry.



For these retailers, one of the most valuable components of the Altura GT1200 may be the ergonomically mounted, full-travel keypad, which facilitates manual, two-handed entry. To complement our easy-to-use touch screen, we will provide additional terminal-mounted keypads as an **Offered Option**, available at an additional charge.

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Not released

**Figure 7.12 – 29:  
The Altura GT1200 Terminal-Mounted Keypad**



**Designed for Speed:** The Altura GT1200's ergonomically designed optional keypad allows retailers to quickly key in numbers, for faster sales.

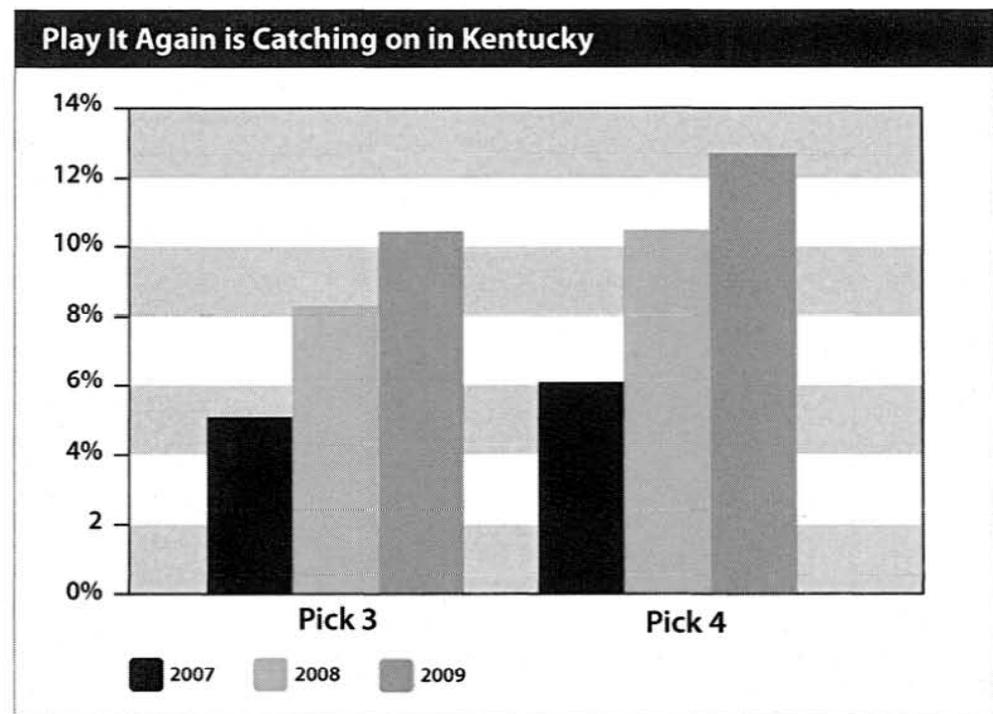
Our experience with the use of external keypads and touch screens is that *only* an ergonomically mounted design facilitates two-handed entry – a feature many of the highest-volume Texas Lottery retailers demand. Should you choose this option, you will have the best of both worlds: a cutting-edge touch screen with a custom-designed GUI, plus a full-travel keypad for manual entry.

In addition to our keypad solution, we would like to introduce to the TLC and its retailers another GTECH innovation, Play It Again.

### Play It Again

In the summer of 2007, the Kentucky Lottery requested that we develop an alternative method for players to play their favorite numbers. Our engineers went to work to design and implement the Play It Again solution as an enhancement to the Kentucky Lottery's offerings. Play It Again was a great success right from the start and continues to grow, as shown in the following figure. As part of our base offer, we would like to offer the Texas Lottery this exciting new service for its dedicated numbers players.

**Figure 7.12 – 30:**



**Proven Growth:** In Kentucky, Play It Again improved retailer and player convenience and increased sales.

Quite simply, Play It Again allows a player to play his or her last wager again, quickly and easily. By scanning the original wager's bar code, the retailer duplicates the player's wager information for the next scheduled drawing. With Play It Again, retailers don't have to enter new numbers manually, and players don't need new play slips.

*"Play It Again is the best thing to come out since the Lottery has been around. I've played the same numbers for years and get tired of filling out play slips. It's fast and easy and there's no confusion or mistakes made."*

– Cindy Taylor, player, Better Way Food Mart, Kentucky

*"It's wonderful! Being a busy store, we can't punch numbers in manually, and having the Play It Again button keeps our truly dedicated customers, those who play the same numbers all the time, happy. That makes me happy."*

– Ann Morrison, retailer, Kroger's, Kentucky

Play It Again can be used as an option for specific games. With Play It Again, the terminal scans the wager and sends a transaction to the gaming system, and then retrieves the details of the wager so that a duplicate wager can easily be placed. Upon wager confirmation, the terminal prints out the exact wager shown on the first ticket, and the player pays only the cost of the duplicated ticket.

### **Thermal Paper**

GTECH will provide all thermal paper for printing On-Line Tickets. This topic is discussed later in this section (near the middle of the section), under the heading Preprinted Ticket Stock. Thermal paper ticket stock temperature requirements will be met. This topic is also discussed later in this section (near the middle) under the header Thermal Ticket Stock Temperature Requirements.

### **No Manufacturers' Logos**

The terminals we provide won't have manufacturers' logos attached. However, all terminals and peripherals, as designated by the Lottery, will bear serial numbers or bar codes for tracking purposes. The terminals can be also customized with Texas Lottery-specific trim kits.

**Figure 7.12 – 31:  
The Altura GT1200 Casing**



**Looking Good at the Point of Sale:** The Altura GT1200 has a clean, modern appearance suitable for the majority of retail environments.

## FUNCTIONALITY

As noted in the introduction to this section, we design our terminals to be future-proof, easy to use, reliable, and fast. A future-proofed terminal is one that – along with a great gaming system – provides the functionality that allows you to better understand and manage your business and to engage with players and provide them quality services as your business enterprise evolves. In this section, we describe how our future-proofed sales devices provide the functionality you require.

### Media and Code Types

The Altura GT1200 terminals are equipped to handle various media and code types and to identify the applications that may use them. The media and codes include, but are not be limited to, the capabilities described in the following pages. Further descriptions of media and code types and applications are presented later in this section under the CIS and Bar Code Reader headings.

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§552.101/466.022/552.139

### Instant Ticket Pack Management

The Altura terminals, working in harmony with our [redacted] fully satisfy all requirements for the support of Instant Ticket transactions at TLC retail locations. Together, the Altura terminals and [redacted] form a powerful instant management solution that's integrated and field proven. They'll provide your retailers and Lottery Sales Representatives (LSRs) with a robust set of functions and reports enabling them to easily conduct business. Just as important, they'll find the terminal and system intuitive and easy to use.

## Packs and Single Tickets, Boxes/Cartons of Tickets, Instant Tickets of Various Sizes, and Bar Coded Coupons

Our proposed retailer terminals and the system will support all the requirements included in the RFP. These include, but are not limited to:

- Pack activation before sales and validations.
- Boxes/cartons of tickets.
- Capability to process Instant Tickets of various sizes.
- Comprehensive support of unique Instant Ticket bar codes.
- Rules-based security grid to define acceptable status changes.
- Inventory transactions and messages for LSRs.
- Full and partial pack returns when allowed.
- Secure Instant Ticket validation transactions with support for cross-validation.
- Secure keyless validation.
- Multiple pack settlement techniques to initiate invoicing for different retailers.
- Pack transactions that do not require a pack activity card.
- Comprehensive Instant Ticket status and transaction-activity reporting for retailers and the TLC, including combined business reports incorporating both Instant and On-Line product results.

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## Accounting and Reporting Functions

Reports are easily retrieved from the Report Menu on the retailer terminal GUI. Standard terminal reports available to the retailer and authorized staff include:

- **Invoice Report:** Generated weekly by this report summarizes the financial liability of the retailer for each product group (On-Line Games and Instant Games). Data for Instant Games includes:
  - Settled packs (sales).
    - Game and pack number.
    - How settlement was performed.
  - Returns (credit amount).
  - Cashes (prizes paid, credit amount).
  - Sales commission.
  - Cashing commission (if used).
  - Bonus (credit amount).
  - Adjustments (if any; credit or debit as appropriate).
- **Pack Status Report:** This provides a listing of all packs of a specified game assigned to a retailer and the status of each pack.
- **Summary Inventory Report:** This report lists, for each game assigned to a retailer, the number of packs in-transit, confirmed, active, and settled since the last invoice.

- **Detailed Inventory Report:** This provides a listing by pack number of all packs assigned to a retailer and the status of each pack.
- **Settled Pack Report:** This report lists the game and pack number of each settled pack, along with the date on which it settled and who (or what) caused the pack to settle. The person requesting the report may select either the current or the previous week's report.
- **Additional Reports:** The following reports will also be available:
  - **Confirmed Packs Report:** Lists all packs currently in confirmed status.
  - **Active Packs Report:** Lists all packs currently in active status.

Invoice reports can be viewed for the current week and multiple historic weeks based upon the TLC preference. All reports will include the words "Information only – Not for Sale" or a similar Texas Lottery-approved message at the top or bottom of the report.

## Play Slips

### *Play Slip and Document Scanner/CIS Reader*

When designing the Altura GT1200, we considered what your retailers might find valuable, for instance, accurate scanning of player-completed play slips and other gaming documents. The last thing a new terminal should do is slow down retailers when selling tickets.

We held several focus groups to discuss the benefits and features of the Altura GT1200. We found that retailers liked the placement of our integrated CIS document reader, which allowed them to drop a document into the top of the reader and have it empty in front of them. A recent focus group conducted by the Reilly Group to research lottery retailers' needs confirmed that they appreciate the speed and ease of use of our Altura and its integrated reader.

*"I want them to get that machine right there because it's easier for us to run, it's simple, it's fast, and it's quick. We can drop them down in there, boom, boom, boom, we're done. And I also like Check Your Own Ticket."*

– Focus group participant

**Figure 7.12 – 32:  
Altura GT1200 Reader**



**Quick and Easy Sales:** The Altura GT1200's document/play-slip reader makes selling tickets a snap.

### *Scanning Play Slips with a Flexible Reader*

The Altura GT1200's integrated reader can scan winning tickets, play slips, and play slip-sized documents. We designed the reader with "intelligent" flexibility. That means our integrated 8.5-inch CIS reader for the Altura GT1200 and our integrated 4.5-inch CIS reader for the SFT allow play slips to be inserted top or bottom first. Play slips can also be inserted at the center, off-center, right-handed, or left-handed along the transport input throat. They can even be inserted at any angle, although the "intelligence" built-in causes the reader to reject a play slip if the angle is so skewed it could damage the slip. In other words, the reader won't allow an angled document to be damaged. Now that's what we call an *intelligent* reader. And if a play slip is incorrectly marked, the terminal simply pops the document back out the top, so there's no retailer confusion about whether it was read or not.

### *Reading Play-Slip Colors and Graphics*

The Altura's CIS reader easily reads a variety of colors and graphics on play slips. You can choose from more than 120 different Pantone-formatted colors for creative play-slip design. The reader also allows great latitude in terms of markings by players, and special markers aren't needed – standard black or blue ink or pencil is acceptable.

### *Default to Ticket Validation Mode*

As stated, the integrated CIS reader is located inside the Altura GT1200, just behind the touch screen. Thus retailers can drop any Lottery-recognized item (other than Instant Tickets) into the top of the reader and have it empty in front of them. The reader defaults to the proper mode when a Lottery-recognized item is inserted, and the display immediately indicates a successful read, avoiding the possibility of retailer confusion and duplicate transactions from repeated player requests. Other terminals may not offer as rapid a response, causing the retailer to rescan the play slip, thereby creating a duplicate, unwanted transaction.

### *Rapid Feeding of Play Slips*

The SFT reads at a rate of 18 inches per second. The Altura GT1200 reads at a rate of **25 inches per second** (ips). The Altura GT1200's speed cannot be surpassed by any other vendor's terminal. We designed the reader to quickly read play slips so that retailers won't skip a beat during high-volume periods. Part of the speed is that retailer don't need to strain to justify the position of play slips when scanning them because the slips can be inserted at the center, off-center, right-handed, or left-handed along the transport input throat as mentioned above. Thus retailers can process a big stack of play slips quickly and with little effort.

**The Altura GT1200's speed cannot be surpassed by any other vendor's terminal.**

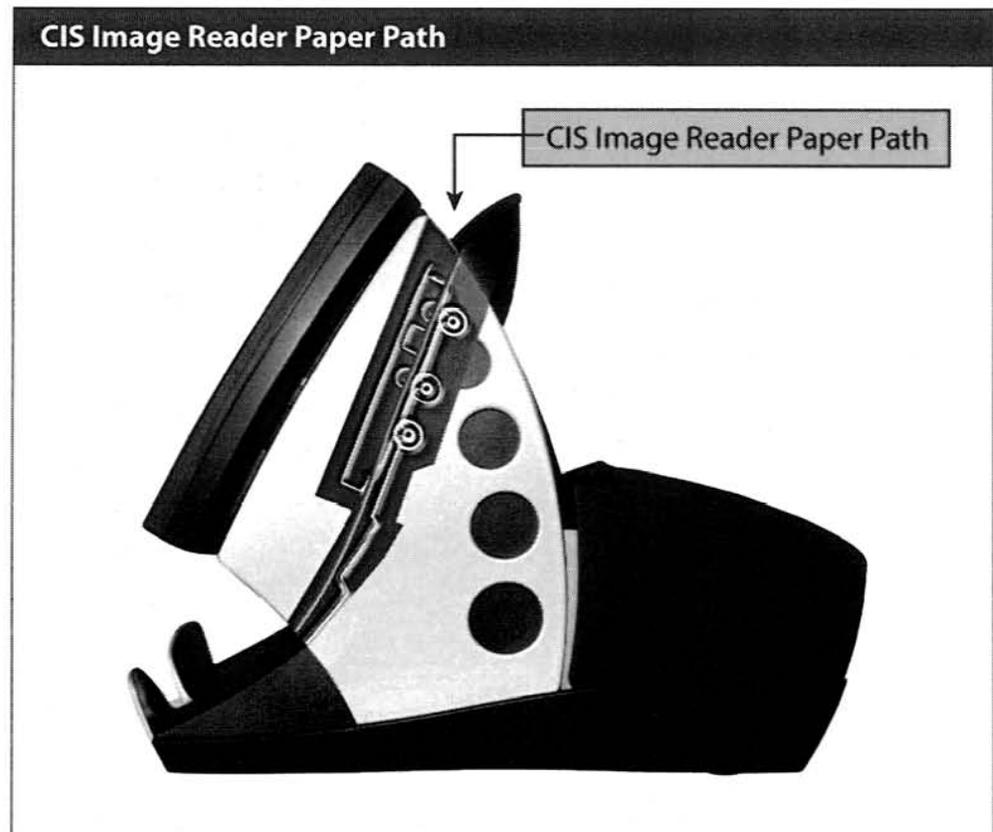
### *Play Slip Buffering*

Some terminals on the market require the retailer to wait until the transaction for one play slip is complete before the next play slip can be processed. The Altura GT1200 buffers play slips, allowing the retailer to enter one slip after another without waiting for the transaction to finish printing the ticket. Retailers' satisfaction and productivity are enhanced because they can multitask while the terminal is processing the buffered slips.

#### **Moving Lines More Quickly**

Some lottery terminals on the market today, offered by other vendors, *do not buffer play slips*, forcing the retailer to feed a play slip and wait for it to be printed before another slip can be fed.

**Figure 7.12 – 33:**



**Error-Proof Image Reading:** The Altura GT1200's reader is designed for a clear, jam-free paper path. The reader tray for catching play slips (seen in the lower left of the photo) is notable for its "lip" which ensures play slips don't fall out.

The Altura GT1200 reader also features a unique, innovative roller design that:

- Limits paper contact with the CIS read head during transport. This improves the reliability of the read-rate and reduces wear on the read head.
- Includes a thin layer of rubber around the metal roller, which reduces the impact of temperature changes on the diameter of the roller. By minimizing changes to the roller, the transport accuracy of the reader is increased.

Also notable is the tray (shown in the photo above), which has a lip at the bottom of the reader. This tray catches play slips and holds them securely – unlike Intralot's Coronis HEE terminal, which has difficulty with play slips falling through to the ground after being read.

The Altura GT1200's display immediately indicates a successful read, avoiding retailer confusion and duplicate transactions from repeated retailer requests.

In addition, service for our document reader is minimal due to modular components and the organized design of cabling and components inside the terminal. This simplifies the removal and replacement of the image reader, if necessary.

### *Reading and Processing Existing Game Play Slips*

Our terminal is capable of reading and processing your existing play slip design. The Altura GT1200 terminal's document reader uses CIS reading technology and can read many different types of media, from play slips to receipts. This technology permits a wide range of play slip-design options as well as opportunities for new products that utilize different media formats – all of which can be explored without changing the hardware.

Because the Altura GT1200's design is so retailer-friendly, it is easier and more intuitive for clerks to process wagers without customer interference, and there's no awkward reaching or stretching. Your retailers will appreciate having little-to-no problematic paper jams, and the open paper path makes clearing any jam or unreadable document a breeze. In the unlikely event of a jam, it can be fixed by the retailer in less than three seconds.

**Figure 7.12 – 34:  
Easy-Open Paper Path**



**No Hard-to-Fix Paper Jams:** On those rare occasions when there is a paper jam, retailers can open the paper path and clear any jams with one motion. It's that easy!

To clear a paper jam in the terminal, simply:

1. Push the button on top of the reader door and pull the door toward you.
2. Remove the jammed play slip or receipt and close the door firmly.

### *Random Play Generator*

The Altura GT1200 terminal has a mechanism that generates one or more random play (Quick Pick) numbers for any game requested by the retailer via keyed entry or play slip. Additionally, the Altura GT1200 can produce tickets for games such as raffles, if jurisdictionally allowed, in which numbers are selected sequentially from a pool but printed in a scrambled manner on the player's ticket. This feature provides the Lottery with a mechanism for selling tickets from a pool in a manner that appears random.

**Confidentiality Claimed  
Not released**

## On-Line Tickets

### *Validations*

The Altura GT1200 terminal offers three methods for validating and cancelling tickets:

- The external image bar code reader.
- The CIS document reader.
- Manual entry.

When validating winners under Lottery-specified terms, retailers can choose from among the three methods.

## *Cancellations*

Cancellations are governed by a set of parameter-driven rules that are established by the Lottery. To prevent accidental or inappropriate cancellation of tickets properly sold and delivered to players, the process requires the use of the actual ticket to be cancelled. Cancellation rules are configurable and will meet Texas Lottery standards. If you change your rules, our system can easily be modified to meet the newer rules.

## **Bar Coded Coupons**

The Altura GT1200 terminal's 2D image-based bar code reader serves as a multifunction reader to support POS items including bar coded Instant Ticket packs and coupons. Supporting information is discussed later in this section under the heading Bar Codes.

## **Field Service Identification Cards**

The Altura GT1200's external 2D image bar code readers are also capable of reading identification cards of LSRs, Lottery staff, or GTECH personnel requiring access to the terminals. The Altura GT1200 will recognize the various card-setting capabilities, as individual privileges can be set via a menu of options, including logging of every Lottery-related visitor to the retailer, with only a swipe. A password entry will also be established. The Lottery gaming system will receive records of any transactions that may be performed under individual ID cards. Privileges for these ID cards shall be set through a management terminal. Later in this section, under the heading Secure Passwords and Sign-on Process, we detail the various levels of password security for clerks, LSRs, and other Lottery-related personnel.

## Survey Tools

**Confidentiality Claimed  
Not released**

### Gift Cards

The Altura GT1200's 2D bar code reader quickly and easily supports prepaid gift cards and loyalty cards, as discussed later in this section under the heading Bar Codes.

### Visual and Aural Notifications

#### Aural Notifications for Winning and Non-Winning Tickets

The Altura GT1200 is equipped with sound-generating capability to produce musical tones when certain transactions or functions are performed or specified events occur as defined by the Lottery. The terminal supports WAV file format and has PC audio output to produce tone generation (beeps, clicks, and a scale of notes) through an integrated speaker. The use of sounds never delays the transaction processing time.

The terminal will trigger one of four distinct aural notifications on winning tickets and nonwinning tickets to let players know the status of their tickets. Each time a ticket is scanned for inquiry or validation, a distinct tone identifies one of the following results:

- Prize-winning tickets less than \$600, including win-a-free-ticket prizes.
- Prize-winning tickets of \$600 and greater and noncash prizes. These prizes can only be paid at a TLC claim center.
- Nonwinning tickets.
- Tickets the retailer cannot validate. This can be caused by a variety of reasons, such as the ticket is expired, previously paid, from an inactive pack, etc.

The sound volume can be controlled from the central system or adjusted by an authorized terminal technician with the terminal in maintenance mode. Furthermore, the Altura GT1200 can support auxiliary speakers as a peripheral.

### **Customer-Oriented Display**

The terminals we are offering will allow a wide variety of customer displays, enabling the TLC to target lottery game promotional messages to retail locations right at the point of purchase. This includes displays of winning numbers, jackpot amounts, purchase prices, and even the amount a player has won. Our proposed 17-inch LCD flat panel monitors capture players' and potential players' attention and showcases the TLC's branding. Functionality of the content for the display units will be programmable from the Lottery management terminals.

The beauty of our LCD screens is that by having only one device for advertising and sales transaction data, retailers can make the best use of their sales counter. After working with thousands of retailers around the world, we found that many of them want fewer lottery devices on their sales counters.

**By having only one device for advertising and sales transaction data, retailers can make the best use of their sales counter.**

We can provide functionality similar to a Vacuum Fluorescent Display (VFD) or Light Emitting Diode (LED) display with our LCDs by displaying validation data that includes winning, nonwinning, and prize amount data. That way, players can see their purchase price and the amount won right there in front of them.

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**Figure 7.12 – 35:  
Wager Information Message**



**Real-Time Input:** The system can be set up to display real-time input (such as sales transaction data or validation info).

The Altura GT1200's memory easily stores sound and static image files for presentation on the display. The stored information can be downloaded over the retailer terminal network. Feedback from retailers currently using our flat-panel displays clearly indicates that *one* compact solution, delivering a multitude of information, is both a space efficient and effective POS device.

**Figure 7.12 – 36:  
Benefits of GTECH's LCD Display Units**

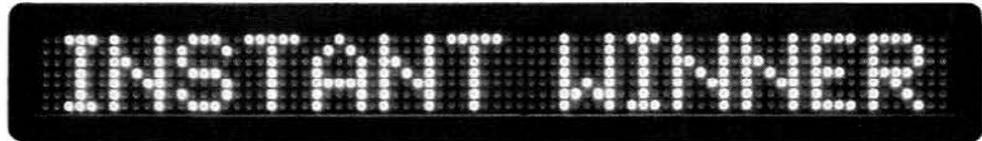
Benefit to the Texas Lottery	Description
Gets players' attention	With their compelling demonstrations, branding, and entertainment, LCDs can have a greater impact on a shopper's purchasing decision than traditional static marketing. A Tesco (United Kingdom) study found that 75% of all purchase decisions are made right at the point of sale
Boosts sales	Not only are LCDs ideal for product tie-ins, cross-selling, and other multiproduct promotions, they can also increase product sales
Promotes your brand	LCDs ensure all potential players are aware of the TLC. All locations accurately display the Lottery's messages at the appropriate time, without any action required by in-store personnel
Reaches out	Thousands of locations instantly and effortlessly receive promotions and other messages

## Player Advertising Display – Starlight

Included in our base offer where is not desired or not a viable option, our 24-inch, LED Starlight attracts and informs players. The Starlight display promotes the Texas Lottery brand, highlights product promotions, and shows last-minute jackpot information to players. The Starlight is clearly visible from 15 feet away or more.

The Starlight has a continuous-scroll feature that can cycle up to 20 different messages, allowing for a variety of announcements and notices to be broadcast. With programmable text and graphics, this sign also provides unique stored animations and many message modes and transitions. Special features such as twinkle, spray, and flash messaging-formats can be managed from the central system. You can even boost your “down to the wire” jackpot sales using the Starlight by promoting jackpot awareness to players – and potential players – in retail locations. The Starlight units can be programmed using a games management application on the Lottery management terminal by an authorized user.

### **Figure 7.12 – 37: Starlight Display**



**Continuous-Scroll Feature:** The Starlight display system keeps your players updated with visually appealing, pertinent information.

## Alternative Customer Displays – AccuView® VFD

TLC players will benefit from the AccuView VFD, a discreet display for the individual player conducting a transaction. The display will be provided for each online retail location that elects not to use the 17-inch LCD. The AccuView VFD will communicate to the player the amount of the current sales transaction data or validation data, which can include winning, nonwinning, and prize amount data.

In the event that the ticket is a winning ticket, an appropriate, Lottery-approved message will be displayed. When not displaying a transaction, the AccuView VFD can provide an advertising or informational message that is downloaded from the Content Management System. This information can include winning numbers and jackpot amounts to supplement your advertising campaigns.

The easy-to-read panel measures 8.8 inches wide x 3.7 inches high x 2.0 inches deep. The stand can be set for three heights.

**Figure 7.12 – 38:  
AccuView VFD Player Display**



**Player Security Plus:** The AccuView VFD provides TLC players with transactional information and also serves as an advertising display between sales.

The AccuView VFD has flexible messaging capabilities: advertising and promotional information can be continuously displayed, or transaction information can be interjected the instant a wager is placed. The TLC can easily change the AccuView's various text messages to keep the presentation fresh for players. Messages can even be customized for a specific segment of your retailer base. We will obtain your approval for the display design and message presentation to ensure functionality and player privacy. The AccuView will be connected to the rear of the Altura GT1200 by a USB cable.

### **Smart Card Reader**

The Altura GT1200 terminal is designed for expandability and will be equipped with an external smart card reader. The reader is described later in this section under the heading Other Equipment: Smart Card Reader.

### **Branding**

The Altura Family of Terminals play-slip scanners support ticket branding during validation transactions on the retailer sales terminals. The status of every ticket receipt presented to a retailer for validation is always recorded at the central system, whether it is a winner, loser, or game not played. Consequently, even if physical branding is not used, there is always a record of the status of the ticket on the master file.

**Figure 7.12 – 39:  
Branding and Non-Branding Differences**

	Brand	No Brand	
Visual mark on ticket reduces double validation requests	X		Brand mark alerts retailer ticket is already validated
Does not require special handling of receipt at time of validation		X	With branding, the retailer is required to place the ticket in the CIS branding channel (more work)
Use bar code reader for validation		X	Without branding, the retailer can use either the CIS or bar code reader
Use CIS for validation	X	X	With branding, the retailer is required to use the CIS
Validation status recorded as host	X	X	Both systems are equally as secure
Increases speed of validation		X	The retailer can use bar code reader, which is faster than the CIS

## BAR CODES

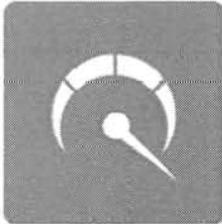
The Altura GT1200 terminal's 2D image-based bar code reader serves as a multifunction reader to support:

- POS items.
- Bar-coded Instant Ticket packs.
- Bar-coded coupons.
- Terminal ticket boxes.
- Instant Tickets in racks.
- Instant Tickets of various sizes.
- Prepaid gift cards.
- Loyalty cards.

This advanced reader uses Complementary Metal Oxide Semiconductor (CMOS) technology, effectively capturing the entire image of the bar code to allow the reading of linear, stacked linear, and ISO/IEC industry-standard bar code symbologies to allow keyless validations. The reader also reads all industry-standard 1D and 2D bar codes (e.g., Interleaved 2 of 5, European Article Numbering [EAN], PDF417, and Aztec). The Altura GT1200's architecture and supporting equipment are designed for flexibility and expansion and allow for upgrades to new industry-standard bar coding.

## First-Read Rate

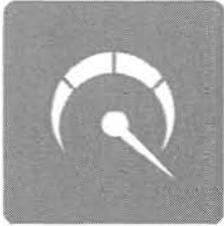
**Our external 2D image reader exceeds the required minimum read rate requirement of 98 percent with a 99.9 percent first read rate.**



Texas Lottery retailers don't have time to deal with the frustration associated with a bar code reader not working. That's why GTECH has always put a priority on the reliability of the bar code reading technology it offers. And that, in turn, is why our 2D image reader *exceeds* the required minimum read rate requirement of 98 percent with a **99.9 percent first-time read rate**. It includes the following features:

- **Adaptus Imaging Technology:** Built on a 30-year tradition of decoding expertise, the external 2D bar code reader can read all major linear, stacked linear, and matrix bar codes, as well as machine-readable Optical Character Recognition (OCR) fonts.
- **Point-and-Shoot Scanning:** With omnidirectional area imagers, including high-visibility LED aimer, linear and full-matrix codes are read quickly and easily.
- **Durability:** Our 2D reader incorporates industrial-grade image sensor technology and is designed with no moving parts, so it's built to withstand rugged retail applications.
- **Decoding:** This advanced reader takes a digital picture of bar codes. Using special decoding algorithms, the 2D image reader can successfully decode bar codes that would be rejected by older bar code-reading technology.

## Printers Capable of Producing Numbers, Graphics, and Bar Codes



Texas retailers will benefit from the seamless printing provided by GTECH's newest printer, the AccuTherm Ultra, as described in this section under the heading Ticket/Report Printer. The AccuTherm Ultra's thermal printing technology provides high-resolution images, producing numbers and graphics (symbols and pictures) and ISO/IEC industry-standard bar codes, as well as play data. All bar codes produced by the AccuTherm Ultra are high quality and support a **99 percent first read rate** from scanning equipment, which *exceeds* your requirement of a 98 percent first read rate. Before we present our AccuTherm Ultra printer description, we want to tell you about our bar code reader for reading Instant Tickets, an improved validation process, and the Altura GT1200's smart card reader.

### The Bar Code Instant Ticket Reader

Our innovative scanning technology saves retailers time. Because the bar code reader is strategically located, retailers don't necessarily have to reach for it for Instant Ticket-related transactions. The reader rests in a mounting cradle properly positioned on the side of the terminal to allow easy reading of bar codes without having to remove the reader. Minimal physical effort is required to scan the tickets because of the reader's ergonomic positioning.

Not only can the bar code reader be mounted on either side of the terminal, it is equipped with a universal mount that facilitates both vertical and horizontal rotation.

**Figure 7.12 – 40:  
Pivoting Bar Code Reader**



**Flexibility and Comfort:** For greater comfort and easy adjustment between clerks, the reader can be moved to almost any position.

Our 2D image-based bar code readers also feature:

- An LED projection pattern for proper positioning of bar codes.
- Audible indicators configured for a good read and no read.
- Down-line loadable bar code reading configuration.
- Specific bar code disabling for security.
- Reliable, safe, noncontact, CMOS scanning technology.
- Solid-state design with no moving parts, motors, or mirrors.
- Ergonomically correct positioning that requires minimal physical effort for scanning coupons.

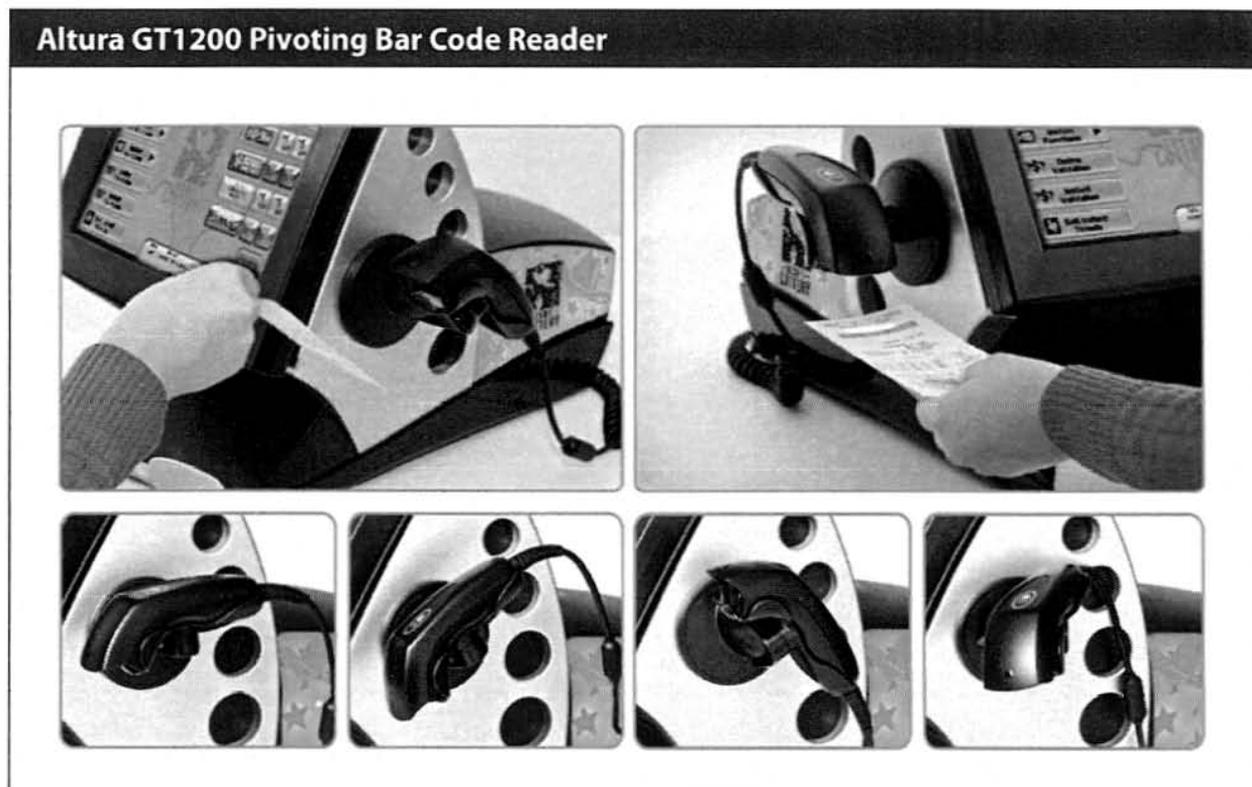
The Altura's external 2D bar code reader is:

- A retail-hardened design that has been tested to survive drops from four feet or less onto a concrete floor.
- A sealed enclosure, which provides protection against ingress of solid objects and water, compliant with the International Protection (IP) rating of IP42.

## Bar Code Reader Is Movable/Removable

The Altura GT1200 bar code reader is movable and removable and can safely reach 12 feet when the coiled cord is extended. The reader provides all the functionality called for in the RFP, including its ability to be used away from the terminal, and can be easily removed from its holding mount to read Instant Tickets in racks. As discussed previously, the scanner is normally located on the side of the terminal so that the retailer needs only to position the ticket in front of the scanner to get a read.

**Figure 7.12 – 41:**



**Easy Imaging:** The external image-based bar code reader attaches to either side of the Altura GT1200 and pivots left, right, up, and down to provide tailored positioning for each clerk.

## Validation of Winning Instant Tickets

The Altura GT1200 terminal supports Instant Ticket validation using the external 2D bar code reader and through the manual entry of the required data, if the bar code cannot be read.

Our terminal and system will support the current back bar code scan/Personal Identification Number (PIN) entry validation process used for Instant Ticket validation in Texas since the start of the Lottery.

### Keyless Validation

With more than \$2.8 billion in Instant Ticket sales annually, the validation of Instant Tickets is one of the most, if not *the* most, important functions of the TLC's lottery gaming system. The security and integrity of the validation process for Instant Tickets is critical to the public's confidence in the TLC.

GTECH is pleased to propose to the TLC a modification to the current validation process that will make the process easier for retailers, maintain the security and integrity of the validation process, and allow for detailed tracking of the ticket-checking attempts at the Ticket-Scan ticket checker. We propose to combine our SmartCash and patented Simple Keyless Validation (SKV) processes to deliver the improved service.

#### *SmartCash, GTECH's Enhanced Auto-Cashing Process*

The vast majority of winning Instant Tickets typically represent one, two, or up to five times the retail price of the ticket. Depending on the game, such tickets can represent 85 to 95 percent of all winning tickets in a game. SmartCash will provide the TLC with the opportunity to *offer* Texas Lottery retailers a method for validating Instant Tickets that is faster than, but equally secure as, the current validation process.

#### *Traditional Auto-Cashing*

"Traditional" auto-cashing was invented in the late 1980s by Richard Finocchio for the Massachusetts Lottery, which has used this method ever since with enormous success. With traditional auto-cashing, the retailer scans the visible inventory/validation bar code, typically found on the back of the ticket, to initiate the validation request. If the ticket is a winning ticket up to a prize level specified by the lottery, no additional data is required, and the system processes the validation. If the ticket is a winner of a prize greater than the threshold specified by the lottery, or if the ticket is a non-winner, the retailer needs to enter the required PIN, as is typically done today. Throughout the auto-cashing process, the system monitors validation attempts to identify any fraudulent activity.

In Massachusetts, prizes of up to \$10 can be auto-cashed. Typically, this represents 95 to 98 percent of winning tickets in a \$1 game and proportionately less in games selling at higher prices.

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SKV would require your Instant Game printers to print a small PDF417 bar code under the latex. All the major Instant Ticket printers have the technical capability, using 240 dpi imagers, to print these additional bar codes. SKV may also require that the latex area of the tickets be slightly enlarged.

As part of the new contract, GTECH is prepared to grant the TLC a license that will allow any Instant Ticket manufacturers that you elect to use the SKV feature to print tickets for the TLC.

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### **New Ticket-Checking Process via SKV for Players Increases Security**

The implementation of our SKV process will allow us to execute a two-scan ticket-checking process, which does not require the procurement of a license from any third party. To check a ticket, the player will scan the inventory/validation bar code from the back of the ticket and then scan the SKV bar code that was hidden under the latex. The Ticket-Scan ticket checker will be programmed to prompt the player to scan the second bar code. The software will be configured so that either the SKV or the inventory/validation bar code can be scanned first.

This two-scan ticket-checking process will provide the TLC with something that it has wanted since Instant Ticket checking was implemented: visibility into the use of ticket checking.

### **GTECH's two-scan ticket checking process will provide the TLC with visibility into the use of ticket checking.**

Because the new ticket-checking process will require a player to scan both bar codes, all the data required to check the win status of the ticket in the lottery gaming system will be available. Therefore, the ticket-checking process becomes a "validation inquiry" from the software perspective. Thus, it will now be possible to:

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- Log all ticket checking attempts in the
- Check the frequency and sequence of tickets being checked on the Ticket-Scan to identify if a retailer is trying to pick out winning tickets.
- Check if the ticket has already been paid, making it harder for someone to sell an already cashed ticket.
- Check if the ticket is from a closed game.
- Check if the ticket is not eligible for payment for another reason, such as being stolen, returned, or assigned to an LSR.

Using the \_\_\_\_\_ the TLC will be able to see when significant levels of ticket checking occur at a retailer. Is it when the store is closed or during the early hours of the morning? These can be signs of a clerk or owner who does not have the interest of the public and TLC in mind.

Of course, the Ticket-Scan ticket checkers will continue to process the current self-check bar codes until games with those bar codes are no longer in the market.

### *Implementation of SmartCash and SKV*

Both the new SmartCash algorithm and the SKV bar code element can be added to the TLC's Instant Tickets in advance of the switch to the new terminals. From the players' and retailers' perspective, there will be no apparent difference in the tickets. Until the TLC elects to activate either element, the validation process and the ticket-checking process will remain as they are today. (We would need to modify the Ticket-Scan software slightly to tell it to ignore the additional digits added to the self-check bar code for the time being.)

Once the new \_\_\_\_\_ system and Altura terminals are functioning, retailers could begin to scan the hidden bar code after scanning the inventory/validation bar code to initiate a validation.

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Our proposal offers you and your retailers significant improvements to the validation process – without increasing the footprint of lottery hardware on the retailer's counter. It relies on proven bar code reading technologies. It will protect both players and the Lottery from retailer fraud.

## Reading and Processing Serialized, Bar-Coded Coupons

The Altura GT1200's 2D image-based bar code reader reads and processes serialized, bar-coded coupons with bar code characteristics similar to those of Instant Tickets. As the Texas Lottery rolls out new promotions that include bar-coded coupons, this feature will be very important to both the Lottery and its retailers. The 2D image-based bar code reader can support multiple bar code formats for coupons and other needs.

The Altura GT1200 and SFT are both equipped with a 2D image-based bar code reader that serves as a multifunction reader to support reading different sized and shaped items (POS items, bar-coded Instant Ticket packs and coupons, boxes and cartons of tickets, Instant Tickets of various sizes, and Instant Tickets in racks). This advanced reader uses CMOS scanning technology, effectively capturing the entire image of the bar code to allow the reading of both one- and two-dimensional bar codes.

## Smart Card Reader

The Altura GT1200 terminal is designed for expandability and will be equipped with an external smart card reader. This will provide the Texas Lottery retailers with the ability to read smart cards that conform to the ISO 7816 standard. Information stored on these cards can be transmitted to the central system through the Altura GT1200 terminal.

## Loadable Debit Card

Renaissance, as discussed in Section 7.6.3, Sales and Marketing System, General Requirements, is an Offered Option that embraces today's technology, alternate channels, and a loadable debit card to create an entirely new player loyalty repository of validated demographic information. Using the Customer Relationship Management (CRM) functionality to understand who is playing which game where and what other shopping habits players may have, you can truly optimize the Lottery marketing budget right down to direct marketing, if you desire.

Renaissance provides an associated Visa-branded prepaid debit card – the Renaissance Card – that the player obtains either at retail, at a Lottery claim center, or via the Lottery's Website. The card, which can be used anywhere Visa is accepted, doubles as a player loyalty card. Players can associate their favorite numbers with the card in their account, thereby increasing efficiency when purchasing tickets at retail. If they win, their winnings are automatically sent to their card – there's no need to even check at retail.

**Proven Card Capabilities**

In California, all 20,000+ retailers easily process gift cards on the Altura using the bar code reader. Each gift card has a unique serial number and bar code, which are recognized by all GTECH POS devices that are equipped with bar code readers. Cards have no value until activated by a terminal. By scanning the card, the retailer can either add value to or redeem value from the card. Various self-service POS devices can also redeem value from the card. Cards can be used for purchasing both On-Line Games and Instant Tickets.

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### Fonts

The AccuTherm Ultra uses a TrueType font, which is easier to scale and allows a programmer more flexibility when designing the look of receipts, graphical symbols, and pictures. The printer can download symbols, graphics, and pictures sent from the central system, which we call the GTECH

, through the Altura GT1200 terminal. It can therefore define custom (user-defined) characters, such as your Lottery logo, game logos, or even a promotional coupon. The printer has room for 256 of these user-defined characters, and they can be printed according to the game rules and parameters established by the Texas Lottery.

### Tickets of Variable Length

The printer issues tickets that have a variable length as determined by the Lottery. Our printer does this by detecting marks at the top of the forms. Ticket width is fixed to 3.25 inches.

Every ticket, regardless of length, contains a preprinted security stock number on the back. The AccuTherm Ultra has an integrated, high-speed paper-cutter to quickly and securely cut each ticket, receipt, or report from the ticket stock roll; this eliminates the need for tearing tickets off of the printer. It has a cutter life of one million cuts and is designed to ensure that paper is cut quickly and efficiently every time.

Texas retailers will appreciate the AccuTherm Ultra printer's curved, indented area that better catches tickets, including those that curl a bit more at the end of a roll. For your high-volume retailers, this feature will help them print out the number of tickets they need without worrying that tickets will fall from the printer.

### Preprinted Ticket Stock

GTECH will provide all thermal paper for the printing of On-Line Tickets for the sales terminals. Ticket stock for the printer will be preprinted, front and back, with text, images, and colors, using designs provided or approved by the Texas Lottery. Once the ticket design is approved, we will provide specifications to a printing vendor. The ticket stock printer's facilities must meet the highest standards for security of ticket stock. For example, physical security measures, such as locks and gates over the dock doors, as well as intrusion detection and alarm systems, must be in place to ensure that only authorized individuals enter the facility and gain access to restricted space. Furthermore, our tickets and stock will always be in compliance with multijurisdictional security standards that apply to the lottery.

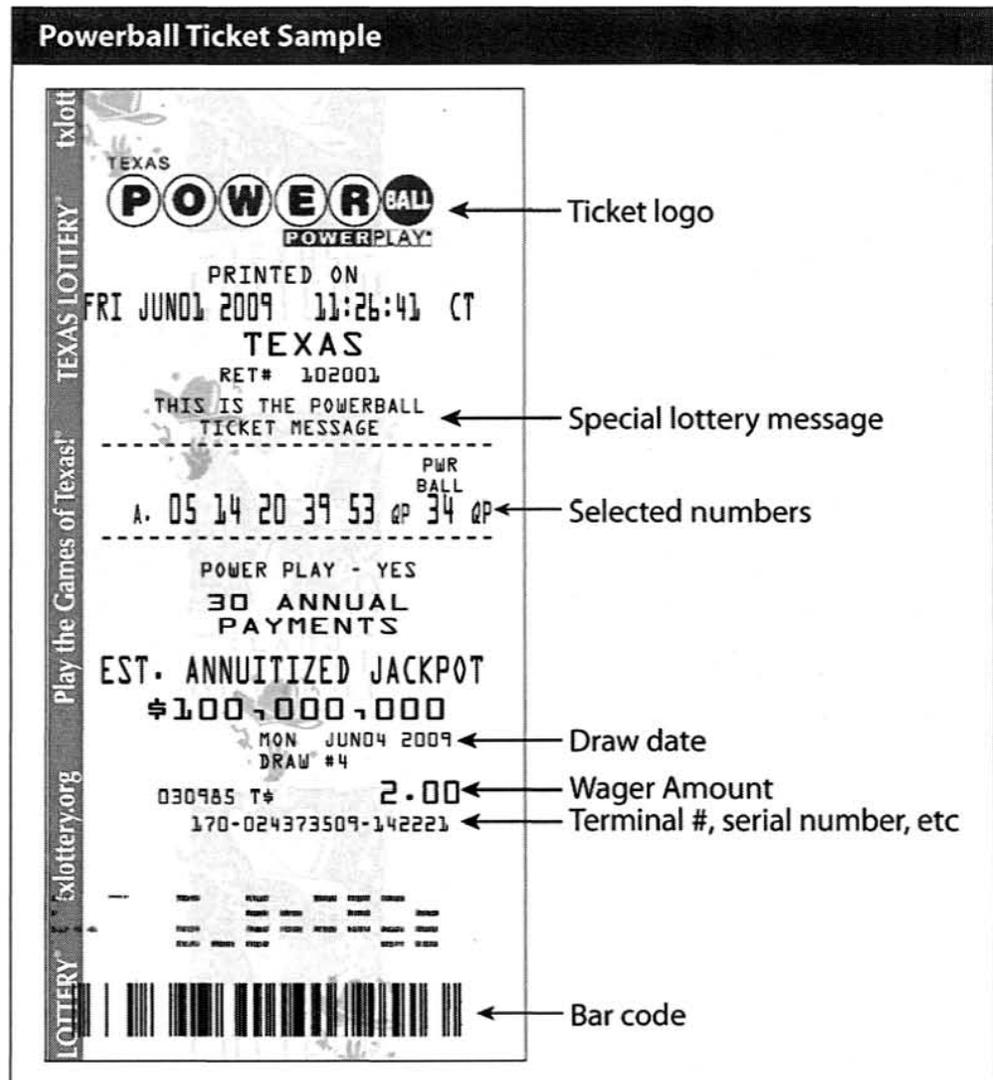
To complement the security considerations that the Texas Lottery employs, GTECH uses many ticket design attributes and distribution practices that are proven to discourage and prevent alteration or counterfeiting of tickets.

### *Ticket Stock Security Features*

We will provide several methods for investigating and verifying damaged and altered tickets, including using the security features of the ticket stock:

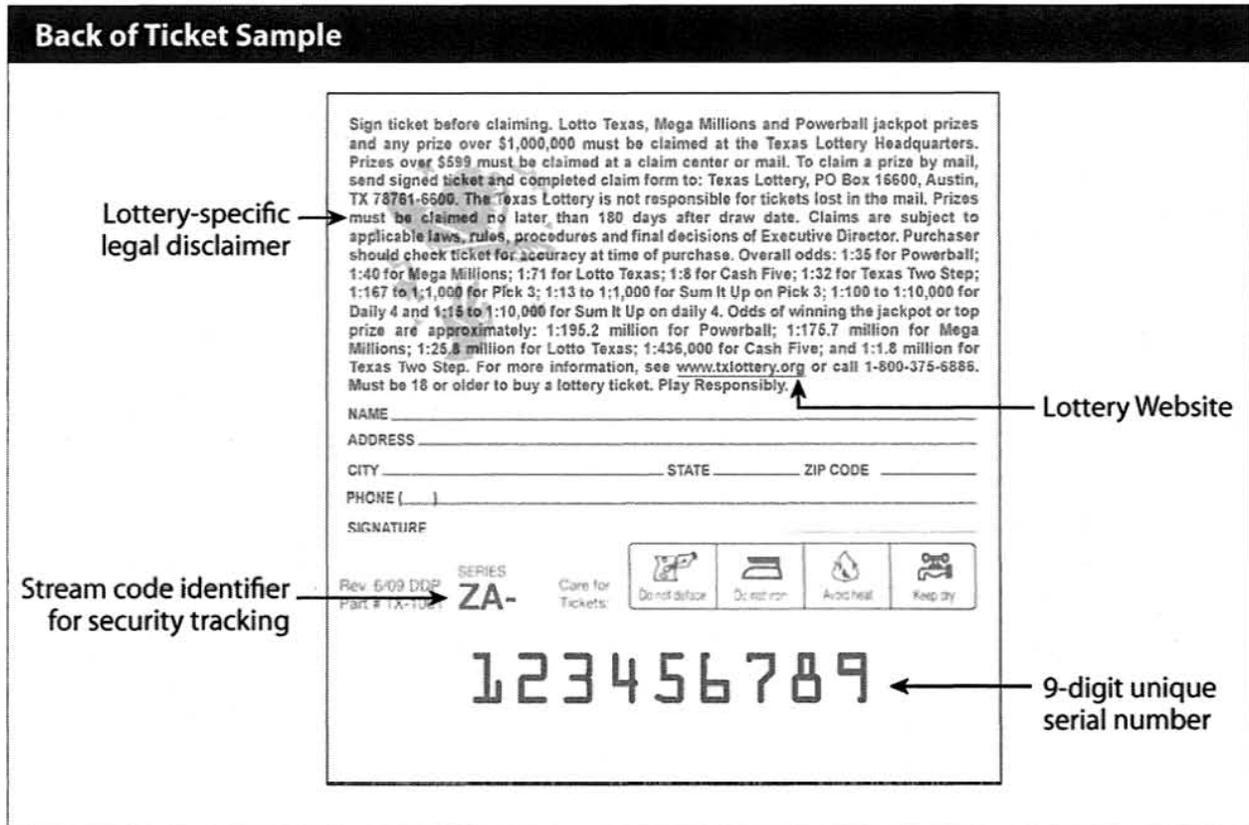
- **Ultraviolet (UV) Inks:** We use graphics (or text) printed in UV inks on our On-Line Tickets, a security feature invisible to the human eye that aids in detecting fraudulent claims. In the event the Lottery suspects fraudulent ticket stock, there are two methods of confirming authenticity: The Lottery security department, through the use of a black light, can obtain a visual image of the UV ink, or a third-party forensics laboratory can authenticate the ticket stock by confirming the UV security imprint.
- **Preprinted Serial Numbers:** A preprinted serial number located on the back of the ticket roll enables us to track where and when a ticket was distributed; this helps determine if a ticket is fraudulent. The claimant's date and location of purchase (tracked with this serial number) must reconcile with the Lottery's database records before a ticket is considered legitimate and eligible for payout.
- **External Serial Numbers:** The external serial number uniquely identifies a gaming transaction. The external type is a combination of the Continuous Day Count (CDC), a sequence number and the product number generated from the internal serial number using a GTECH-proprietary algorithm. This is the number printed on a draw ticket.

Figure 7.12 – 50:



**Attractive Yet Designed for Security:** Security features are built into the ticket that go well beyond what can be seen on the ticket.

Figure 7.12 – 51:



**Another Layer of Authenticity:** Besides providing useful information for players, our tickets provide additional security features to prevent fraud.

Each roll of ticket stock contains a serial number printed on the back of the stock. This number, through the use of our Consumables Management System (CMS), can identify the physical location of the stock, whether it is supposed to be in the warehouse, en route to a retailer, or at a specific retail location. If at a retail location, the retailer identified within the wager data on the front of the ticket should match the retailer to which the stock was assigned.

### Thermal Ticket Stock Temperature Requirements

The ticket stock meets stringent durability requirements and is front- and back-coated for printing On-Line Tickets from the sales terminals. The tickets are highly readable and, under ordinary consumer-use conditions, will have a long life under a variety of environmental and temperature exposures. As required, the thermal ticket stock is thermal-grade paper that has extensive field exposure and produces superior image-quality tickets and withstands durability requirements of at least 180 degrees Fahrenheit.

## MESSAGING

The Altura GT1200 terminals display messages and emit program-controlled audible alarms to indicate errors or anomalies to the retailer.

### Retailer Messages and Self-Diagnostics Indicators

Diagnostic messages communicated on the display screen include information about the terminal and processing status, terminal errors, validation and cancellation errors, reader device errors, reader edit errors, terminal entry errors, and communications errors, as well as Lottery news. Following is a sample list of the types of areas monitored for terminal diagnostics.

**Figure 7.12 – 52:**

Types of Diagnostics Monitored for Retailers	
Standard Altura GT1200 Terminal Functions that Are Monitored	<ul style="list-style-type: none"> <li>• Off-line situations or out-of-order conditions</li> <li>• When the terminal is ready to accept a transaction</li> <li>• Status of transactions and error conditions</li> <li>• Audible alarm for input errors and prompts to correct or re-enter data</li> <li>• Low on paper roll ticket stock or out of paper roll ticket stock</li> <li>• Malfunction of the printer, reader, or other component</li> </ul>
Additional Monitoring Functions	<ul style="list-style-type: none"> <li>• Terminal is transmitting to the</li> <li>• Transaction should be re-entered because an error has occurred</li> <li>• Power on</li> <li>• Local diagnostics test</li> <li>• CPU errors/faults</li> <li>• Reader/printer identification</li> <li>• Reader/printer transaction counters</li> <li>• Power supply voltage outputs</li> <li>• Communications status</li> <li>• Temperature of CPU and power supply</li> <li>• Tests on reader, printer, and bar code scanner</li> </ul> <p style="color: red; margin-top: 10px;">Information Redacted §552.101/466.022/552.139</p>
CPU Fault Handling	The CPU has extensive fault-handling and diagnostic capabilities. On the rare occasions when specific hardware errors, bus errors, or illegal instructions occur, the diagnostics package automatically reports such faults to the appropriate software for processing
Audible Alarm	The Altura GT1200 terminal can be programmed to emit an audible alarm to alert the retailer of input errors, communications malfunctions and when the terminal enters sign-on mode. This alarm is a software-dependent function

## Lottery Messaging for Retailers

The Altura GT1200 will provide the Texas Lottery with extensive messaging options and granularity. Messages sent from the central system or access-controlled Texas Lottery user computers can be received by and viewed on the Altura GT1200 retailer terminal. The following text provides more detail on the Altura GT1200's messaging capabilities.

If the terminal is not powered on or communicating with the \_\_\_\_\_ at the time of broadcast, the \_\_\_\_\_ ensures that the terminal receives the message immediately upon sign-on. The retailer retrieves his or her messages by selecting the appropriate icon from the terminal screen. With our terminal, you will have many choices to ensure that Lottery retailers receive important information.

### *Sign-on Messages*

Sign-on messages appear when the retailer signs on. At sign-on, the terminal requests the time stamps of all of the latest messages, compares them, and, if there is a change, requests those changed mail messages from the host to ensure the retailer has the latest, most correct messages.

### *Broadcast Messages*

Using the \_\_\_\_\_ system, the Lottery can send broadcast messages to the Altura GT1200 terminals without the need of GTECH assistance. Types of broadcast messages can include:

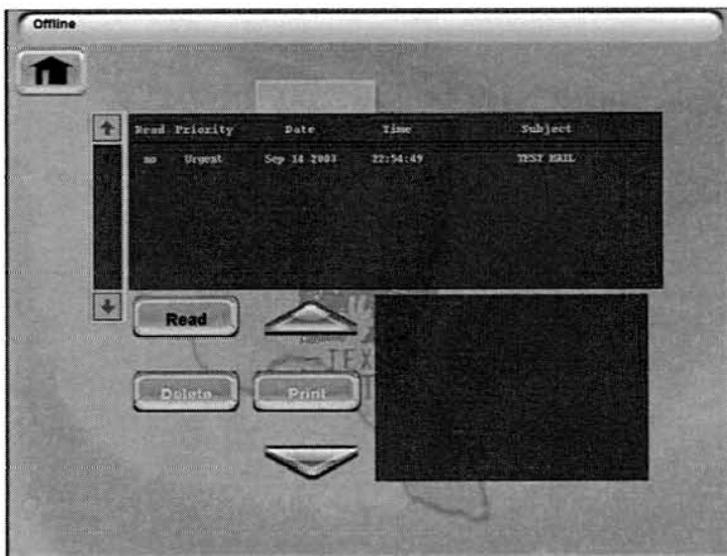
- **Posted Messages:** This type of message can appear any time throughout the day. If a posted message is sent to a terminal when it is not signed on, the message will be resent to the terminal the next time it is signed on.
- **Special Messages:** This function allows you to send messages to particular terminals or groups of terminals. Targeting your messages can help to increase sales in different locations with distinct demographics.
- **News and Mail Messages:** You can separate messages based on their content to further ensure that retailers receive the proper information. News messages include AMBER Alerts and other urgent public notices/messages. Messages are received quickly and in a manner that conveys urgency. (AMBER Alert messages can also be printed on tickets, as determined by you, in real time, without significantly impacting production transactions.)

The Lottery can prioritize messages according to their importance or urgency:

- **Normal or Urgent:** The display of messages can be classified as normal or urgent to let the retailer know how quickly he or she should read the information when the store is busy.
- **Immediate Read or Deferred Read:** When an Immediate Read message is received, the terminal indicates such and will not allow any financial activity until the message is read. When a Deferred Read message is received, the terminal indicates such but allows the clerk to read the message when it is convenient, so as not to disrupt the flow of business.
- **Message Notification:** The Altura GT1200 can be configured to emit an audible signal and/or display an indicator on the retailer display screen upon receipt of the message command from the central system. Typically, a blinking mail prompt will remain on the status line of the screen until the mail is read.

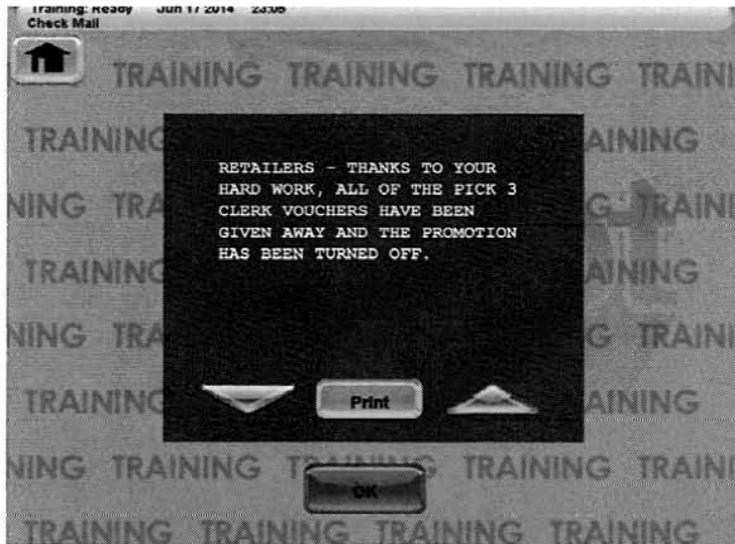
The following sample screenshots show just some of the Altura terminal's messaging capabilities.

**Figure 7.12 – 53:  
Sample TLC Mail Message Screen**



**Quick and Easy Communication with Retailers:** The normal message screen shows retailers how many messages they have, what the subject is, and the time received. It's similar to an email screen.

**Figure 7.12 – 54:  
Sample News Message Screen**



**Deliver Important News in Seconds:**  
The News Message screen provides an easy way for the Texas Lottery to quickly communicate up-to-the minute news to its retailers.

and the Altura GT1200 terminal's messaging capabilities provide the Texas Lottery with many valuable features in the following areas:

- **Size of Messages:** supports terminal messaging through the Terminal Message screen. Each message can contain up to 1,024 characters.
- **Reading and Printing Messages:** Messages can be printed by pressing the Print button on the screen. To read messages, a retailer can scroll up and down the message by selecting the Page Up or Page Down buttons.
- **Message Retention:** All messages are retained after a power failure and even after a download.
- **Deleting Messages:** Retailers can send a request to the terminal to delete mail from the list. If the terminal approves the request, the terminal will delete the mail from the mail list and the terminal will delete it from the mail list of that particular terminal within the terminal. If the delete request is rejected by the terminal the terminal displays the rejection message and will not delete the mail from the list.
- **Recalling a Message:** The Lottery can recall a message, without intervention from the retailer, so that the mail is deleted from the list in the terminal.

### *Large-Dollar Transaction Verification Messages*

Based on a per game basis, for each large-dollar purchase and validation, the Altura GT1200 terminal screen displays a message that provides the retailer with the option of stopping the transaction or taking other appropriate actions before completing the transaction. This provision safeguards the retailer and player. We understand that the Texas Lottery will define the default amount of a large-dollar transaction and must approve the terminal messages.

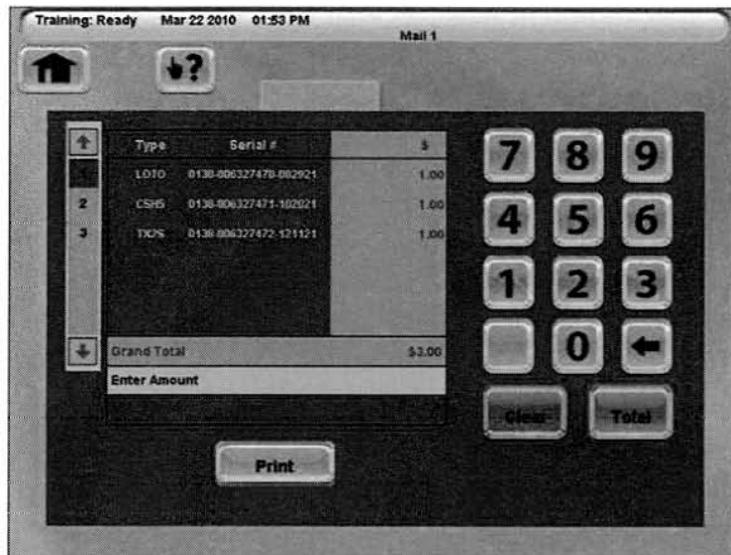
If the Lottery so chooses, the terminal can allow a specific retailer to select a default amount that is different from that amount selected by the Lottery. In this case, the default amount declared at the terminal shall remain unique to that terminal until it is redefined by the retailer or the default setting is reestablished.

### *Previous Transaction Listing Message*

The Altura GT1200 terminal can display and print the last 50 transactions accepted by the system in order to compare printed tickets with registered tickets. In this display mode, all past transactions need not appear on the same screen at once, but the retailer will be able to scroll through them. The number of transactions is definable by the Texas Lottery during specifications and can be set to 100 or more if the Lottery desires.

Our easy-to-use GUIs will help retailers navigate to the last transaction, as illustrated in the following figure.

**Figure 7.12 – 55:  
Sample Transaction Screen**



**Transaction Display Mode:** The user-friendly GUI provides the retailer with the ability to quickly check the last 50 transactions by using the scrolling function provided on the screen.

### Screen Saver

When the terminals are not being used, the retailer interface will display a Texas Lottery-approved programmable screen saver for the retailer's view. We offer an active screen that is flexible and customizable to meet the TLC's business needs, such as promotions.

### Broadcast Content

The Altura GT1200 sales terminals have the capability to receive, store, and play back graphic-rich media content for broadcast of retailer/player training and/or marketing content. Further discussion on retailer terminal training content is included in Section 65.4, Retailer Training Manual and Other Options for Training Retailers. Media-rich marketing content is discussed under the heading Customer-Oriented Display previously in this section and in greater detail in Section 7.11, System Supported Terminal Functions.

## Wired and Wireless Messaging

The Altura GT1200 retailer sales terminals are capable of receiving, storing, and transmitting wired and wireless messaging to other messaging communication devices deployed in the retail environment. We have substantial experience in implementing wireless communication from terminals to appropriate display devices for those locations where wired connections are either impractical or not as effective as those provided by the flexibility of wireless. Additional communication between devices is discussed within this section under the headings Player Advertising Display – Starlight, Alternative Customer Displays – AccuView VFD, Player-Activated Sales Terminals: The Latest Evolution– Gemini, and in the write-up that can be found in Section 7.11, System Supported Terminal Functions.

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## DOCUMENTATION

GTECH will provide the following training materials for each terminal type:

- English and Spanish Training Manuals
  - We will provide English and Spanish-language versions of the training/operational manuals on the correct use of the terminals as well as of the Texas Lottery Retailer policies and procedures.

All manuals will contain, at a minimum, information and instructions on:

- Replacing supplies (e.g., changing paper).
- Making minor adjustments to the terminals.
- Placing each transaction.
- Obtaining each report.
- Call center procedures.
- Use of play slips, claim forms, adjustment forms, and settlement forms.

At a minimum, we will review and update all materials every two years. All materials will be provided to the Texas Lottery in a format for posting to the Texas Lottery's Retailer Website as required by the RFP. Additionally, the manuals will be updated when new Lottery products are introduced and/or other changes are made and must be distributed to retailers prior to the start of the new game(s) and/or the effective date of the change(s).

We will provide the following materials to each retailer:

- **Retailer Guide:** Retailer-related policies/procedures and accounting and licensing information.
- **Retailer Manual:** Instructions on how to use each piece of equipment at the location.
- **Quick Reference Cards:** A condensed version of the retailer manual for brief answers to questions.
- **Retailer Best Practices:** Marketing tips and best practices for increasing Lottery sales.

This information will be made available on all retailer sales terminals (or in hard copy for equipment where this functionality is unavailable) and provided to the Texas Lottery in a format for posting to the Texas Lottery's Retailer Website.

A full discussion on documentation and retailer training requirements is presented in Subsection 65.4, Retailer Training Manual and Other Options for Training Retailers.

## Additional Terminal Functionality

### Software Loading

With game software resides in the application layer, and the logic to perform gaming functions is software-driven. This allows games and data to be automatically downloaded to the Altura terminals in the field using a broadcast or multicast feature. Games and data can also be loaded manually on the Altura GT1200 terminal by an authorized FST. This is accomplished by the FST accessing a password-protected terminal diagnostic routine and uploading the program using a USB flash drive. Descriptions of additional security, including terminal access, can be found later in this section under the heading Secure Passwords and Sign-on Process.

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Any device on the terminal that will be used to perform the local load functionality by an authorized FST will not be usable except when the terminal is in maintenance mode based upon approved access by an authorized FST.

We also offer our advanced ShadowLoad technology that completes data downloading during normal breaks in transaction processing. ShadowLoad allows a new version of an application (game) to be gradually downloaded to the terminal while the current application is running.

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## Software Downloads

Gaming software can either be solicited by the terminal, when such resident software needs replacement, or driven by the

), via when gaming software

enhancements, such as new Lottery games or corrections, are required. (

is the highly secure, high-volume, open-standards network interface that connects the to a multitude of sales channels.) The Altura GT1200 and central system are always in sync as they check the terminal version upon sign-on. This will prevent putting the Lottery at risk by having incorrect software on the terminal.

### *Downloading and Near-24-Hour Operation*

With the and Altura GT1200 terminal, downloading can take place in the background while normal terminal operation continues. Our downloading capability does not preclude near-24-hour operation of terminals on the network. allows more than one version of a software application to be stored, as required, with the prompting activation of the correct version.

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The \_\_\_\_\_ supports the required multicast download feature. The \_\_\_\_\_, using a broadcast or multicast feature, can download an application to all terminals at the same time across the entire Texas Lottery network. With \_\_\_\_\_ software is also downloadable in a modular fashion. To help our customers get games to market quickly while ensuring near-24-hour operation, we developed a modular background-downloading approach, our advanced ShadowLoad programming technology. ShadowLoad enables software downloading without interruption to current transaction processing on the Altura GT1200s in the field; it completes data downloading during normal breaks in transaction processing. In other words, with ShadowLoad, a new version of an application is gradually downloaded to the terminal while the current application is running. Only the modules requiring a change are downloaded. The entire terminal network can be modified in this manner.

**The \_\_\_\_\_ can download an application to all terminals at the same time across the entire Texas Lottery network.**

In terms of storage requirements, more than one software version can be stored in the Altura GT1200 terminal's \_\_\_\_\_; with scheduling managed by the \_\_\_\_\_ (to activate the new version or return to the prior version). Specifically, the new software version can be resident on the terminal in addition to the current version, until such time as the new version is activated by the \_\_\_\_\_. Once a new application has been downloaded, the \_\_\_\_\_ operator can initiate the terminal's seamless transition to the new application at a convenient time during non-peak hours. The new application is activated (once the Lottery authorizes it to be enabled) for retailer use when retailers sign on to their terminals at the beginning of the next sales day. Again, when retailers sign on, the system verifies that their terminal has the current, valid software application, so there is no risk that an old version will be used. The previously utilized application is stored in the terminal's \_\_\_\_\_ as a safeguard.

### *Optimizing Wide Area Network (WAN) Bandwidth*

As an added value, GTECH uses data-compression techniques that decrease the amount of data that needs to be downloaded by more than 50 percent. This reduces the amount of time it takes to download the new application by the same percentage without interfering with normal functions or processing speed.

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### *Multiple Levels of Secure User Access*

and the Altura GT1200 terminal's password facility permit multiple levels of secure access for different users, including a Texas Lottery representative, a GTECH representative, store managers/owners, and clerks. We call this facility Clerk Privileges and Accounting. It can be used to restrict privileged transaction types to authorized users only.

### **Assigning Privilege Levels**

With Clerk Privileges and Accounting enabled, individual clerks – and even individual terminals within a store – can be assigned various privileges, such as the ability to access certain financial reports or change their own password. The can also monitor transactions, such as sales transactions, automatically by clerk, allowing for retailer shift accounting. Some clerks, typically store managers, will be able to change other clerks' passwords, thus controlling who in their store has access to the terminal. The individual retailer or chain/group for multiple stores will control retailer system-access levels and passwords.

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Not released**

## **Confidentiality Claimed Not released**

### **Self-Diagnostics**

Texas Lottery retailers, FSTs, and hotline operators will easily be able to monitor the Altura GT1200 through the terminal's self-diagnostics and indicators that collect data on the operating status.

Information provided to FSTs is extensive and can be accessed with a special debug (adapter) plug. Through the debug plug, diagnostics and internal status conditions can be initiated and observed by FSTs. The debug plug permits authorized FSTs to execute detailed diagnostic and calibration routines and set configuration parameters as required. This also prevents the possibility of unauthorized persons, even retailers themselves, from corrupting the terminal's calibration and operational mode parameter settings. Debug plugs are distributed to properly trained and qualified personnel only. Critical diagnostic and terminal parameters are also password-protected.

Technicians and hotline operators can initiate and observe internal status conditions remotely. We have selected the best combination of network-management tools to support your requirements and resolve complex problem-determination situations. Our integrated Network Management System (NMS) tools will perform network and protocols monitoring, and events recording. These tools will also show the status of the network, including data communications, and the functioning of all network circuits on the system. Complete network-monitoring tools will be located at both the Primary Data Center (PDC) and the Backup Data Center (BDC). Our proposed NMS tools include:

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In addition, GTECH Network management, operations staff at the DCA, and local operations staff will have access to the HP Software and Solutions Suite to view the status of the network, specifically:

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*Initiating and Observing Terminal Diagnostics and Internal Status Conditions*

From the host, i.e., the \_\_\_\_\_, it is possible to check each terminal's existing peripheral status and faults. FSTs and hotline operators can observe remote diagnostics, including printer test, printer status, terminal status, communications status, and more. These tests may be used when the hotline is analyzing problems during telephone contact with the retailer. Based on privileges, hotline operators can initiate a soft reset of the terminal.

## Memory and Storage

GTECH's Family of Terminals represents a major advance in terminal design, in which the software that operates the terminal and the development tools used to build applications are just as essential as the hardware itself. The technology that makes this possible is based upon a winning combination of the

The [redacted] that is readily upgradeable and downloadable to accommodate new application features. The [redacted], game enhancements, and additional features as required. The environment is designed to provide higher-quality software while minimizing the time required for developing new games and modifying existing ones.

The Altura terminal supports the [redacted] and incorporates Open Source Embedded Linux distribution with the [redacted]. This OS has been proven to be reliable, stable, and extremely powerful. Due to its acceptance in the PC industry, extensive amounts of drivers for peripheral components are readily available. By basing the Altura terminal on Java and the Linux operating system, developers can choose from an extensive suite of off-the-shelf tools and code libraries whose power and performance are driven by the Internet and the PC industry.

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### *Sufficient Memory to Support Games*

The Altura GT1200 has sufficient memory to support at least 500 concurrent Instant Games using up to five different bar code algorithms without an upgrade of terminal resources.

### *Expandable Memory*

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### **Self-Service Account Expansion**

Recruitment of corporate chain retailers is also a very important element in growing Lottery sales and profits, especially in today's economic climate. Our corporate retail team has proven experience in recruiting national chains and will be a tremendous asset for the Texas Lottery in this realm.

GTECH's corporate retail development group has experience recruiting corporate account retailers at the state, regional, and national levels. We are actively recruiting major U.S. retail chains that do not currently sell lottery products. We are doing so directly and through trade and retail supplier base organizations.

Our corporate retail marketing group is in discussions with top national drug, variety, and discount retailers. We meet with corporate decision makers to tell them about the benefits that selling lottery, including self-service terminals, can bring – how lottery products are popular and accepted consumer purchases that can provide substantial contributions to company profit margins. We also have retail trade association commitment in support of our dialogues with major chains that do not currently sell lottery products.

Acceptance at corporate and national levels paves the way for retail recruitment at state levels. For further details, please reference Section 8.2, Sales Management.

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## **Player-Activated Self-Check Terminal**

### **Ticket-Scan™ Ticket Checker: The Ultimate Consumer Protection Device**

We design our solutions not simply to aid in increasing lottery sales, but to solve issues that arise from operating lotteries, such as ensuring security for players and retailers. For FY2009, Texas Lottery sales were reported as \$3.72 billion, and almost \$2.21 billion was awarded in prizes to TLC players. The TLC and GTECH both recognize the importance of providing a device that allows players to check if their On-Line and Instant Tickets are winning tickets or not.

**Figure 7.12 – 74:  
TLC-Branded Ticket-Scan Self-Check Terminal**



**Easy to Place and Highly Visible:** Leo stands next to the TLC-branded Ticket-Scan device that helps reduce lines at his store.

GTECH introduced the first terminal peripheral to allow players to check the win status of On-Line Game tickets in the early 1990s. In 2003, we deployed Ticket-Scan, which also allowed players to check the win status of Instant Tickets.

**Figure 7.12 – 75:  
TLC Ticket-Scan**



**Ensure Player Security:** Players can easily and quickly see if their tickets are winners, without ever having to hand them to another person.

In the U.S. alone, players in 21 states, including Texas, benefit from the added security of our Ticket-Scan device (or its predecessor Express Point) to check the win status of their On-Line Game tickets. Six of these lotteries, including Texas, also allow players to check the win status of Instant Tickets, and two more are in the process of adding this ability.

**Figure 7.12 – 76:  
U.S. Lotteries Using GTECH’s Ticket-Scan Ticket Checkers**

Lottery	On-Line Ticket Checking	Instant Ticket Checking
Arizona	X	
California	X	X
District of Columbia	X	
Florida	X	
Georgia	X	
Illinois	X	
Kansas	X	
Kentucky	X	
Massachusetts	X	
Michigan	X	
Minnesota	X	X

Lottery	On-Line Ticket Checking	Instant Ticket Checking
Missouri	X	
New York	X	
Oregon	X	X
Rhode Island	X	X
South Dakota	X	
Texas	X	X
Virginia	X	X
Washington State	X	
West Virginia	X	
Wisconsin	X	

**"Did I Win?"** More and more jurisdictions, including the TLC, acknowledge the value in terms of security and peace of mind that the Ticket-Scan offers to their players.

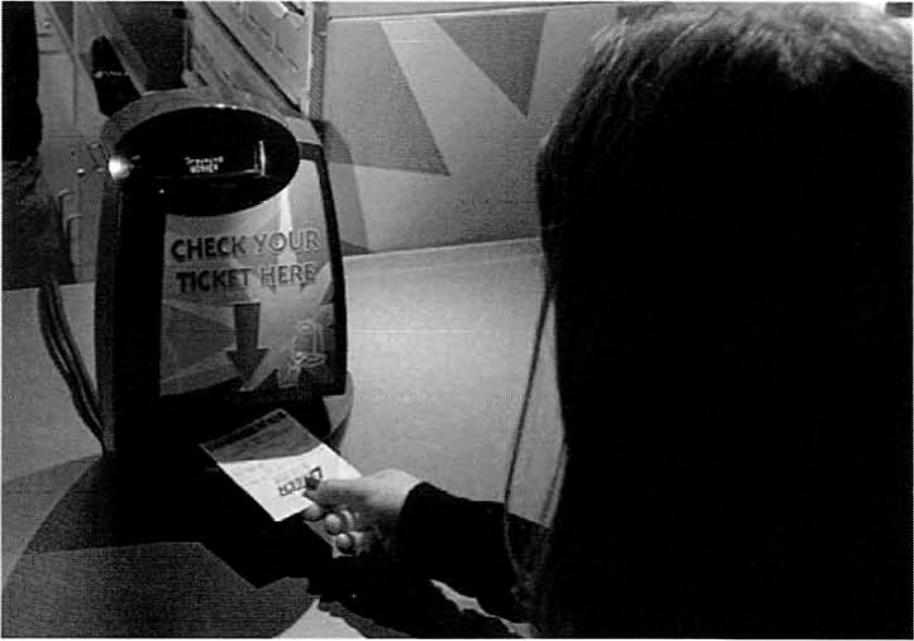
**Figure 7.12 – 77:  
Features and Benefits of GTECH's Ticket-Scan**

Feature	Benefit to the Texas Lottery
Unobstructive, yet visible	Easy to place and easy to see
Customized trim kit	Maintains and expands your brand identity
Can be positioned up to 100 feet from terminal	Reduces lines at the cash register
Fast and easy to use	Saves retailers and players time. Players don't have to wait in line, and retailers don't check nonwinning tickets
Proven technology	More than 131,000 Ticket-Scans and earlier generation Express Points are deployed around the world

With Ticket-Scan, players can check the win status of their own On-Line and Instant Tickets by simply passing the tickets under the red light beam of the Charge Coupled Device (CCD) bar code reader built into the unit. Scanning is quick and easy; players hear a beep when their ticket is successfully read. If the ticket is a winning ticket, the VFD will display Lottery-approved messages to indicate: winning ticket, nonwinning ticket, and the actual prize amount. (The TLC has elected to have the Ticket-Scan display prize amounts up to \$600, the maximum amount that retailers are allowed to pay.) The player then presents the winning ticket to the retailer to collect the prize after the retailer performs the standard validation process. For prizes above the maximum amount payable by retailers, most lotteries ask to have the device display a message such as "Congratulations! Please claim at Lottery." The Ticket-Scan can display a variety of messages of your choice.

**Figure 7.12 – 78:**

**Ticket-Scan Sample Messages**



**Create a Wide Variety of Messages  
Up to 2 Rows of 20 Characters**

**YOU ARE A WINNER!  
THANKS FOR SUPPORTING GOOD CAUSES!**

**Another Way to Reach Players:** Players will see a variety of messages when using or walking by the Ticket-Scan.

During a recent retailer survey, retailers expressed great interest in providing their customers self-service ticket checkers. Some felt that players would trust the machine more, and many hailed the device's labor- and time-saving qualities.

*"[It's] an excellent tool that helps to reduce the overall lottery transaction time for the clerks and winners."*

- James Kubala, Quik Trip Division Director

Based on the retailer's preferences, the Ticket-Scan device can be located at play stations or far enough away from the retailer terminal to minimize activity or traffic at the retailer counter. Ticket-Scan will help retailers cut down on lines, save time, and support player security. The more customers that come in, get their tickets, confirm they have winning tickets, and collect their prizes, the greater sales will be.

**Figure 7.12 – 79:  
Faith Salazar at Retailer # 483604 in Austin**



*"The check a ticket is excellent! It gives customer reassurance on winning tickets. It is very helpful when the line is long and the customer can check the ticket themselves!"*

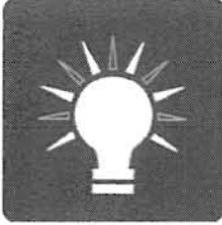
– Faith Salazar, Exxon Sales Staff  
Exxon 60117, 1100 West Parmer Lane, Austin

With Ticket-Scan, TLC players will be able to know with confidence if their ticket is a winning ticket or not – before they present it for validation. Plus, Ticket-Scan will provide your players with the opportunity to sign their winning tickets before presenting them for validation – another best practice to ensure players collect their rightful winnings.

### Checking Instant Tickets

Regarding the composition of bar codes that enable players to check the win status of Instant Tickets, there are two approaches: One approach uses intellectual property held by another firm in the lottery industry. Our approach does not. Both approaches can also be configured to support keyless validation as noted previously in this section. GTECH has implemented both the GTECH approach and the approach promoted by our competitor.

## Mobile Handheld Terminal



GTECH's Mobile Handheld Terminal solution is a revolutionary product that will enable the TLC to sell games wherever players may be. Developed for use in select lottery markets for street vendor sales, our mobile technology will allow you to extend your points of access, thereby increasing revenues.

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### 65.3

#### Interaction with Back-Office Systems

Through Commercial Services, we can provide jurisdictions with the functionality required for terminal devices to interact with the back-office systems of retailers. Not only does this functionality allow for easier accounting of sales by store for larger retailer chains, it has the potential of opening up other sales opportunities and sources of revenue. For example, with Polla Chilena, our customer in Chile, GTECH currently provides electronic bill-payment services, cellular phone top-ups, and domestic wire transfers at more than 700 terminals throughout Chile via GTECH's locally branded business Sencillito, which was named one of Chile's Superbrands earlier in 2008.

GTECH has a number of solutions to accomplish this functionality. Each solution will vary by how the retailer is structured. Common to all the solutions is that we support integration with back-office systems of retailers via the retailer sales terminal using an alternate interface on the terminal and running either:

- A GTECH-developed and -maintained application that conforms to the retailer's integration standards, **or**
- An application embedded in our terminal that conforms to our terminal Software Developer's Kit (SDK) standards.

Either solution can communicate in real time to and from the retailer's back office via an alternate network interface.

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## 65.4

### **Retailer Training Manual and Other Options for Training Retailers**

We understand that a well-trained retailer base is critical to the success of the Texas Lottery. Our Technology Training and Support Services (TTSS) staff, coupled with our training team in Texas, have the experience, skills, and tools to execute a training program and accompanying manuals that are unmatched by our competitors. Our TTSS department, as a core function of GTECH Client Services, has roots in all client-facing organizations. TTSS develops training courses and documentation not only for TLC staff and retailers, but also for sales force, data center, call center, and field service operations. For a comprehensive understanding of our training staff and training manual development efforts please refer to Section 6.8, Training.

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### **Retailer Training Manuals**

The Texas Lottery will receive comprehensive training manuals that will ensure a seamless transition to the new \_\_\_\_\_ system and for each terminal type accepted by the TLC. We will provide the training/operational manuals on the correct use of the terminal as well as Texas Lottery retailer policies and procedures in both English and Spanish. Samples of our retailer training manuals in English and Spanish are provided in **Exhibit 3, Retailer Manual – English**, and **Exhibit 4, Retailer Manual – Spanish**, both of which are located in the Exhibits Volume.

### **Training Mode**

Ongoing training is equally critical to the success of the Texas Lottery and its retailers. Like many lotteries, the Texas Lottery experiences the high turnover rate of the convenience store industry firsthand. You need a lottery vendor that realizes retailer training plays a vital role in a Lottery's success.

*"The new equipment is incredible! I know it will help generate greater sales for agents! The class was very informative!"*

- New Jersey Lottery retailer Frank Ruposta, D&F Deli

Texas Lottery retailers can rely on the Altura GT1200's training mode. The screen can be configured to change to a different background color from the active mode and display the words "Training Mode" across the screen, behind the buttons. While the terminal is in training mode, the status area of the screen clearly indicates training mode status.

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In training mode, all training activity actually takes place on the online system. The ability to enter/exit into online training mode is controlled by the . A special function on the terminal allows a clerk to request that the terminal enter training mode. When the approves the request, the online training mode is activated for this terminal. Every action performed by the clerk is sent to the which records the activity in the System Log and labels it as a training transaction. Transactions are created and recorded on the each time the terminal enters or exits the training mode.

**In training mode, all training activity takes place on the online system.**

Training mode simulates all transactions allowed without updating production files, such as the winners file, etc. The training mode is always available and is updated prior to each new game start. In training mode, transactions that generate ticket facsimiles remove the game logo and replace it with "Void," "Demo," "Not for Sale," or equivalent. This message is printed within the ticket body itself, not after the bar code, so that the retailer cannot cut off the bottom of the ticket and sell it to an unsuspecting player.

Another security feature of the training mode is that all serial numbers printed on training mode tickets contain a special two-digit checksum that is calculated differently from normal tickets. Tickets produced in training mode will use "XX" in place of numbers representing play data.

## Help Screens

The Altura GT1200 terminal also includes Help screens. These include frequently asked questions and answers. They also display contact phone numbers, should a retailer need to speak with someone concerning his or her equipment or account.

**Figure 7.12 – 82:  
Sample Altura GT1200 Help Screen**



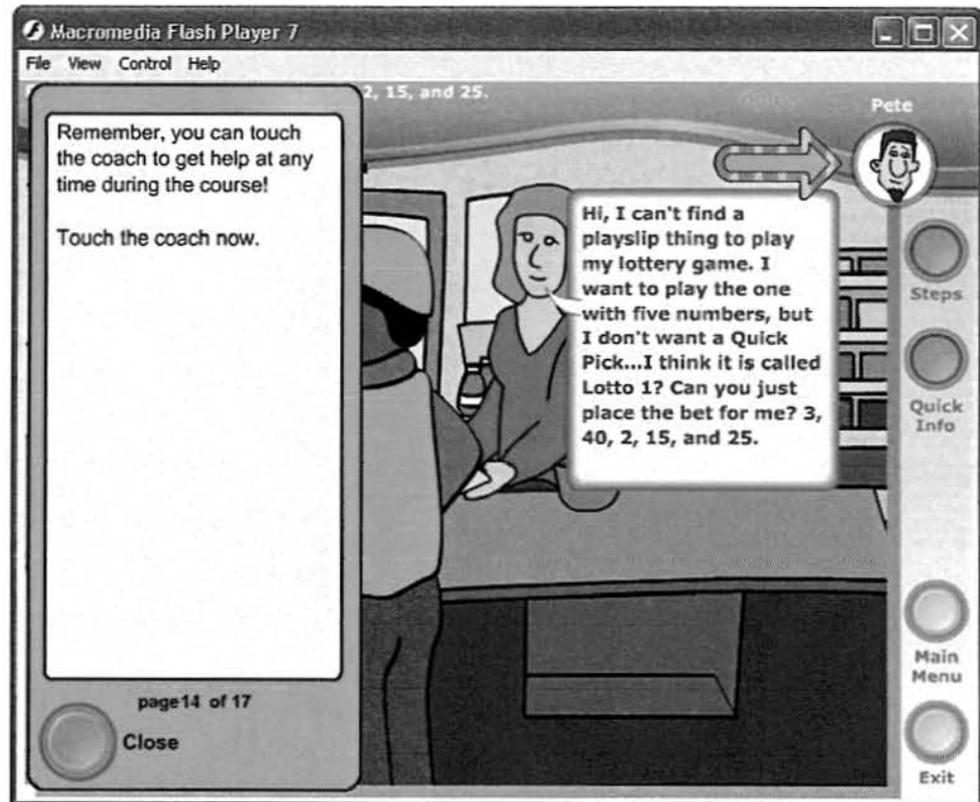
**More Than Just Help:** Retailers will see active videos showing them exactly how to tackle their terminal questions.

### **Terminal Based Training – eLearning**

Not only will Texas Lottery retailers be able to access Help screens, they can also train new employees right in their stores. GTECH's eLearning course can be accessed right on the Altura GT1200 terminal at the retailer's convenience. It's a proven and effective way for retail managers to train their newly hired staff, getting them up to speed quickly to start selling games. eLearning is provided in both English and Spanish.

The following screens show examples of how easy and user-friendly eLearning really is.

**Figure 7.12 – 83:**  
**eLearning Makes Training a Cinch**



**Interactive Training:** Training in the retailer's is made easy with our innovative eLearning interactive training.

**Figure 7.12 – 84:  
eLearning in Spanish**



**Comprehensive Training in English and Spanish:** Classroom training, ongoing training, and all user documentation will be provided in both English and Spanish.

## 65.5

### **Automated In-Counter Ticket Dispensing Unit (Specified Option)**

Per Amendment 20, the TLC removed Automated In-Counter Ticket Dispensing as a requirement of the RFP. As part of our terminal solution, we present our Instant Showcase ticket-dispensing unit later in this section, in Subsection 65.7, Specialty Terminals and Equipment (Invited Options). Please refer to that subsection for details on our Instant Showcase device.

## 65.6 In-Lane Solutions Designed for Use in Multi-Lane Stores (Specified Option)



As a **Specified Option**, we are pleased to offer the TLC our Lottery Inside solution for in lane play.

### Lottery Inside In-Lane Solution

Increasing customer awareness and facilitating sales are ever-present challenges to any lottery. One of the most efficient ways to increase the number of locations selling products is with GTECH's Lottery Inside. Lottery Inside is an innovative software solution with a simplified set of features that does not require a conventional retailer Lottery terminal. Our in-lane solution allows retailers to sell Texas Lottery tickets from their own POS device – generally the cash register.

#### Figure 7.12 – 85: You Only Need Your Cash Register



**Keep It Simple:** There's no need for a separate terminal or printer at the check-out lane with Lottery Inside, which uses a retailer's existing POS device to make selling TLC products quick and easy for players and clerks.

This proven solution, invented by GTECH, was designed with multilane retailers in mind. GTECH was the first to develop and deploy this solution on a large scale, which we did more than four years ago in Tesco Supermarkets, the U.K.'s largest retail chain.

More recently Pronosticos, our Lottery customer in Mexico, used the Lottery Inside solution to recruit three large retail chains that did not previously sell lottery products.

### **Lottery Inside – Bringing Lottery to Chains in Mexico**

Beginning in May of 2008, 472 Soriana supermarket stores started selling Melate Quick Picks using the store POS and printer in more than 3,770 checkout lanes.

The next year, in June of 2009, Lottery Inside was introduced to 1,049 7-Eleven stores. Bringing all the convenience stores online took only three months from start to finish. Melate Quick Picks are sold through the store POS and printed on retail paper. Prior to the introduction of Lottery Inside, 7-Eleven was not a lottery retailer in Mexico.

In October 2009, Farma Pronto drugstores began selling Quick Picks through their stores' POS and printers. There are now more than 812 FarmaPronto stores selling Melate Quick Pick tickets in Mexico.

The addition of these three chain retailers in Mexico added more than 5,600 new lottery points of sale to Pronosticos's original base of 9,000 retailers – *a 60 percent increase in distribution points.*

**Figure 7.12 – 86:  
Ticket Printed on Retail Paper**



**Quick and Easy:** Printing lottery tickets on receipt paper eliminates the need for a separate, lottery-dedicated printer.

GTECH's Lottery Inside solution offers three important benefits to the Texas Lottery:

1. **Brings Games To The Players:** Pressed for time and looking for the convenience of one-stop shopping, players are spending their money at larger, multilane chain retailers. Lottery Inside provides a cost-effective, retailer-friendly way to provide lottery purchasing opportunities to these players during their checkout process.
2. **Opens New Distribution Channels Fast:** The Lottery Inside integrated software solution is easy to install and does not take up any space at the POS, making it ideal for attracting new retail chains and selling in all the checkout lanes in multilane environments.
3. **Makes Accounting Simple:** Ticket sales are captured as a standard UPC bar coded sale into the retailer's system, and accounting is done automatically, eliminating a major concern of large chain and multilane retailers about accounting procedures.

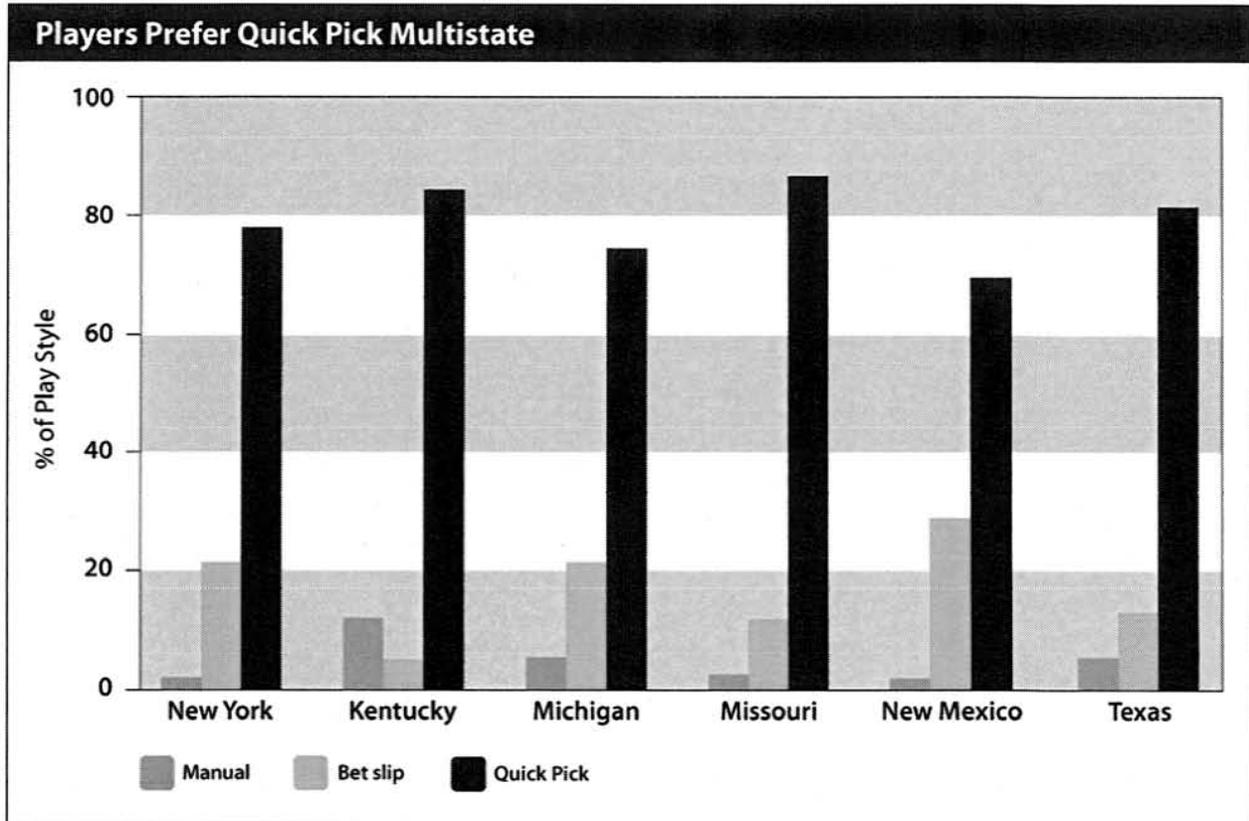
Lottery Inside will make lottery easier for Texas clerks and players. Clerks can simply scan a bar coded Easy Play Card chosen by the player or press a Quick Pick button on their cash register. All sales are for the next available draw only. Other transactions, such as validations, are performed at the full-function Lottery terminal, typically located at the customer service desk. This keeps the checkout line moving and makes for happy retailers.

### Why Quick Picks?

Quick Picks are used because they can be purchased quickly and won't slow down checkout lanes. Also, Quick Picks are the players' preference for most lotto style games so the player is used to the sales method and the lottery gets maximum exposure to its best selling games.

Lottery Inside focuses on Quick Pick sales, giving retailers access to a simplified set of lottery functions. Research shows that on average, 75 percent of jackpot game players ask for Quick Picks. The following figure shows a sample of six jurisdictions, including Texas, and the percentage of Quick Picks sold for their multistate lotto game.

Figure 7.12 – 87:



**In-Lane Purchases:** Players in multistate lottery jurisdictions consistently demonstrate their preference for Quick Pick.

### *Quick Pick (TLC Easy Play) Convenience*

For the TLC our offering uses Easy Play Cards. Easy Play Cards display the game and price point using colorful graphical cards printed on paper stock. They identify the game and the purchase amount for one or multiple Easy Plays. They contain a bar code that identifies the game and the purchase amount (number of boards). The following figure is an example of three Easy Play Cards. The backs contain instructions on how to play, along with winning information and the Lottery's Website address.

As an alternative to Easy Play Cards, especially if there is a constraint on space for display, a more permanent set of bar codes can be kept by near the store POS on a laminated card or key chain tab for easy selection and scanning by the clerk.

Figure 7.12 – 88:

**Sample Easy Play Cards**



**How to Play Cash Five™**  
You can win exciting Cash Five prizes just by matching 5, 4, 3, or 2 numbers from a field of 27.

All prizes are paid in one lump-sum payment, even the top prize. Winning has never been so much fun! And you can win big every week. Drawings are held Monday through Saturday at 10:12 pm, Central Time.

**How to Play**  
Scan this card at any checkout lane!

**Cash 5™ Prize Chart if TOP PRIZE WINNER**

Match	Estimated Prize	Odds of Winning
5 of 5	Top Prize	1 in 2,478,000
4 of 5	\$100,000	1 in 2,478
3 of 5	\$1,000	1 in 247.8
2 of 5	\$25	1 in 24.78

**Top Prize Roll-Down (if NO TOP PRIZE WINNER)**

Match	Estimated Prize	Odds of Winning
5 of 5	Roll-Down	1 in 2,478,000
4 of 5	\$100,000	1 in 2,478
3 of 5	\$1,000	1 in 247.8
2 of 5	\$25	1 in 24.78

**Overall odds are 1 in 8.**

\* Prizes for higher amounts may have additional prize amounts.  
\*\* Prizes for higher amounts may have additional prize amounts.

If no one correctly matches all five numbers to win the 5 of 5 prize, the money set aside to pay the 5 of 5 prize will roll down to the 4 of 5 prize. The 4 of 5 prize will increase accordingly.

**How to Find Out if You're a Winner...**  
The easiest way to right from our Web site. The results of the most recent drawings appear on the home page. For results from previous drawings, click here.

You can also turn in to see if you're a winner. Texas Lottery drawings for our five games can be seen daily and weekly on local stations in most areas of Texas. See the list of stations in your area. Drawings are held at the following days and times:

Lotto Texas	Wednesday/Saturday	10:12 pm, Central Time
Mega Millions	Tuesday/Friday	10:12 pm, Central Time
Texas Two Step	Monday/Thursday	10:12 pm, Central Time
Cash Five	Monday - Saturday	10:12 pm, Central Time
Pick 3 with	Tuesday - daily	10:12 pm, Central Time
Turn 3 Up	except Sunday	12:27 pm & 10:12 pm, Central Time
Cash 4 with	except Sunday	12:27 pm, Central Time
Turn 4 Up	except Sunday	12:27 pm & 10:12 pm, Central Time

Winning numbers are also available at [www.lottery.org](http://www.lottery.org), Texas Lottery retailers, or at many daily newspapers.

**For more information, visit [lottery.com](http://lottery.com)**  
If you believe you've won a prize, please contact your retailer or call 1-800-552-7777 for assistance. Prizes must be claimed by 11:59 pm on the 180th day following the drawing.

**\$5 Easy Play Card**



**It's easy to play:**

1. Hand this card to clerk OR
2. Scan it yourself at self-serve lottery terminal
3. Get your Quick Pick(s)

**MAYBE IT'S YOUR LUCKY DAY.**



**\$5 Play Card**  
Value Option



**Easy to play:**

card to clerk OR

yourself at self-serve lottery terminal

or Quick Pick(s)

**IT'S YOUR LUCKY DAY.**



**\$5 Play Card**  
Value Option



**Easy to play:**

card to clerk OR

yourself at self-serve lottery terminal

or Quick Pick(s)

**IT'S YOUR LUCKY DAY.**



**\$5 Easy Play Card**

**\$5 Play Card**  
Value Option

**\$5 Play Card**  
Value Option

**Convenient and Fun:** The customer selects a preprinted card from a display at convenient locations within the store; upon checkout the cashier takes the card and scans the bar code.

As shown in the following pictures, Easy Play Cards can be merchandised in racks throughout the store or in hangers at the checkout lane next to the candy, gum, and other impulse purchase items. The POS device will recognize the bar codes of the designated cards, route the bar code information to the Lottery central system, and produce tickets for those games.

**Figure 7.12 – 89:  
Attracting Impulse Players**



**Check Out Lane Placement:** Placing the Easy Play Cards at the register spurs spontaneous buying. Easy Play Cards are scanned just like any other grocery item.

**Figure 7.12 – 90:  
Grab a Card and Head to the Checkout**



**Attention-Getting Easy Play Cards:**  
Players find Easy Play Cards a convenient alternative to filling out a play slip.

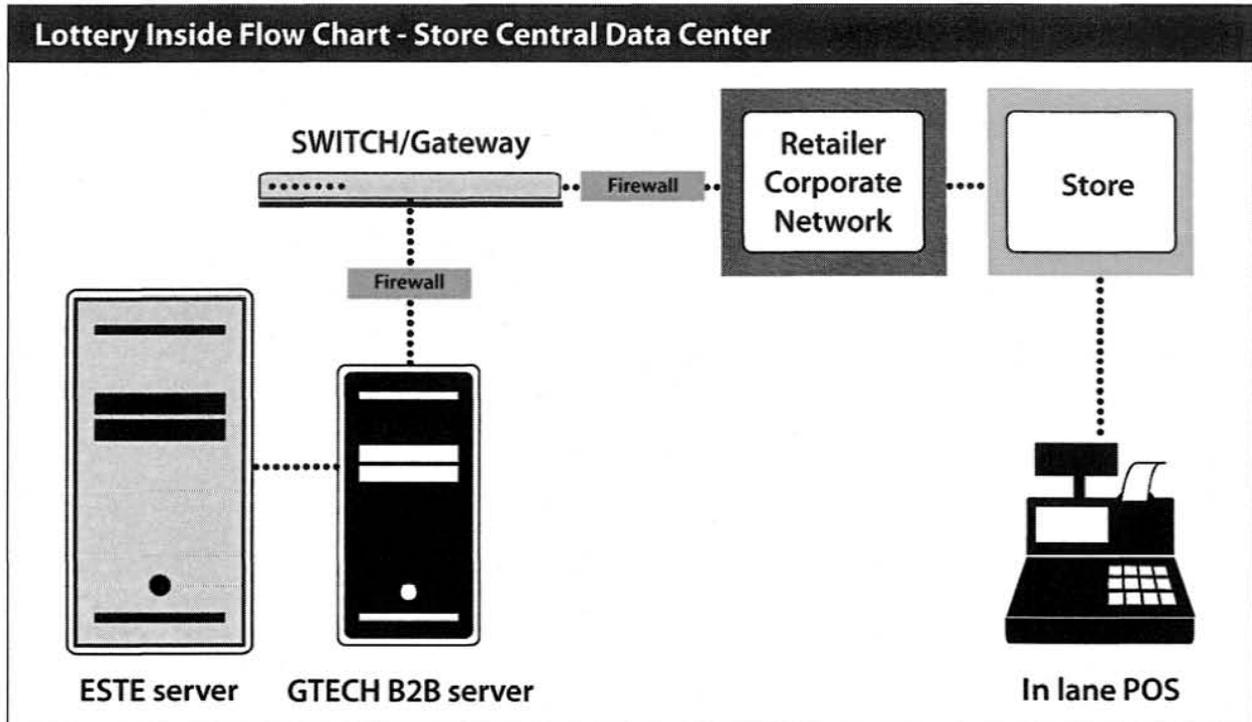
### Making it Simple! Making it Safe!

Our solution bridges the two worlds of GTECH's lottery sales software, including SureLock™ security technology and the retailers' existing POS, by taking advantage of the existing retail network. This gives retailers a streamlined lottery transaction-processing capability, simplifying their operations and reducing their lottery-related costs. With GTECH's lottery software integrated into the retail terminal, purchasing a Texas Lottery ticket becomes the same as buying any other item.

Lottery Inside is based on a set of software modules that reside on GTECH's ) gateway platform. This platform will interface with the Lottery's central system and share a secure interaction, over the retailer's private network, with a software module that is installed on the store's existing POS. The following figure shows the flow of lottery information from the server (interface) to the retailer's in-lane POS device.

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Figure 7.12 – 91:



**Lottery Inside Streamlines the Point of Sale:** Retailers can sell lottery products without a separate terminal, using their existing retailer corporate network.

Transactions are conducted using Payment Card Industry (PCI) level security based on the ISO 8583 financial protocol standard, together with patented GTECH SureLock technology to ensure ticket security. GTECH also uses

Standard (AES) technology to further secure the transactions. The gateway to the central system from the retailer's network is through our B2B solution. Players can cash in their winning tickets at any cashing lottery terminal – typically located at the store's service desk.

Lottery Inside normally uses the retailer's POS printer and receipt paper, but tickets can still be created in the same style and format as tickets printed on regular lottery terminals. Tickets printed this way have been well received by players. As of the fall of 2009, retailers in the U.K. and Mexico have produced 271 million transactions on regular receipt paper with no significant security or operational issues.

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**Figure 7.12 – 92:  
 A Regular Part of Your Player’s Shopping Trip**



**Just Like Any Other Item:** The lottery purchase will be added to the customer’s nonlottery purchases and shown on the same receipt, making sure there are no additional tasks for busy clerks.

Not only does Lottery Inside make processing transactions quick and efficient for the player and the clerk, it also simplifies store accounting. With our solution, the sale of TLC products is integrated into the retailer’s routine sales reports and on the cash register’s sales receipt.

### It’s Quick and Easy

Making a lottery purchase is simple with Lottery Inside:

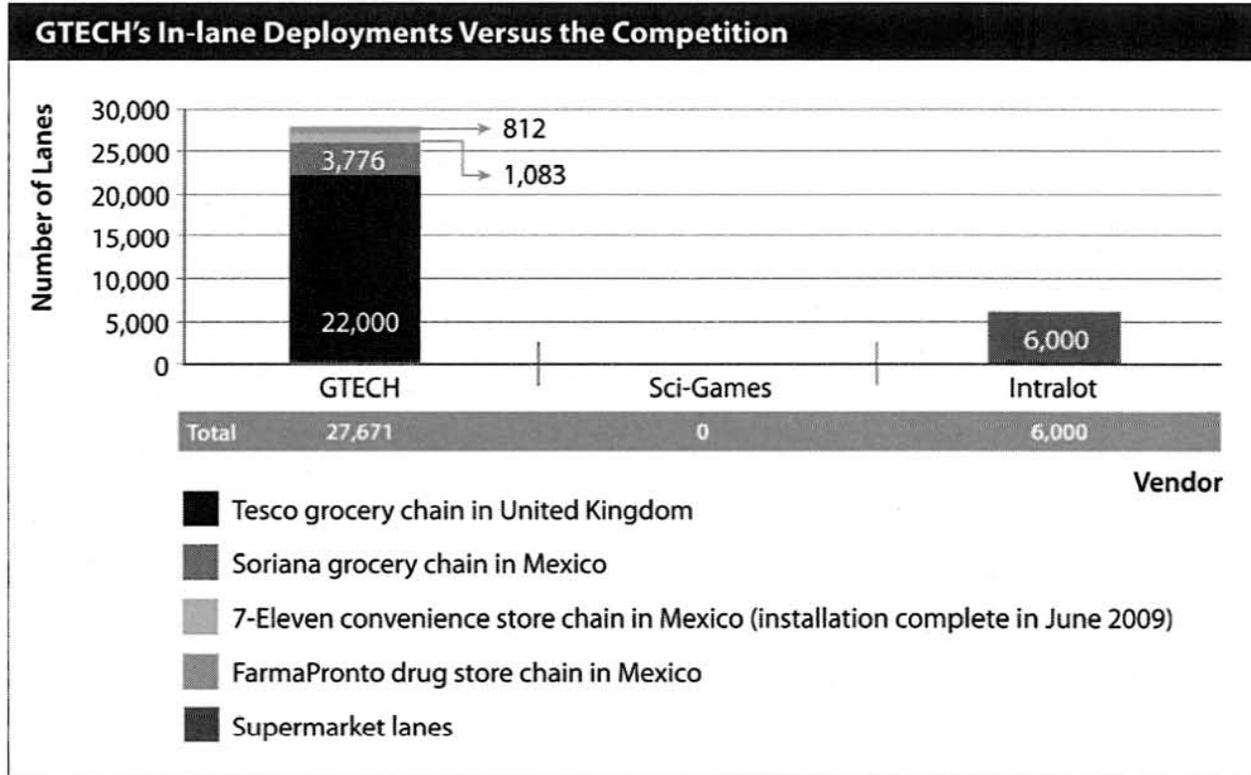
1. The player selects an Easy Play Card and brings it to check out with other items.
2. The clerk scans the UPC bar code of the Easy Play Card along with the other store items.
3. The game appears on the receipt as all other line items, with a description and price.
4. The shopper can pay one bill for all purchases, including lottery items, or a split tender can be set up to separate lottery purchases from other store purchases.
5. When the payment has gone through, the lottery ticket is printed as a trailer ticket on to the store receipt and handed to the player

#### **Innovation from Within**

Lottery Inside is a GTECH innovation. In September 2005, we implemented Lottery Inside across the United Kingdom’s largest multiline retail chain, Tesco. We also recently deployed this solution in Mexico, in the Soriana grocery store chain, Farma Pronto, and the 7-Eleven convenience store chain.

The following figure compares the number of in-lane deployments by GTECH to those of our competitors.

**Figure 7.12 – 93:**



**Multilane Opportunity Growth:** Lottery Inside offers significant opportunities to grow your business with retailers that may not accept a conventional lottery terminal.

Working directly with large retail chains has given us the insight required to create a solution that is proven successful in these multilane environments.

### Making Lottery Fit

Most large chain retailers face similar challenges when it comes to selling lottery products in lane. The following figure shows Lottery Inside's solutions to those challenges.

**Figure 7.12 – 94:  
 Large Chain Store Challenges Solved!**

Challenge	Solution
<b>Lines:</b> Long lines deter lottery sales	Lottery products are simply another bar coded item that can be swiped quickly
<b>Labor:</b> Having clerks perform too many tasks slows down the checkout process and frustrates customers	Swiping the bar code on an Easy Play Card takes the same amount of time as swiping any other item
<b>Losses:</b> Long lines lead to increased costs and perceived poor customer service	Transactions are quick, so stores see increased profits and improved customer satisfaction
<b>Lack of Integrated Accounting:</b> Large multiline supermarkets are unwilling to implement specialized accounting procedures for lottery products	Each sale of an On-Line lottery product is treated as just another Stock Keeping Unit (SKU) item in the store; the sale is automatically captured in the same manner
<b>High Clerk Turnover and Training:</b> Additional training is required to operate a separate terminal	Each sale of an On-Line Easy Play Card is bar code-based, so clerk training is minimal

**Confidentiality Claimed  
 Not released**

**Confidentiality Claimed  
Not released**

Over the past four years, we have seen great success with an implementation of Lottery Inside called Fastpay, which is deployed across 22,000 lanes in the Tesco grocery store chain in the United Kingdom. GTECH, along with its partners, Camelot and Tesco, developed Fastpay as a bar code-based solution that enables On-Line Games to be purchased at every checkout lane across all stores with the simple swipe of a bar code. No additional hardware is required.

#### **Sales Jump in Britain with Lottery Inside**

Live since September 2005, Tesco has seen £3 million per week in in-lane sales. Stores offer Quick Pick and Fastpay at each lane and print tickets on a normal POS receipt printer. Tesco and Camelot have seen a 26 percent initial increase and a 67 percent overall increase in sales through the added lanes since the deployment of this solution.

#### **Staying Ahead of the Trends**

Lottery Inside is already a success, and we are excited about the future of this innovative product. But we won't stop there. We constantly strive to improve our products to ensure they meet the needs of an ever-changing market and that we are always one step ahead of tomorrow's trends.

Our vision is to have Lottery Inside expand the POS choices for On-Line Games, so that the Lottery can reach new consumers and improve ease of purchases for existing customers. Our goals are to keep it simple for the retailer and create a sense of excitement and one-stop shopping convenience for the player.

Our future product roadmap includes bridging this new play experience with the Internet. Our concept would give consumers, who can remain anonymous with a bar code slip or key fob, more options for creating their own bar codes for games. They can also register their favorite winning number selection at the Lottery's Website and tie it to this same bar code. This would personalize a player's gaming experience at the checkout lane when visiting these Lottery Inside-enabled retailers.

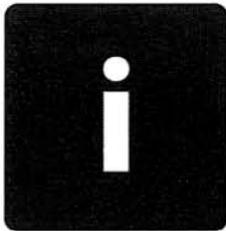
## 65.7

### Specialty Terminals and Equipment (Invited Options)

#### Multiple Solutions for Maximum Growth

Driven by continual market research and more than two decades of successful lottery deployments, GTECH lives by the maxim, "One size does not fit all." That's why we've developed the world's largest and most diverse suite of self-service and specialty products in the industry today.

#### GT-Mini Terminal – Powerful Technology in a Tiny Package



Every retailer has different needs, particularly potential new retailers that are unfamiliar with traditional lottery equipment. That is why GTECH is proud to introduce the GT-Mini terminal as an **Invited Option** available at an additional charge. At just over one pound, the GT-Mini is the smallest-footprint terminal in the industry, which will allow the TLC to expand into retail locations where counter space is at a premium.

**The GT-Mini is the smallest-footprint terminal in the industry.**

The GT-Mini is extremely compact, but it provides all of the same functions and features (minus a play slip reader) as a full-size terminal, including:

- Sales (manual and Quick Pick).
- Validations.
- Provision for manual entry of play slips.
- Play it Again feature.
- Instant Ticket inventory.
- Ability to print on lottery-grade paper.
- Ticket-by-Ticket (TBT) accounting.
- All retailer reports.
- LSR functions.
- FST functions.

All of these functions are available in a terminal that measures just 8.27 inches long x 3.74 inches wide x 2.95 inches high – about the size of an average stapler! Because this machine is so small, it will enable you to expand into stores where you currently do not have a presence. This terminal would be ideal for locations that are interested in selling primarily from self-service devices such as Family Dollar, Walgreens, Dollar General, and many more. Because the GT-Mini terminal provides an online solution for small niche businesses such as gas station kiosks, it makes the perfect solution for expansion.

### **Building upon the Success of the GT-Mini Terminal in Texas**

The TLC and GTECH provided the GVTX-ASYNC to H-E-B, allowing for 47 gas kiosk locations to be recruited and installed. This opened the doors to 126 more gas kiosks that sold Instant Games only. The footprint of the equipment met the space restraints of the small fuel kiosks, which otherwise would not have been selling Texas Lottery products.

Small kiosks add up to big sales. In 2008, GVT sales in Texas amounted to \$1.3 million, and in 2009 there was an estimated \$2.4 million in sales.

### **Figure 7.12 – 96: The Retailer GT-Mini Terminal**



#### **Convenience in the Palm of Your Hand:**

Small in size but big in value, our GT-Mini terminal validates Instant and On-Line Tickets without taking up retailers' valuable counter space.

By partnering with Ingenico, a worldwide transaction terminal company with more than 15 million payment terminals in live operation around the world, we were able to create this simple solution for both selling and cashing Instant and On-Line Tickets. We combined Ingenico's small-footprint terminal with our secure lottery-transaction processing software, creating a terminal that meets the needs of retailers in today's constantly changing lottery marketplace. We have deployed more than 24,000 specialty lottery terminals similar to these with the Spanish lottery ONCE, and in Switzerland, Chile, Trinidad & Tobago, and Guatemala.

The GT-Mini terminal can be used for cashing tickets in a gas station or at the retail point of sale. As an added benefit, it is also flexible and scalable enough to sell On-Line Quick Picks – more convenience in the palm of your hand! – with just a simple printer connection. The addition of the AccuTherm Supreme printer will allow the use of lottery-grade paper stock to print On-Line Tickets. It’s the ideal solution for chain stores that may be willing to sell Lottery through self-service terminals but don’t have the counter space for full-sized online terminal.

**Figure 7.12 – 97:  
GT-Mini Terminal Features and Benefits**

Feature	Benefit to the Texas Lottery
Small footprint on retail countertop	Allows retail expansion, because it takes up much less counter space than a traditional retailer terminal
Self-service model for lottery sales reduces lines, labor, and loss	Retailers spend more time focusing on their in-store sales and less time worrying about lottery
Redemptions are convenient	Players are likely to spend that cash on further lottery sales in the store
Quick Pick functionality with the addition of a lottery-grade printer	Gives retailers the option to sell selected lottery products at the point of sale

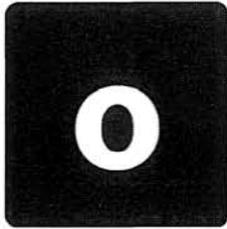
The GT-Mini terminal is also the perfect complement to our self-service devices. For example, a retailer that uses GTECH's self-service equipment with the GT-Mini wouldn't need a full-service retailer terminal. Players can make their lottery purchases from the LVM and validate their winning tickets on the GT-Mini terminal.

In short, the GT-Mini terminal is a win for the Lottery, the retailer, and the player:

- Lottery is available in more locations.
- It alleviates concerns of traditional and nontraditional retailers associated with selling lottery, such as decreased counter space and increased labor, lines, and loss.
- It offers a low-cost validation solution for retailers that only sell via self-service.

**Confidentiality Claimed  
Not released**

## Instant Showcase®



Our Instant Showcase system is a clerk-operated, 20-game-capacity Instant Ticket dispensing device that connects to and is controlled through our state-of-the-art Altura GT1200 terminal. The in-store AccuTherm Ultra lottery printer prints reports. We are pleased to offer Instant Showcase to the Texas Lottery as an **Offered Option** available at an additional charge.

Retailers participating in recent pilot studies and those who have GTECH's Instant Showcase in their stores agree that it:

- Generates incremental sales.
- Decreases retail Instant Ticket shrink.
- Accurately tracks Instant Ticket inventory.
- Expands and optimizes the retail lottery network.
- Saves labor time via automated reporting to speed through end of shift\day reconciliation processes.

Instant Showcase can be placed on top of the counter or in the counter. It's a sleek and efficient way for retailers to display and dispense Instant Tickets.

**Figure 7.12 – 98:  
The Instant Showcase Solution**



**Showcase Chic Without the Shrink:**  
Instant Showcase gives retailers the security they need to sell more Instant Tickets.

Retailers are often plagued by ticket shrink, forcing them to carry fewer games than they or the Lottery would prefer. Having a secure device to hold the tickets greatly reduces this issue.

The setup and operation of Instant Showcase is simple. Retail clerks place activated ticket packs into the ticket display drawer and load them into the burster mechanism. Once locked inside the drawer, the tickets can be dispensed and tracked automatically. The retailer will always know what comes out of the machine and which clerk (through user identification) was logged into the system.

### **Instant to Go® 24**



Instant To Go 24 is the world's best-selling ITVM that we will provide as an **Invited Option**, available at an additional charge.

**Figure 7.12 – 99:**  
**Showcasing the Lottery's Identity**



**Attracting Customers:** We always work with lotteries to ensure Instant To Go 24 showcases the lottery's brand identity and attracts customers.

The Lottery, its retailers, and its players will all see benefits from Instant To Go 24, because it was designed with players and retailers in mind.

The following figure describes some of the features and benefits of the Instant To Go 24.

**Figure 7.12 – 100:  
Features and Benefits of Instant To Go 24**

Feature	Benefit to the Texas Lottery
Our patented Quad Burster dispensing mechanism	Flawlessly dispenses tickets to the player, ensuring customer satisfaction
<b>SmartLoad Plus:</b> Retailers scan the bar code on the ticket pack to load games GTECH preloads the machines with game parameter information for all of your current Instant Games	<ul style="list-style-type: none"> <li>• Provides accurate ticket-pack loading and accounting</li> <li>• Eliminates the first and most time-consuming step for retailers, saving them valuable time</li> </ul>
<b>Expandability:</b> The Instant To Go 24 can display and sell 16, 20, or 24 ticket facings and is expandable in less than an hour in the field	<ul style="list-style-type: none"> <li>• Protects investment: Expands as needed as demand increases</li> <li>• Matches specific retail needs with optimal machine capacity</li> </ul>
<b>Connectivity:</b> Retailers and the Lottery gain real-time access to reports, along with six different machine status alerts	<ul style="list-style-type: none"> <li>• Increases sales:               <ul style="list-style-type: none"> <li>- Ticket bins are consistently full because retailers know in advance, without physically checking the ITVM, if bins are low</li> <li>- The Lottery and its retailers can more effectively manage inventory levels</li> </ul> </li> </ul>

Retailers appreciate the size of Instant To Go 24 – the smallest footprint full-scale ITVM available on the market today – which, compared to competitors’ machines, uses less valuable retail space.

Retailers recently provided some general feedback on the benefits of Instant To Go 24:

- Drawers make it easy to load, instead of bins that pull out for side loading.
- Product ID memory makes loading faster.
- Using the scanner helps, especially for taking reports.
- Customers like the bright ticket displays.
- Faster printer for reports is great.

They also voiced appreciation for the following features:

- More game selections.
- Larger cash boxes.
- Greater reliability; fewer ticket jams.
- One-shot feature.

It is clear that retailers with the new Instant To Go 24 machines are seeing its many benefits and are happy with their devices. Other vendors with very few ITVMs deployed may make claims about the machines they propose and their projected performance in the future. But GTECH is the only company with a proven track record of designing, developing, manufacturing, deploying, and servicing self-service devices for 31 lottery jurisdictions worldwide.

The Lottery will be confident that players and retailers alike are having positive experiences with Instant To Go 24 because it is the most successful ITVM in the industry. GTECH's unique ITVM is unmatched in head-to-head tests and features the industry's most reliable Instant Ticket-dispensing mechanism, the Quad Burster.

**Instant To Go 24 ... the most successful ITVM in the industry.**

### How Instant To Go 24 Works

Players find Instant To Go 24 intuitive, convenient, and fast to operate. Retailers enjoy the way Instant To Go 24 reduces lines, labor, and loss, while proving itself as an efficient sales and management tool for Instant Tickets. For the Lottery, this means that retailers will be happy to have these devices in their stores selling tickets and that players will enjoy playing – which equals increased returns to the Foundation School Fund.

#### **Instants To Go – Maximum Functionality**

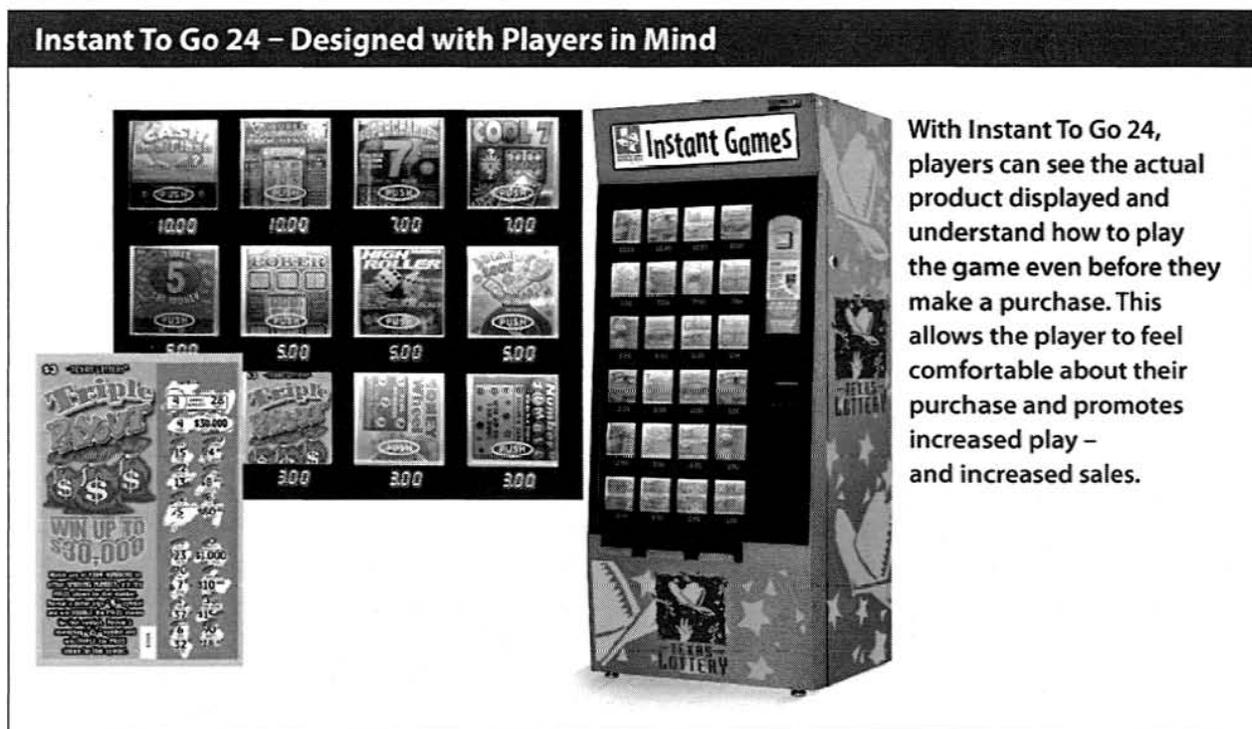
- Stimulates impulse purchases and promotes Lottery brand by displaying actual ticket facings in push-button windows.
- Quad Burster dispensing system dispenses tickets without tearing or damaging tickets.
- Ticket drawers make ticket loading easier, more efficient, and faster.
- The 14-gauge sheet metal cabinet and four-point-locking system ensure ultimate security.

Purchasing Instant Tickets is an impulse. Much like a purchase from other types of vending machines, the product must “grab” the customer's attention in order to be effective. Instant To Go is proven to capture the impulse purchase, as shown in the following figure. That’s because we showcase each game by featuring an actual ticket facing in the large, brightly lit push-button windows and place the ticket prices in a bright large font price display window just beneath each game. Our ticket display is:

- Familiar to players.
- Fast and intuitive to use.
- Proven to delight players and sell more tickets.

Retailers and Lottery management will have peace of mind that Instant To Go 24 is always up and running because it is designed to be tamper-proof and reliable. Customer complaints – which can be frequent for poorly designed vending machines – are greatly reduced with Instant To Go. Its proven performance frees retailers to focus on other business.

**Figure 7.12 – 101:**



**Enticing and Intuitive:** Tickets are attractively displayed in a well-lit showcase; players have time to read the rules of the game, know how much the ticket costs, and will receive a cleanly cut ticket.

### **Players Like Push Buttons**

A test conducted by the Georgia Lottery showed that GTECH's method for displaying and purchasing Instant Games via push-button ticket windows has a profoundly positive effect on the overall success of our self-service offering. Players found our push-buttons ticket window display extremely easy to understand and use. The end result of this 10-week test was that *GTECH outsold the competitor's touch screen method by 46 percent*. These results were audited and verified by the accounting firm KPMG.

The TLC expends tremendous time and resources developing ticket designs and games that attract customers. Much of the value of that work is lost if the self-service product doesn't allow players and potential players see the designs. The large game displays of Instant To Go 24 ensure that each individual game is merchandised successfully and that the ITVM system is a profitable POS solution.

### **Instant To Go® 4**



The Instant To Go 4 incorporates the reliability of the Quad Burster and JCM bill acceptor series into a small device that may be pedestal-mounted, wall-mounted, or secured on a countertop. This **Invited Option**, available at an additional charge, works well in venues where space is limited, such as restaurants, taverns, and newsstands. It is also an excellent solution for locations that may not have the foot traffic to support a full-scale vending machine.

The TLC and its retailers will be able to offer self-service Instant Tickets without taking up the same amount of space required for a traditional ITVM with Instant To Go 4, a smaller version of our 24-bin ITVM. This is the only four-game ITVM on the market.

**Figure 7.12 – 102:  
Big Sales in a Small Footprint**



**Instant To Go 4:** The smallest ITVM on the market opens opportunities to deploy a ticket vending device in locations that may not otherwise consider selling lottery.

The Rhode Island, New Hampshire, and Washington State lotteries have all found Instant To Go 4 to be a valuable asset in the drive for same-store sales growth and retailer recruitment. Rhode Island and Washington have focused their deployments on social spaces, while New Hampshire has concentrated on unconventional retail outlets.

### **Instant To Go 2**



Instant To Go 2 is an eye-catching vending machine with a very small footprint, versatile mounting capability, and two-ticket capacity. This **Invited Option**, available at an additional charge, is the perfect solution for selling Instant Tickets in small retail or social space environments – and it's available only from GTECH.

**Figure 7.12 – 103:  
Instant To Go 2**



**Secure Instant Ticket Sales:** Instant To Go 2 brings the Lottery's most popular Instant Games into nontraditional venues.

### How Instant To Go 2 Works

Just plug in and play. Instant To Go 2 increases the Lottery's presence in restaurants, bars, cafes and retail locations too limited in space to accommodate large-scale ITVMs. Instant To Go 2 provides players with effortless access to the Lottery's top-selling Instant Games. By expanding the Lottery's presence into nontraditional venues, Instant To Go 2 taps into a new player base.

### Keno



In the event the TLC decides to add keno to its online game portfolio, with our industry experience and long tenure as the TLC's lottery operator, we stand ready to provide the Texas Lottery with our:

- Proven technology.
- Reliable equipment.
- Extensive game library.
- Marketing experience.
- Retail distribution strategies.

We offer keno products and services as an **Offered Option** available at an additional charge.



# 7.12.1

## Installation, Relocation and Removal

### Table 67

#### Installation, Relocation and Removal Response Requirements

##### 67.1

##### Roles Responsibilities and Detail Requirements

GTECH acknowledges and accepts the roles, responsibilities, and detail requirements indicated in this section.

##### 67.2

##### Installation, Relocation and/or Removal Requirements

Proper equipment placement and installation is critical to the success of the Texas Lottery. The sales and non-sales equipment in the retail environment puts the TLC's brand image in the forefront of current and prospective players' minds. Timely and efficient installation of new retailer equipment will decrease the time it takes retailers to begin selling Lottery products which will, in turn, increase returns to the Foundation School Fund. With a retailer base as diverse and widespread as Texas', it is crucial that the people, processes, and tools involved are all specialized to the unique needs of the Texas Lottery.

GTECH's Client Services Management Application (CSMA) is essential for efficiently and effectively managing and monitoring retailer calls, performing analysis, and dispatching Field Service Technicians (FSTs). National Response Center (NRC) Associates use CSMA to review each retailer's case history and to capture pertinent case information.

The Dispatch Engine (DE) – the scheduling application of CSMA – assigns the appropriate FST to each case. The DE constantly runs in the background to build an optimized schedule for FSTs as conditions change and as new cases are opened. In order to ensure the right FST is dispatched to the right case at the right time, the DE:

- Proactively drives, manages, and monitors cases and FSTs.
- Is driven by decision factors, including equipment status and travel distance.
- Utilizes Sales Impact Analysis.
- Integrates the TLC’s business rules.
- Reschedules in real time.

While GTECH’s Field Service Organization is tasked with the physical installation, relocation, and removal of Lottery equipment, it is the responsibility of all departments to ensure proper placement and efficient communication.

## Installation Procedure

The following is a discussion of our steps for installing a new retailer.

### 1. **Determine Retailer Equipment**

During recruitment, Lottery Sales Representatives (LSRs) and Corporate Account Representatives can initiate a site survey to identify what type of communications network and equipment is best for the particular retail location. Additionally, any city ordinances or other restrictions on merchandise placement can be identified and added to the retailer recruitment record. By gathering this information at the beginning of the recruitment process, allocations of equipment and materials can be made proactively by the field service team. Please see Section 8.2, Sales Management and Business Development, for additional information on sales organization recruitment activities.

### 2. **Complete Installation Work Order**

GTECH will coordinate with the retailer for the date and time of the equipment delivery and installation.

Once a retailer’s application is approved by the TLC, requests for equipment and services for installation will be created using the

Installation Work Order Form, as discussed in Section 7.5, Retailer Management, and as shown in the following figure.

Information Redacted  
§552.101/466.022/552.139

**Confidentiality Claimed**  
**Not released**

GTECH will perform all aspects of setting up a new retailer, including the following:

- Shipping, installing, and testing sales terminals.
- Ordering, installing, and testing communications network access.
- Shipping and installing playstations.
- Shipping and installing Instant Ticket bins.

The field services manager and supervisors use the work order module to manage upcoming scheduled retailer installations. Searchable parameters allow output to be narrowed down by a number of criteria, facilitating detailed planning, as shown in the following figure.

**Confidentiality Claimed**  
**Not released**

### 3. **Field Services Installation Scheduling**

By using the results of the installation work order search, tickets will be created in the CSMA and placed in the queue for equipment installation. The sample schedule screen is shown in the following figure.

**Confidentiality Claimed  
Not released**

**Confidentiality Claimed**  
**Not released**

## Confidentiality Claimed Not released

### 6. Reporting

To provide an integrated view of retailer activity, maintains a real-time link to the field service application. At any time, information on ticket status can be accessed through a single reporting interface. Please see Section 7.9, Reporting, for additional information on

Information Redacted  
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### Relocation and/or Removal of Sales and Non-Sales Equipment

GTECH will relocate or remove sales/validation and non-sales/validation lottery equipment in retail locations within three working days of notification by the Texas Lottery, unless the Texas Lottery shortens or extends the time requirement in certain circumstances. These tasks will be automated for the FST and accountability will be handled by the CSMA, as described in Section 7.13, Call Center Support. The Asset Management module will capture and record activity such as equipment installation, removal, or swaps, as shown in the following figure.

**Confidentiality Claimed  
Not released**

GTECH has met or exceeded every major TLC deadline to remove equipment. For example, we removed all equipment under a tight deadline when Albertsons abruptly closed 30 stores. In fact, during the past five years, GTECH has performed 3,934 removals on schedule or ahead of schedule.

## Case Study: Disaster Recovery

### *The Challenge*

On Wednesday, July 29, 2009, in Tyler, Texas, FST Roger Jekot received calls from multiple retailers reporting that they were unable to connect to the Lottery network. All 21 retailers with this problem were equipped with remote radio equipment from the same master radio tower. Realizing there may be an issue with the tower, Roger arrived to find it being torn down. The company that owned the tower where we leased space was moving to a new tower and had removed this location without notifying GTECH.

### *The Solution*

Roger immediately notified his supervisor, John Rodriguez, and his manager, Hal Walker. After a series of calls to the tower owner, we had two options: we could wait a week to be connected to the company's new tower, or shift all 21 locations to individual satellites, which would require two people and take many hours for each location. The team estimated that it could get all locations converted in four days, and began prioritizing location shifts based on sales volume. Hal and John made arrangements for satellite equipment to be shipped from Irving to Tyler and to reallocate resources to the area to assist in the conversion.

### *The Result*

By the end of the day the problem arose, Roger had already converted four locations. Two days later, on Friday, July 31, the group finished the job – a full day ahead of schedule. In less than three days, the GTECH FST team had all 21 retailers back online and selling tickets as usual. We estimate that this extra effort saved the Lottery \$120,000 in sales that would have otherwise been lost!

### **Storage of Lottery Equipment**

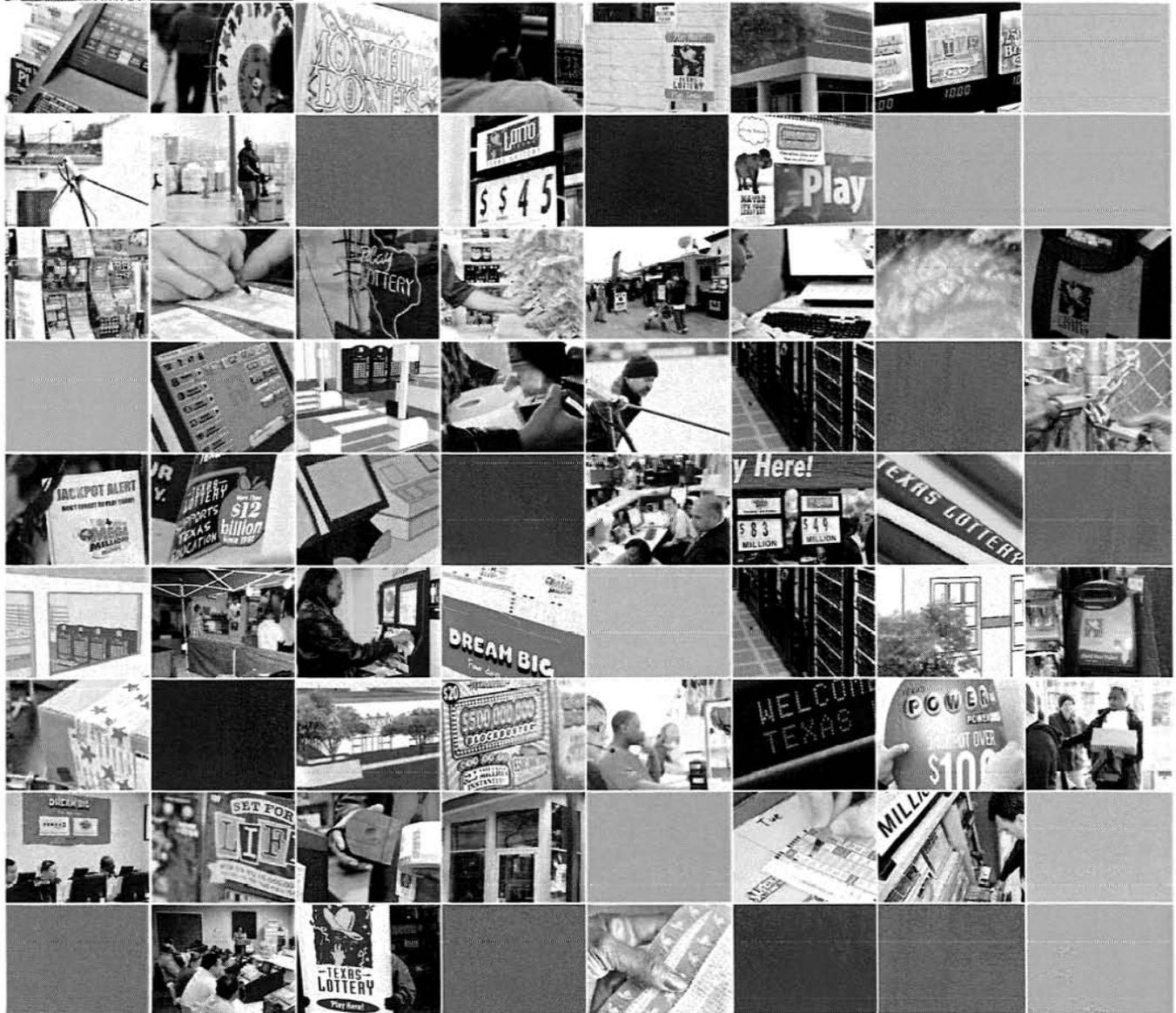
Under certain circumstances (e.g., change of ownership, store remodels, equipment relocation or retailer additions/deletions, etc.), we will store Lottery equipment. Our 15 field service offices are strategically located in various regions throughout the state and have ample storage areas for relocated or removed sales/validation and non-sales/validation equipment.

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# 7.12.2

Maintenance and Repair



# 7.12.2

## Maintenance and Repair

### Introduction

In Texas, just because you know a retailer's address doesn't mean you can always get there. Motorcycle rallies in Austin, Mardi Gras parades in Galveston, or the Remember the Alamo weekend in San Antonio can interrupt the normal route to a Lottery service call. During each of these events, the GTECH Field Service Technician (FST) already knows an alternate path to responding to the retailer's needs.

**For FSTs, it's not what's on the map, but the knowledge acquired that is most valuable.**

An FST often has to work around events longer than a weekend. Spring Break on South Padre Island, the State Fair in Dallas, the Houston Livestock & Rodeo, and the Christmas Trail of Lights in Austin can create traffic headaches for weeks. These things must be considered with FST schedules and coverage. For FSTs, it's not what's on the map, but the knowledge acquired that is most valuable.

Also, there are the weather obstacles you must learn, prepare for, and deal with every year, from the ice and snow in Amarillo every winter to the spring rains that flood roads and even highways across the state. GTECH FSTs are familiar with the back roads and willing to do whatever it takes to ensure there are no delays. They understand that a freak sandstorm in Fort Stockton or lightning strikes in San Angelo can create issues for terminals, and they are always ready for the unexpected. Finally, we can never forget hurricane evacuations or tornado warnings that are much more common than we would like them to be.

Knowing Texas retailers doesn't end when you get to the location. You have to understand parking restrictions at DFW airport, vehicle restrictions in Houston, or the schedule for the Bolivar Ferry to ensure you can arrive to your retailers on time, every time. As another example, to reach retailers near the new Cowboys' stadium or the Texans' field, you must know how to get there, park, and speak to the right person – knowledge the GTECH FST has already acquired.

Our team is comprised of professionals who are willing to go above and beyond for TLC retailers. To follow are just a few examples of how devoted our FSTs are to the Lottery.

## **Table 70**

### **Maintenance and Repair Response Requirements**

#### **70.1**

##### **Roles, Responsibilities and Detail Requirements**

GTECH acknowledges and accepts the roles, responsibilities, and detail requirements indicated in this section.

#### **70.2**

##### **Maintenance and Repair of All Terminals and Related Equipment**

We propose an extensive service and maintenance program run by dedicated professionals. These professionals are trained to handle hotline calls and field service visits based on your specific retailer equipment. Many of them have nearly 18 years of experience working in the Texas environment. They serve close to 17,000 retailers, covering approximately 268,000 square miles, across multiple geographies. Covering this expansive area is a unique challenge, which we have met – and will continue to strive to exceed. Our Texas team has responded by driving 1,176,567 miles in 2009 alone, proving our capability to service all of the Lottery's retailers.

To improve efficiency and performance in terms of the service we provide to your retailers, our new dispatch technology builds an optimized schedule for our FSTs. In other words, the dispatch engine automatically schedules the right FST to the right location at the right time.

Our mission is to eliminate any downtime of your sales equipment. The following outlines our plan for the maintenance and repair of all terminals and related sales equipment:

1. Design equipment that reduces, if not eliminates, downtime.
2. Retailer visit procedures.
3. Preventive Maintenance (PM).
4. Shortest path to resolution.
5. Proactive monitoring for chronic retailers.
6. Proper staffing support.

The features and benefits of our plan are presented in the following figure.

**Figure 7.12.2 – 1:  
GTECH’s Preventive Maintenance and Repair Plan**

Feature	Benefit to the Texas Lottery
Sales equipment designed to last	Our equipment is designed with fewer moving parts which increases its reliability
Mean Service Time standards	We’ve established standards for Mean Service Time, which enables us to monitor FSTs and ensure they spend the right amount of time with retailers
“Full-service visit” completed each time FST enters a retail location	FSTs uncover and resolve potential issues before they happen
Cross-training of FSTs and Lottery Service Representatives (LSRs)	Having multiple trusted resources for information and assistance improves retailer service and satisfaction
Staffing plan that ensures adequate staff are always available	We dispatch staff based on who can provide the quickest response time
Integrated Client Services Management Application (CSMA)	Our Dynamic Scheduling Engine manages field service activities to prevent delays in repair time and provide a single point of accountability

### **Dependable Sales Equipment Design**

Our equipment maintenance plan begins with designing the most reliable equipment in the industry. Specifically, we design all of our equipment with a minimal number of moving parts, as moving parts have the most need for maintenance and repair.

#### **Example: The Altura® GT1200 Terminal**

One of the keys to reducing service calls is to provide a durable, reliable, efficient, and user-friendly Point-Of-Sale (POS) terminal. The Altura GT1200 is GTECH’s “next generation” Contact Image Sensor (CIS)-based terminal. It utilizes the latest technology while leveraging the field-proven Altura terminal platform, applications, and peripherals. The Altura GT1200 sets a new standard for lottery play slip processing and ticket validation and positions the GTECH family of Altura terminals as our primary terminal offering for years to come.

The Altura GT1200 touch screen employs robust and reliable technologies. The Liquid Crystal Display (LCD) provides crisp images and rich colors, and uses Light Emitting Diodes (LEDs) which have a longer life than other technologies. By offering dual-LED illumination for the CIS and an ultrafast transport, this terminal quickly and reliably recognizes, decodes, and processes play slips of all types, simply and accurately. The Altura GT1200 includes a modular design that facilitates ease of repair; FSTs need only repair the component of concern and get the retailer selling tickets quickly.

### **Retail Visit Procedures – Complete Sales Equipment Check**

Whenever an FST is dispatched to a retail location, his or her first job is to solve the problem that initiated the call. Once this issue is resolved to the retailer’s satisfaction, the FST then undertakes a thorough “full-service visit” by performing PM procedures for all sales equipment at that location. In fact, FSTs complete a full-service visit, which includes PM, during each visit.

**Figure 7.12.2 – 2:  
Full-Service Visit Tasks**

<b>Task</b>	<b>Performed</b>
Speak with retailer to assess all issues	Yes
Complete all repairs	Yes
Provide training on how the retailer could fix and/or prevent future service calls for the same trouble, if applicable	Yes
Quality check the exterior of the terminal, printer, and all peripherals	Yes
Verify that all terminals and related components are operating properly	Yes
Verify that all electronic POS messages are correct and current	Yes
Check supply levels	Yes
Speak with retailer to see if all needs have been met	Yes

Based on technology improvements since the introduction of our ISYS® retailer terminal and related equipment, coupled with historical data, we have developed a low-impact quality check program that will reduce disruptions and ensure all points of sale are running optimally.

### Preventive Maintenance

Our contemporary line of sales equipment requires much less maintenance, if any at all. PM now consists of a simple, routine cleaning and quality check.

### *Cross-Training and PM*

LSRs are cross-trained to recognize equipment problems. Cross-training provides an additional resource to maintain all sales equipment. An LSR visits each retailer every two weeks and, while there, ensures all equipment is working properly. For any equipment that needs attention, the LSR calls the National Response Center (NRC) and places a service request. When the FST arrives, he or she will troubleshoot the problem identified and then undertake a “full-service” PM visit on all sales equipment. Then, the FST will close the case with the correct resolution and notes included. Preventive Maintenance will be scheduled for every FST retailer service visit. All maintenance information will be retained and available for 24 months to be reviewed by the TLC upon request.

### Average (Mean) Service Time

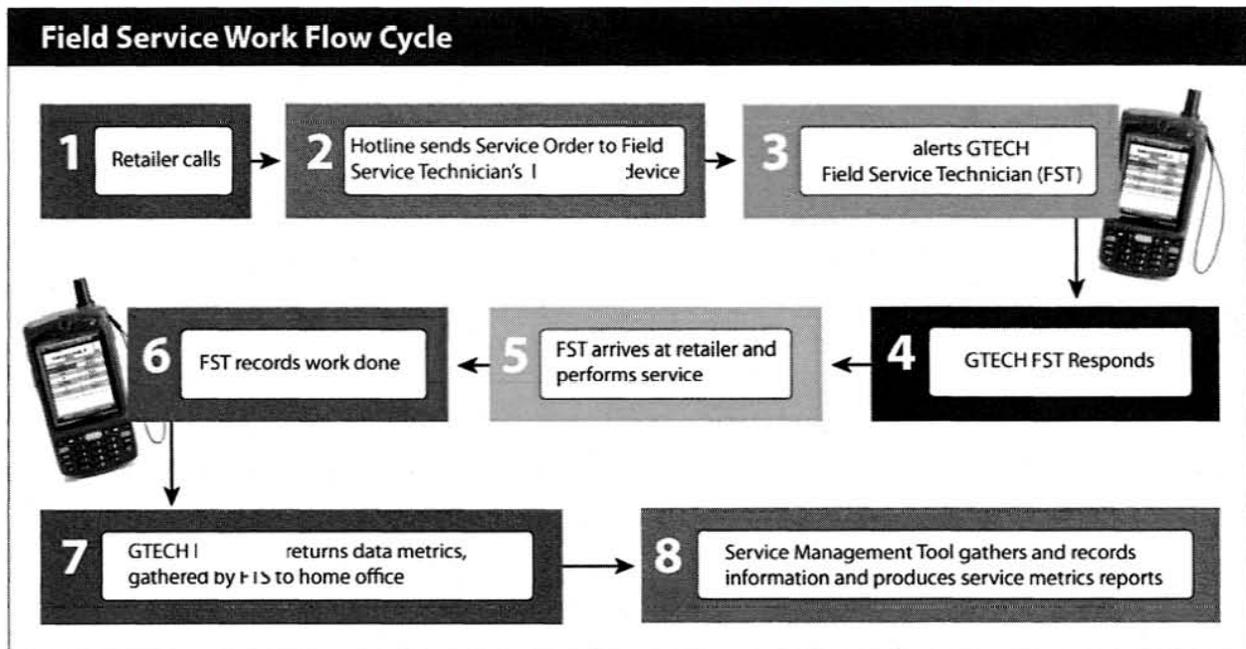
Spending the right amount of time with a retailer is integral to PM. GTECH ensures this happens by measuring, monitoring, and controlling the time FSTs spend performing maintenance and repair work. The following table illustrates the time our FSTs are expected to spend performing common tasks. Please note that times indicated (except power cycle/terminal reset) do not include time to boot/reboot/sign on the terminal, and successive-level service times are cumulative.

**Figure 7.12.2 – 3:  
Estimated Service Times**

Requirement	Time (in minutes)		
	Retailer	FST/LSR	Depot
Clean exterior	< 1	< 1	< 1
Replace filter element	< 3	< 3	< 3
Reset power cycle or terminal	< 3	< 3	< 3
Clean interior	n/a	< 5	< 3
Replace terminal	n/a	< 3	n/a
Replace Liquid Crystal Display (LCD) subassembly	n/a	< 3	< 3
Replace motherboard enclosure	n/a	< 2	< 2
Replace LCD subassembly components	n/a	n/a	< 15
Replace Double Data Rate 2 (DDR2), Compact Flash (CF) or daughter boards	n/a	< 2	< 2
Replace motherboard	n/a	n/a	< 15
Replace power supply	n/a	< 3	< 3
Replace enclosure fan	n/a	< 2	< 2
Replace LCD backlight	n/a	n/a	< 2
Replace CIS reader	n/a	< 2	< 2

The NRC works in concert with the Field Service Organization to protect the Texas Lottery's revenue stream. When calls are received for retailer assistance, Texas-trained expert Call Center associates use the GTECH News Information Expertise (GNIE) knowledge management system, with detailed product and equipment information as well as specific troubleshooting steps for all known equipment issues. By employing the NRC associates as the first line of defense, call resolution decreases from hours or days to mere minutes, making for happy retailers and happy players. In 2009, NRC associates resolved 67.57 percent of all retailer service calls without the need to dispatch an FST. The following figure depicts GTECH's efficient Field Service Work Flow cycle.

**Figure 7.12.2 – 4:** Information Redacted  
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**Shortest Path to Resolution:** To save retailers time, improve efficiency, and minimize the risk of error, GTECH employs a technology-enabled workflow cycle.

When a call cannot be resolved by an NRC associate, it is routed to the Client Services Management Application (CSMA) to dispatch the proper FST at the right time. The Dynamic Scheduling Engine is the backbone of the Client Service Management application. As NRC associates enter repair tickets into the queue, the CSMA analyzes a number of factors, including assigned severity level, issue type, and current location of FSTs on call before scheduling for dispatch. As additional calls are placed and requests for dispatch made, the Dynamic Scheduling engine continually analyzes these factors and modifies field service dispatch accordingly. In this way, retailer issues are addressed according to predefined levels of severity and potential impact to Lottery sales.

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Access to field service call metrics, including individual retailer call history through

, allows the insight necessary to further refine the dispatch logic and monitor and report on service levels.

### Proactive Monitoring for Chronic Retailers

Continuously reviewing and monitoring retailer performance is a major element of our plan. It is conducted using integrated field service data through GTECH's , detailed in Section 7.9, Reporting. Our treatment and prevention of chronic issues occurring at retail locations is provided later in this section, in response to Table 70, Subsection 70.4, Resolution of Chronic Equipment Problems.

### Proper Staffing Support

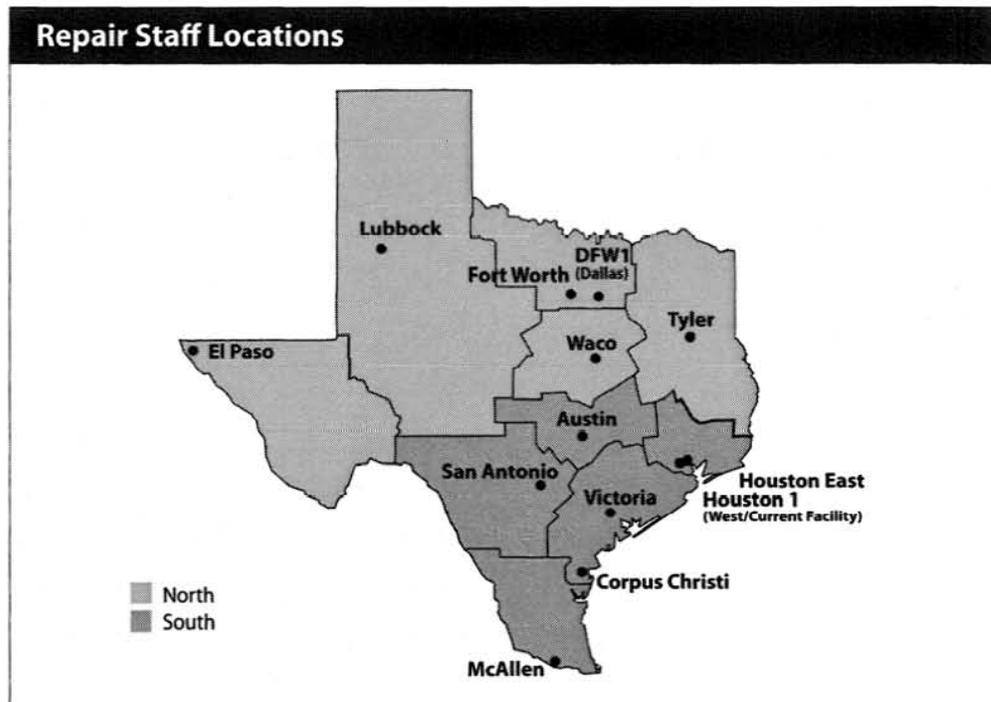
Our FSTs are trained to have the knowledge and equipment necessary to replace any GTECH-provided or serviced equipment. In addition to providing an efficient maintenance and repair program, our FSTs tailor their routine to business circumstances at each location to reduce the potential for disruption in retailer operations. GTECH will replace a retailer's Lottery equipment when required and in a transparent manner. We will strive to eliminate a loss of revenue or time when replacing Lottery equipment. Our FSTs are trained to minimize their impact on the retailer's environment, staying out of the way so they can take care of not only selling Lottery products but also their other products. Our field service staffing support is outlined in detail the next Subsection, 70.3, Repair Functions and Location of Staff.

### 70.3

#### Repair Functions and Location of Staff

The Texas Lottery will be well prepared for future growth as a result of GTECH's careful selection of locations for its staff. We analyzed demographic, retail, technology, and economic trend data to determine the most optimal locations for our field service offices. The 15 locations and the numbers of FSTs deployed are shown in the following figures.

**Figure 7.12.2 – 5:**



**The Right Staffing Levels in the Right Locations:** With a state the size as Texas, it is critical to have the right staffing levels in the right locations to provide the level of service required.

**Figure 7.12.2 – 6:  
Staffing Levels by Location**

Location	Staffing
Austin	5
Houston East	6
Houston Southwest	6
Houston Northwest	7
McAllen	3
San Antonio	6
Victoria	2
Corpus Christi	2
Dallas North	6
Dallas South	6
Forth Worth	5
Tyler	6
Waco	3
Abilene	5
Lubbock	3
El Paso	2

**Strategic Staffing Locations and Levels:** The Texas Lottery will be well prepared for future growth as a result of GTECH’s staffing of locations.

High-volume retailers will receive the service they expect because we located our field service offices near them. We also increased the overall number of FSTs to improve responsiveness to high-volume retailers and position the TLC for the coming impact of wireless technology on retailers. We will continuously monitor the overall effectiveness of staff levels, making adjustments to maintain the highest quality of service.

### **Resourcefulness and Quick Thinking Get the Job Done**

On Saturday, September 13, 2008, Texas felt the wrath of Ike, the third most destructive hurricane ever to make U.S. landfall. Houston was hit especially hard and 4,600 lottery retailers lost communication to the Lottery gaming system. GTECH's dedicated and focused Texas field service team quickly regrouped and effectively executed the daunting task of getting the down retailers up and running again.

By Wednesday, September 17th, although their homes did not have power, nearly all FSTs were back working in the Houston area. In the state of chaos that Ike created, GTECH employees understood the importance for customers to regain a sense of normalcy, and to many that was the ability to purchase a lottery ticket for a chance at fortune.

Help was recruited from other areas but there were no hotels in driving distance with vacancy. Senior Field Service Manager Hal Walker, with some quick thinking, found two rental trailers in Louisiana that slept four people each. A new problem arose when it was realized that GTECH's warehouse lease stated no living quarters could be placed on the premises. All campgrounds were full and the situation looked bleak until Robert Gouner, the Texas South Field Service Supervisor, offered his backyard for the trailers. Robert's home was in Baytown on the opposite side of Houston from the GTECH facility, so he graciously offered up his garage as a satellite warehouse and his kitchen table as the control center. This created a two-prong approach to our recovery, which lasted more than a month.

**In only one week, the number of locations unable to sell was decreased from 4,600 to 1,503.**

In only one week, the number of locations unable to sell was decreased from 4,600 to 1,503. The remaining down retailers faced unique problems, anywhere from missing equipment to rain-soaked terminals. By October 4, three weeks after Ike's fury, 4342 of the 4600 impacted locations were up and selling Lottery products as the Houston area returned to semi-normalcy.

The Texas FSTs knew they had a job to do and performed it to the highest standard while facing the toughest of circumstances. Dedication to their job, colleagues, and especially the retailers they serve made this response as effective as it was.

## The Team You Know and Trust

Our philosophy as an organization has always been and will continue to be to put the customer first. Since GTECH has been your vendor for many years, you and your retailers can have confidence in its current field service personnel – the people they call when they need help. GTECH Field Services knows you, your retailers, and your equipment. They will be ready on day one of the new contract to continue to provide top-quality service. A significant benefit to having GTECH continue as your vendor is that there is no need to start over, hire a new staff, and train them from day one – in other words, to start the learning curve all over again.

### Art Campbell, Hardware Trainer



Warren A. "Art" Campbell is one of our hardware trainers, and conducts expert training for the maintenance and repair teams in the GTECH Technical Training and Support Services (TTSS) department. From 1972 to 1978, Art was in the United States Marine Corps, where he learned electronics and worked on fire control radars in the F4 Phantom fighter aircraft. After his tour of duty, Art worked at Hughes Aircraft Company in Southern California for 10 years as a senior test technician working on various ground-based radar systems and high-frequency communications systems.

Following his unfortunate layoff from Hughes Aircraft Company (along with 700 other Hughes employees), he pursued his interest in general aviation and became a commercial pilot and a Certified Flight Instructor (CFI) as well as a licensed Airframe and Power plant (A&P) mechanic. After running his own avionics business for six years and spending four years as an avionics manufacturing engineer at Gulfstream Aerospace, Art was hired by Hughes Network Systems as a technical training engineer for the Hughes satellite communications system. There, he spent several years, including a year and a half at its European Network Operations Center (NOC) in Germany.

Art came to work for GTECH in 2002 as a GTECH NOC operator. He assisted with the management of the NOC service desk and transferred to the GTECH TTSS department in 2005. Art trains domestic and international GTECH customers on all of the GTECH POS terminals and the Very Small Aperture Terminal (VSAT) communications system.

## Texas Depot Repair Facility

The FSTs will send all swapped equipment to the closest Texas depot/screening facility, where it will be examined to verify the reported problem. The local screening associates will clean, adjust, and provide minor repairs on problem devices. If tested successfully, the equipment can be returned to the field for installation. Defective components requiring repairs that are more extensive will be sent to our Regional Repair Facility or back to the Original Equipment Manufacturer (OEM) for repair.

## Regional Repair Facility

To support our FSTs, we created the Rhode Island Regional Repair Facility (RRF), staffed with qualified repair technicians, to perform intricate repairs that would intrude upon business if done at the retail location.

The RRF will perform a detailed examination and the required service and/or repair on the defective devices before returning them to the local screening operation. The RRF is a contemporary repair and reconditioning facility equipped with extensive testing and diagnostic equipment.

A rigorous repair and Quality Control (QC) process is in place at GTECH's RRF. Every piece of equipment received undergoes a systematic diagnostic-and-repair process followed by a QC test before being returned to the field. In addition, to ensure that terminal uptime and retailer satisfaction are maximized at all times, our repair process includes constant communication between the RRF and field service management regarding the quality of the work being performed by the FSTs in the field. This communication allows the manager to do any remedial training in the necessary service area.

**Figure 7.12.2 – 7:  
The Rhode Island RRF Team**



**The RRF Management Team:** [Front Row, L-R] Mario Travassos, Janice Sarracino, Presley Burnett, [Back Row, L-R] Lopphay Phomarath, Donovan Brown.

### Field Service Engineering – Worldwide Experience

The Field Service Engineering (FSE) team supports every GTECH customer and consists of three members with 58 years of collective GTECH experience. In 2009, FSE provided service to 35 international and 32 domestic sites, supporting 30 project efforts and more than 900 field support requests. FSE also represented field service on numerous product development/enhancement teams and participated in various field service improvement initiatives, bringing yet another level of knowledge and experience to GTECH's Field Service Organization. GTECH brings this worldwide field service experience for support of the TLC.

#### *Stephen Pratt*



Stephen manages the FSE group. He joined GTECH more than 12 years ago as a product manager. Before becoming the Director of Field Service Engineering, he held various roles in product management, product development, and communications. Stephen graduated with a B.S. in mechanical engineering from Boston University and worked nine years as a test engineer and program manager for the Department of the Navy.

### *Dan Mancini*



Dan is a senior member of the FSE group. Dan graduated with a B.S. in electrical engineering technology from Roger Williams University and has worked for GTECH for more than 20 years. Before joining the FSE group, Dan held various roles in product development and field services.

### *Herman Avila*



Herman Avila is a senior member of the FSE group. Herman has an Associate's degree from RISE Institute of Technology and has worked for GTECH for more than 26 years. Before joining the FSE group, Herman held various roles in sustaining engineering, manufacturing test engineering, and manufacturing.

## **Principles of the Quality Process**

We developed a Quality Process that is applied to all equipment, retailers, and lottery customers. Because of this process, every GTECH FST is prepared to walk into a retail location and repair all equipment, provide any necessary training, and answer retailer questions.

No system is complete, regardless of how advanced its technology, without the right complement of qualified, experienced personnel to manage it. Our vice president of client services, along with the four directors overseeing call centers, field service, data centers, and network communications, have more than 100 years experience with GTECH providing service to our lottery customers. Our 1,400-member army of U. S.-based operations and services personnel has a level of experience unmatched in our industry. This combination of proven experience and advanced technology is critical to helping our lottery customers achieve our mutual goals.

The five principles of the Quality Process are briefly described next.

## Field Service Standards

The GTECH Field Service Standards outline, in detail, every responsibility associated with the service technician's position, stressing the responsibilities associated with the retailer. The standards clarify all service requirements for the service technician's performance in the field, including all procedures for performing service visits and integrated quality/safety checks on each piece of equipment serviced by GTECH. Our standards include scripts for the service technicians to follow when working with the retailers, Lottery staff, dispatchers, and communications personnel. These standards ensure that every service technician is prepared to provide the highest level of service consistently across your retailer base, regardless of the type of equipment serviced.

## Performance Levels and Expectations

After the Field Service Standards were clearly established, we built expected levels of performance for all personnel within the service organization. This important aspect ensures we have adequate in-state staff who are properly equipped to respond to all service calls in a timely manner. GTECH's field Quality Process relies on the continuous improvements we have in place for terminal engineering and repair staff management. Since service technicians perform at an optimal level, we can ensure that our work force is fully utilized and efficient, maximizing terminal uptime to increase Lottery revenue.

## Staffing Levels and Performance Measurement

The GTECH field service program provides a single point of accountability, including the wireless network, preventing delays in repair time. GTECH is the only vendor that has adopted this approach, which we have implemented successfully for more than 15 years. Our Field Service Organization has developed standard repair times for our terminals and related equipment. All repair times are based on our experience with this equipment in other jurisdictions. We use these standards to help us enhance our service delivery and to help determine proper staffing requirements. Performance measurements are determined by the FST's number of service calls, contractual requirements, and installations/removals along with their geographical coverage area.

As required, we will resolve all terminal and related sales equipment problems and return the equipment to service within four (4) hours as required under RFP Section 3.61.7, Failure to Resolve Terminal and Related Sales Equipment Problems. We will maintain all terminals and related sales equipment seven (7) days a week, 365 days a year.

All non-sales and/or non-validation equipment problems will be resolved and the equipment returned to service within three (3) days of notification as required under RFP Section 3.60.45, Failure to Resolve a Lottery Non-Sales and/or Validation Equipment Problem within the Specified Timeframe.

This analysis is ongoing, as our local field service management team constantly reviews statistics and trends to ensure we have optimum service technician staffing levels. They measure the performance of each staff member, providing guidance and feedback to meet the goal of continual improvement. The priority is not only to be efficient but also to have proper staffing levels to support the Lottery's day-to-day business as well as busy times during high jackpots.

### Corporate Field Service Support

In efforts to continue to improve field service operations, GTECH will review and modify as necessary the areas that need development. We strive continually to enhance our service to you to ensure your success. GTECH corporate field service employees, with ample lottery and lottery vendor experience, will support GTECH Texas field service staff.

Our FSE department provides assistance if equipment concerns arise in the field. They provide vigilant testing, research, and historical data to quickly determine and resolve any new concerns. Once the resolution is determined, FSE communicates this concern in a Field Service Bulletin (FSB) to the entire field service organization. This ensures that all GTECH sites correct the concern prior to it becoming an issue. FSE provides another level of support, knowledge, and experience.

## Field Service Community

The logistics to support the Lottery extend beyond the borders of Texas to our nationwide field services community. We conduct field service operations for 25 U.S. lotteries; this has created a knowledge base shared among more than 600 field service professionals covering a 25-year history. Our field service operations in five nearby states – Florida, Missouri, Kentucky, Kansas, and Arizona – are available to provide backup support to our Texas Lottery staff.

### **70.4**

#### **Resolution of Chronic Equipment Problems**

Chronic issues are symptomatic of an underlying problem. Identifying the patterns that indicate chronic issues, analyzing these trends, performing root cause analysis, and providing solutions to prevent recurrence of these issues in the future is at the heart of GTECH's Incident and Problem Management Process. The process is discussed more thoroughly in Section 6.4, Service Management.

As it relates to ensuring Texas Lottery retailers are functioning at optimal levels to maximize returns to the Foundation School Fund, it is imperative that single or even multiple occurrences of a problem in the field do not turn into a chronic issue at the individual retailer level or across the state. Bringing together the appropriate technologies and people to manage issues in the field allows for a proactive approach. This ensures that what may start as a few calls from retailers doesn't become a widespread problem.

A chronic problem is defined as "four or more service calls for any reason in a consecutive 90-day period." GTECH will establish a more stringent threshold of *three* calls in a 90-day period to begin monitoring and escalate emerging chronic problems for prompt resolution and followup. At the sole request of the Lottery, and if we have not already done so, we will promptly remove equipment with chronic problems and provide new equipment.

## **Chronic Retailer Review by the NRC**

The following is the NRC's process flow for dealing with chronic retailers.

1. A message window will alert the NRC associate of the retailer's status at the beginning of the call. This message will stay up for approximately 15-20 seconds, and then will fade away automatically.
2. During each retailer call, the NRC associate reviews the retailer history to determine how many times the retailer has called for the same issue in a 30-day period.
3. The associate attempts troubleshooting steps, according to the information found in the appropriate knowledge base article. This will happen for every call, regardless if it is the first, second, or third call.
4. At the end of the call, but prior to dispatching or closing a case, the NRC associate will identify whether the call was the first, second, or third call for the reason/issue in a 30-day period and will include a notation in his/her case notes.
5. Regardless of whether the case is dispatched or not, if it is the third call in 30 days for the same reason code, the call is also forwarded to our Technical Call Center Associates (TCCA) for escalation. The TCCA then works with the field service leadership team to give visibility and attention to this issue.
6. The retailer will be contacted and monitored by the NRC after the equipment swap to ensure the chronic issues are eliminated.

## **Chronic Retailer Review by Field Services**

As part of every dispatch through the CSMA, FSTs will be alerted if the retailer has been designated as a chronic retailer, that is, one experiencing a chronic problem, as defined previously. Providing this information on every chronic retailer call gives FSTs the history and knowledge necessary to take appropriate action.

**Confidentiality Claimed  
Not released**

## Chronic Retailer Reporting and Monitoring in

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The introduction of field service data into the enables a level of visibility into recurring issues at levels never before possible.

Using the threshold of three retailer calls during a 90-day period, exception reports can be created in to alert field service, call center, and sales force organizations to potential issues in the field.

By reviewing field service call trends, including chronic issue analysis, by geography, terminal type, location type, or a multitude of other criteria, GTECH management can proactively monitor issues in their infancy and implement corrective action before they become widespread problems. Only through systematic analysis of the data can trends be identified and proper solutions implemented.

### Chronic Retailer Information on

By incorporating the chronic retailer reporting into LSRs will have access to retailer-specific call history and detail for designated chronic retailers through the GTECH ). As LSRs visit retailers on a two-week cycle, they will be fully informed of current or recent equipment problems the retailer may be facing. Thus, they may assist in identifying the root cause of the issues or gain greater insight into the issues through their relationship with the retailer.

## 70.5

### Remote Monitoring of Equipment

The ability to monitor all retailer equipment remotely is critical to ensuring the highest availability to your retail network. Our system monitors your deployed retailer sales equipment and can send notifications via email, text messages, and pages allowing appropriate action to be taken. All monitoring information gathered from the retailer equipment is stored for historical reporting and analytics.

**Critical faults reported on the Event Log will enable automation software to send fault notifications to appropriate GTECH and TLC personnel.**

Through our nearly 35 years of online lottery experience, we have continually improved the capability of our systems to monitor the retailer terminal and other sales equipment. Utilizing the retailer sales terminal and the Lottery Gaming System, a complete solution for capturing equipment malfunctions and monitoring the system for failures is built in, ensuring proper operational functionality.

Equipment fault and diagnostic information is logged in the , appropriate alerts are generated, and using the comprehensive reporting capabilities within GTECH and the TLC are able to take action based on a variety of faults and other statistics. Critical faults will be reported on the ) enabling automation software to send fault notifications to appropriate GTECH and TLC personnel.

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Advanced analytics are possible because the data is delivered to the Data Warehouse, which allows monitoring of the entire retailer network. Through this monitoring, GTECH staff will be able to look for any trends in faults throughout the terminal network to identify potential problems.

A variety of critical and non-critical information will be captured, such as printer faults, paper jams, reader faults, and CPU temperature. Critical information and faults will be gathered and transmitted to the central system approximately every five minutes. Non-critical information and general status of the terminal will be transmitted approximately every hour. The terminal fault and status information will be logged in the and subsequently be available in the data warehouse for monitoring and analysis. Through the transactional reports in terminal faults can be analyzed to look for trends in problems in the terminal network.



# 7.13

## Call Center Support



# 7.13

## Call Center Support

### **Table 73 Call Center Response Requirements**

#### **73.1 Roles, Responsibilities and Detail Requirements**

GTECH acknowledges and accepts the roles, responsibilities, and detail requirements indicated in this section.

#### **73.2 Call Center System and Capabilities**

##### **Our National Response Center**

To support the TLC and its retailers, GTECH is proposing its technology-powered National Response Center (NRC). The NRC comprises two call centers, located in Austin and Providence, Rhode Island; an integrated suite of technology solutions; and our experienced, professional call center staff.

**Our most recent metrics calculated a call completion rate of 99.99 percent and a platform availability rate of 100 percent.**

The NRC is staffed to support Texas Lottery retailers 24 hours a day, 7 days a week, 365 days each year. Your retailers' calls will be answered in both of our facilities, with the Austin facility acting as the primary call center and the Providence facility as the secondary call center. A management team intimately familiar with the Texas retail environment supports a staff of more than 180 associates.

Since 2004, the NRC has provided the TLC with this advanced support system to respond to retailer calls. We service every retailer need, whether it is to promptly place ticket stock orders, solve validation questions, troubleshoot to ensure retailers are selling tickets, or dispatch Field Service Technicians (FSTs).

With every call we take, we have an opportunity to represent the Texas Lottery to its retailers. Our associates engage your retailers with professionalism, courtesy, and respect while ensuring that, by the close of every call, your retailers have what they need to continue selling Texas Lottery games.

### **The Sum of All Parts — NRC Call Management System**

At the core of our NRC service is a call management system that provides your retailers with fast and easy access to a call center associate. GTECH built the robust Client Service Management Application (CSMA) to provide leading-edge capabilities for the full life cycle of the case, from initial input to case closure. Leveraging nearly 30 years of experience and industry best practices, the system utilizes proven advanced case management, dispatch, and scheduling, including handheld/mobile technology functionality.

Highlights of the CSMA include:

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- All incoming calls are routed over toll-free lines. Our call centers were specifically designed, built, and staffed to eliminate busy signals through a blend of phone lines and an appropriate number of call center associates to meet and exceed your call center requirements.
- Skills-based call routing is determined by our call center network system. Our associates are certified to answer calls for multiple and particular jurisdictions, including Texas. The system matches the best available associate with the appropriate skill set and readiness to the incoming call. The retailer is then routed to that associate automatically.
- In the unlikely event that all operators are busy, a prerecorded message is played and the calls are queued, awaiting the next-available operator with the most appropriate skill set. The retailer will hear call-status information, including on-hold time, at predetermined intervals.

- This distributed system provides redundancy and disaster recovery capability. In the event one of our centers becomes inoperable, we can redirect all calls from one location to the other.
- We use service industry best practices for Texas retailers in our call center and field service operation. Our call center service practices include quick access to our associates who know the Lottery's equipment inside and out, automated scripts to help associates diagnose and correct retailer problems over the phone, and ongoing Texas-specific training.
- Our system provides the capability to send retailer service call appointments directly to the FSTs. Calls are prioritized according to the issue and urgency (e.g., terminal inoperable) and directly routed to the FST for corrective action.
- We can take supply orders and route them for delivery through our Texas Supply Queue. A dispatcher will monitor the Texas Supply Queue and when a retailer requires supplies, the dispatcher will contact the appropriate Lottery Sales Representative (LSR). The LSR delivers the supplies to the retailer and then closes out the case.

Through service industry best practices, historical data trends, and release management, we manage our staff to handle anticipated Texas call volumes and have processes in place to quickly adjust priorities based on high call volumes. These practices, combined with our technology, can assure you that GTECH will respond to your retailers on those rare occasions when they have a service issue.

### **Powered by Advanced Technology**

Just as we invest in Research and Development (R&D) for our gaming systems, we continually invest in technology solutions to drive our customer service delivery, as illustrated in the following figure. This investment has produced a set of technology solutions that, when combined, power our industry-leading NRC. These solutions include:

- Impact 360 call forecasting and workforce management software.
- VoIP Cisco unified contact center
- Skills-based routing.
- GTECH New Information and Expertise (GNIE) knowledge management system.

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The following figure describes our most recent call center technology investments.

**Figure 7.13 – 1:  
GTECH’s Recent Technology Investments**

Year	Feature	Benefit
2010	Client Service Management Application	Provides complete case management, dispatch, scheduling, and handheld functionality
2009	Upgrade and Centralization of all AT&T Hosted Sites to Austin Data Center	Increased the reliability of the network, expanded our capacity, and added redundancy
2009	Customer Voice Processing (CVP) system	Added capacity and stability to our system, making it easier to maintain
2009	Video Conferencing	Improved communication and coordination between both call centers
2006	Cisco’s VOIP	Improved overall service level performance of the call center through added robust reporting, dynamic associate skilling*, and automated call distribution

\*Dynamic associate skilling means that we can change associates skills between jurisdictions based on real-time issues, call spikes, or whether jurisdictions are meeting, exceeding, or not meeting service levels.

These investments have focused on maintaining our service levels and helping your retailers achieve continuous sales.

### Impact 360 Forecasting and Workforce Management Software

GTECH employs Impact 360, a Verint tool, which is the latest call center workload-scheduling software, to forecast call volume and the appropriate resources required. This software is backed by experienced call center managers and site staff who understand how things such as weather, holiday weekends, game launches, and jackpots impact call volumes in Texas.

Our call center management team relies on Impact 360 – and more than 30 years of call center experience – to accurately match staff schedules to Lottery needs. Impact 360 provides:

- Forecasts based on historical calling patterns.
- Optimized work schedules matched to those calling patterns.
- Automated reporting of service-level forecasts and areas that may require attention.
- Automated reporting of staff utilization and opportunities to improve efficiency.

In short, it provides a statistically reliable method to ensure superior hotline coverage for your retailers. The following figure shows output from the forecasting tool. The green line represents forecasts based on historical data and rolling averages. The red lines indicate actual data superimposed over the day for the forecast planned.

**Confidentiality Claimed  
Not released**

## **Confidentiality Claimed Not released**

Through a combination of our experience servicing TLC retailers and the capabilities of the Impact 360 tool, our NRC management team produced ongoing forecasts that were within 1.6 percent of the actual retailer calls received for the year. This blend of institutional knowledge and powerful technology creates a best practice that results in quality service to your retailers.

## VoIP Cisco Unified Contact Center

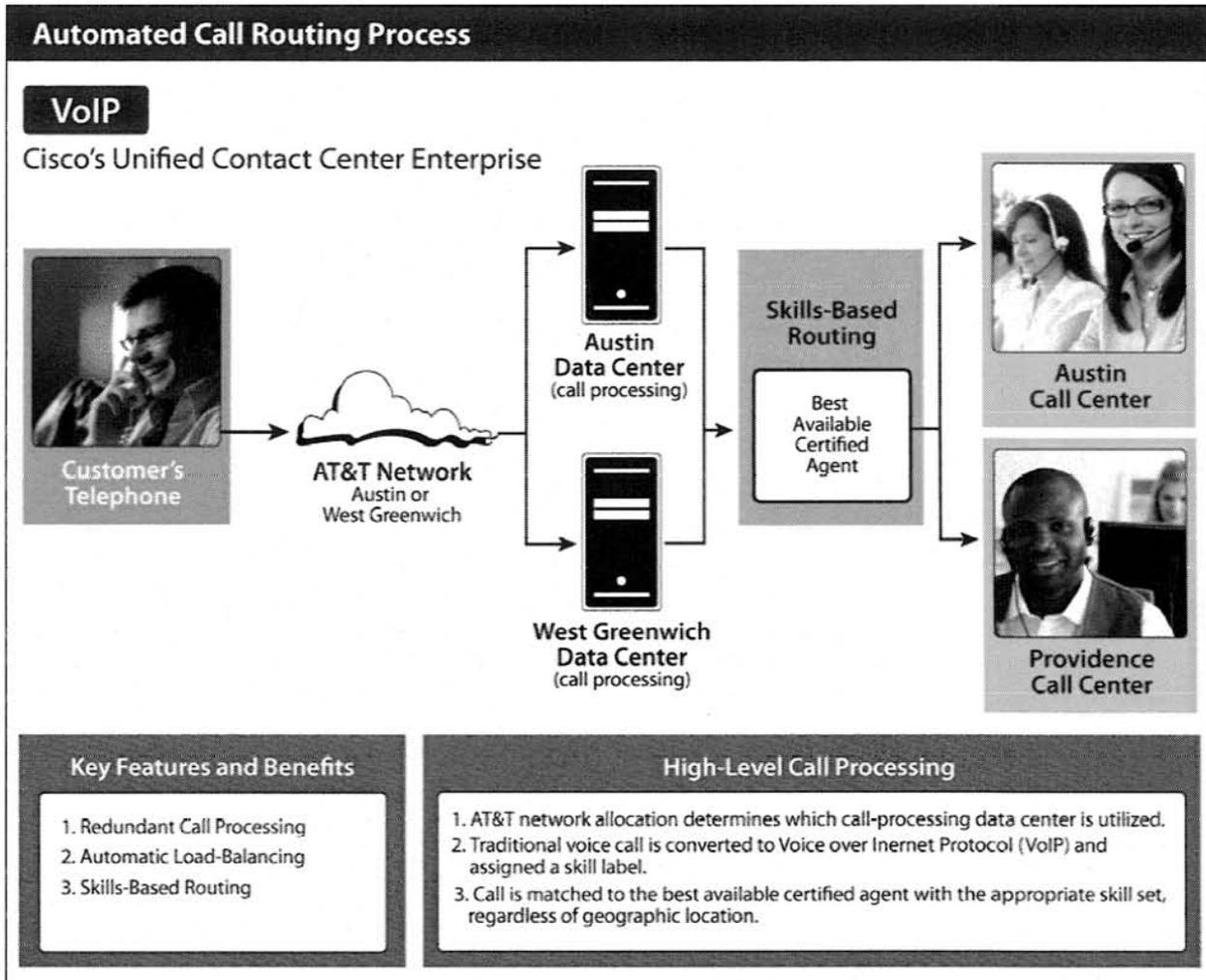
GTECH's Client Services department strives to provide first-rate customer service with a philosophy of continuous improvement. Accomplishing this requires an investment in superior technology and a team that understands how to use technology as a tool to achieve service excellence.

The NRC uses an advanced Internet Protocol (IP) network and Cisco IP call center infrastructure. IP-enabled call centers are less constrained by geographical limitations. They can more easily scale, route, and balance calls among several locations to minimize average response time. This flexibility gives GTECH the edge over other vendors in meeting its lottery customers' demands regarding location of call services, hours of coverage, and high level of response skills. Since the flexible architecture allows us to allocate the work to the best location, quality becomes our main focus.

The automated solutions and integrated IP infrastructure bring together data from multiple platforms. Callers can easily make automated transactions and associates can receive immediate access to customer records. The performance of the IP call center infrastructure speaks for itself. Our most recent metrics calculated a call completion rate of 99.99 percent and a platform availability rate of 100 percent.

To gain the most comprehensive managed IP-based call center solution, GTECH partnered with eLoyalty. eLoyalty designed and deployed a solution that combines call center voice applications with Internet contact applications, such as email and service management tools. The delivered Cisco call center platforms and systems use a highly redundant architecture for business continuity and are dedicated for the sole use of GTECH.

Figure 7.13 – 4:



**Cisco Contact Center:** Redundant call processing, automatic load-balancing, and skills-based routing are additional degrees of service our call center provides to the Texas Lottery.

### Skills-Based Routing

The NRC utilizes skills-based routing to ensure retailers always have access to the representative who is most knowledgeable about the subject or issue at hand, regardless of the associate's geographic location. This allows us to leverage the system's capacity, adding and removing skilled associates as necessary during periods of higher call volume. For example, as calls are processed through the Cisco VoIP system, Texas retailer calls will be routed to a call center associate who is certified and trained for Texas retailer calls. The majority of TLC skilled associates will be based in Austin, the call center that will function as the primary NRC for Texas. TLC-skilled associates are also based in Providence.

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## GNIE Knowledge Management System

GNIE is a dependable call center knowledge management system that ensures that consistent, accurate, and timely responses are provided to retailers. GNIE provides call center associates with immediate access to the latest information. This ensures that the retailers get immediate answers, enabling them to keep selling Texas Lottery tickets without delay. Call center associates also benefit; with the latest troubleshooting techniques, they can reduce customer handling time and improve first contact resolution rates.

Associates use a variety of prompts, including key words, equipment, issues, and site information to answer retailers' questions and solve their problems. GNIE is designed with intuitive category searches and a "Smart Synopsis" for the most relevant articles. For calls that require action by another GTECH department or the Texas Lottery, the transfer is quick and efficient.

As a part of GTECH's commitment to continuous improvement, Steven Kay, Director of the Call Center, assembled a team of Subject Matter Experts (SMEs) to completely review, revise, and reformat GNIE. The newest version of GNIE allows our associates to provide accurate information more quickly, which means retailers can spend less time on the phone and more time accepting wagers. We also recognized a need to be more prepared for training and problem solving, so we evaluated the flow of the search and troubleshooting steps. For example, we have worked to make GNIE Texas-specific in the following ways:

- "Jammed – Won't Feed Tickets" troubleshooting was simplified from 13 steps to 7 steps that are easier and more effective for the retailer.
- We added a new "Find" feature to eliminate having to scroll down a page to get to an answer.
- We introduced an index by topic for fast data access.
- We provided step-by-step processes to navigate through equipment issues. For example:
  - We improved a noisy printer by:
    1. Making sure the new paper roll is flat on both sides and that the spindle is inserted with large flanged side facing right.
    2. Verifying that the dancer arm is present and spring loaded by asking the retailer to push on it and make sure it springs back (if not, it may flap around causing a noise).
    3. Having the retailer check the printer sound by running several reports.
- We provided GTECH Texas-specific contact information, such as the Texas Faulty Status Guideline. Fault is a status that we use, along with Up and Down, when dispatching a call to define the status of the terminal.

Continual information reviews and ongoing editing keep the GNIE material fresh. Our own trainers, site personnel, and experienced call center associates develop the GNIE content. A recent process improvement to GNIE offers constant Quality Control (QC), including real-time updates to the knowledge base and emails to associates on the floor.

To ensure correct relay of information, call center trainers are trained and experienced in documentation writing and oversee the writing of the support material. As trainers prepare for classes, they identify needed information updates and supply them. Additional updates are often generated during the training classes. Information updates are also provided by daily feedback from call center associates, the Quality Assurance (QA) team, and site operations/field personnel.

### Client Service Management Application

GTECH's CSMA ensures high-quality service to Texas Lottery retailers by optimizing the FSTs' workload. As business needs and technology change, we will adjust to new tools or technology, with the approval of the TLC.

This new system utilizes case management processes, dispatch scheduling, and the GTECH ) functionality to send FSTs into the field. Many features of the system offer the Texas Lottery access to FSTs' daily activities, as summarized in the following figure.

**Figure 7.13 – 5:  
Client Service Management Application Features and Benefits**

Feature	Benefit to the Texas Lottery and GTECH Users
Web Reporting, Dashboards, Metrics	Monitoring field activities at any time from PCs by Lottery representatives is easy with browser-based reports and metrics. Reports can be viewed on screen, printed, and saved in a variety of standard formats such as Excel, Word, and Portable Document Format (PDF)
Dispatch Automation	Automating the dispatch process, from FST notification to call closure, improves overall response times, minimizes repair time, and improves retailer satisfaction. In addition, the system monitors critical factors during the troubleshooting and dispatch processes, automatically escalating the problem based on key measurements
Mobility	Receiving, responding to, and processing all cases from ensures timely, efficient, and productive case handling by the FSTs. This decreases time spent on dispatching and scheduling, improves FST productivity, reduces mileage, reduces overtime, makes optimal use of the FSTs' workload, minimizes penalties, and improves metrics-gathering and reports

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Feature	Benefit to the Texas Lottery and GTECH Users
Knowledge Base	Using Web-based knowledge management (QuickTools and GNIE) ensures that consistent and accurate processes and procedures are available to be used by all call center associates. The detailed, step-by-step troubleshooting by the associates improves the overall clear-by-phone rate, reducing the need for and cost of dispatching FSTs
Continual Terminal Performance Improvement	Collecting terminal performance data to identify trends and potential problems in retailer equipment helps to improve terminal performance

### *CSMA's Seven Steps to Managing a Case*

As stated previously, the CSMA provides the capability to manage the full life cycle of a case, from initial input to case closure. The seven-step process is as follows:

#### **Step 1: Call Comes into Call Center from Retailer**

Our skills-based routing system directs the call to the associate with the most appropriate skill set.

#### **Step 2: Associate Accesses the CSMA**

Information is provided about the case, dispatching, and metrics, as shown in the following sample screen.

**Figure 7.13 – 6:  
Sample Screen Available to Associate**

Jurisdiction:

Assigned Teams

ASSIGNED(42)	COMM(4)	DISPATCH(7)	HOLD(0)	SCHEDULED(21)	SUPPLY(5)	TIER II(0)	UNASSIGNED(32)						
Case	Retailer Name	Retailer Number	Address	City	Zone	Equipment Status	Product	Technician	Tech Status	Reason			
11455190	GO 4 (T A & F)	14392700	5455 COURT RD	HOUSTON	259	Up	ISYS	1436 (Brandon)	In Route	Remov			
11497734	7 AM MARKET #1 GP	15387700	812 W ROSEDALE	FORT WORTH	787	Up	Lomex To Go	556 (Esteban C)	Assigned	Install			
11507219	WOODS FOOD MART	14935900	735 STUDEWOOD ST.	HOUSTON	250	Up	ISYS	1436 (Brandon)	Assigned	Printer			
11526246	BIG DIAMOND #290	22524300	3900 N. 16TH STREET	ORANGE	212	Up	ISYS	1413 (Stephen)	Assigned	Comm			
11533434	BROOKSHIRE BROTHERS #11	49992000	303 N AUSTIN PARKWAY	BRENNAM	208	Up	EDS - 8 Binn	425 (Tara Near)	In Work	Burster			
11533663	CRAWFORD FOOD STORE	15379600	6756 N LONESTAR PKY	CRAWFORD	613	Up	ISYS	1444 (Andrew)	Assigned	Install			
11534105	HEB FANTRY FOODS #017 SST	49853900	1239 E MULBERRY ST	ANGLETON	218	Up	SST-604	1436 (Brandon)	Assigned	Comm			
11534810	WHARTON FOOD MART	15309900	1422 N RICHMOND RD	WHARTON	383	Up	ISYS	240 (Floyd Sr)	Assigned	Relocat			
11535416	TETCO #218	46994200	28950 HWY 281 NORTH	BULVERDE	509	Up	ISYS	209 (Ismael Pr)	Assigned	Prevent			
11535524	BROOKSHIRE BROTHERS #64 T	50970500	439 HWY 62	BUNA	206	Up	SST-604	489 (Anthony I)	Assigned	Bill Acc			
11535832	CIRCLE K	20366500	600 N STEPHENS	LAKE DALLAS	706	Faulty	ISYS	698 (Tam Wing)	In Route	Install			
11536141	HEBRON CHEVRON FOOD MART	15314400	2017 W HEBRON PKWY	CARRILLTON	750	Up	ISYS	388 (Malburn G)	Assigned	Printer			

Move to Queue:

Page 1 of 3 | Displaying 1 to 15 of 42 items

**Beneficial Tracking System:** Case numbers are assigned as each associate establishes a case and tracking begins.

**Step 3: Call Center Associate Opens Call Record in the CSMA to View and Update Retailer Information**

The retailer tab on the CSMA screen shows the retailer detail in the top half of the screen, as shown in the following figure, along with specific case information about the call in the bottom half of the screen. The screen also displays additional information, including all previous call history for the retailer and information about the equipment installed at the retail location.

**Figure 7.13 – 7:  
Sample Retailer Information Screen**

Retailer	Retailer Hours	History	Equipment	Case Actions
Jurisdiction:	TEXAS (Lottery)			
Retailer:	WOODS FOOD MART (14935900)			
	735 STUDEWOOD ST.			
	HOUSTON, TX 770070000			
Retailer Since:	5/7/2008			
Zone:	258			
Contact Name:	NIZAR ALI PRASLA			
Phone Number:	(713) 869-2906			

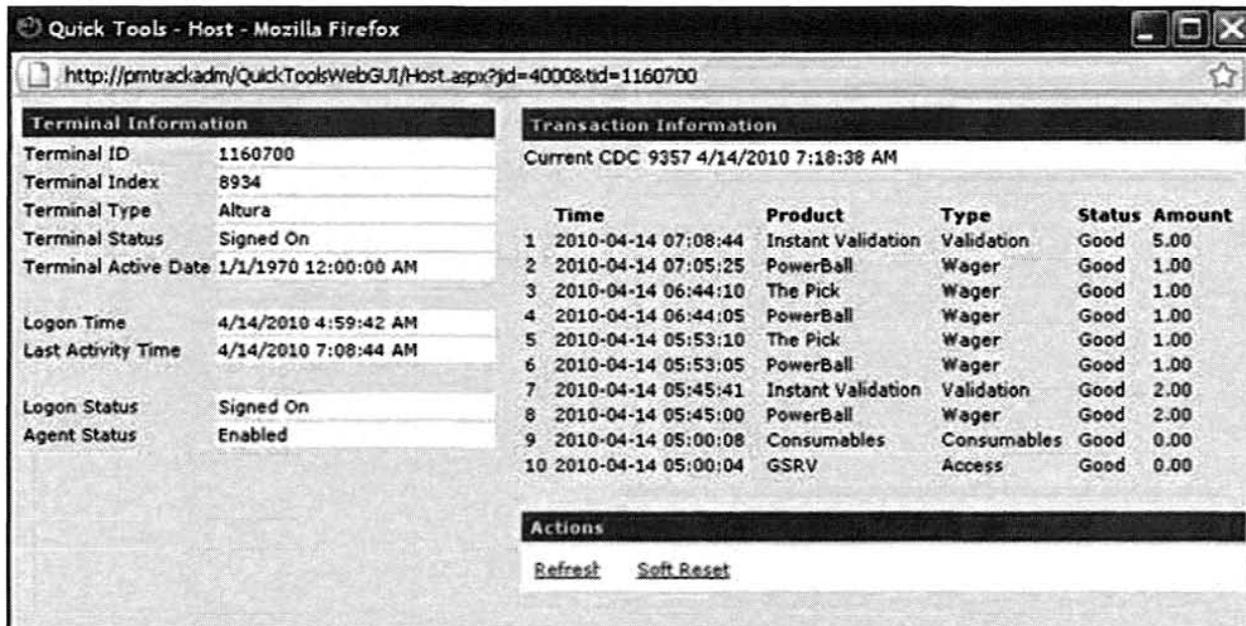
**Easy Access to Retailer Information:** The call center associate can access a variety of retailer information including retailer hours, history, equipment, and case actions.

Other information that can be accessed from the screen includes retailer hours and retailer history. The retailer hours tab shows retailer availability and store access hours. The History tab shows all of the retailer’s cases. This information is helpful for identifying potential chronic problems.

**Step 4: Operator Checks Terminal Activity, Troubleshoots, and More Through QuickTools**

The operator uses the QuickTools application in the CSMA to see terminal activity, perform basic troubleshooting and, if necessary, reset the terminal remotely. This application works by connecting to the Texas Lottery host and polling for terminal data. QuickTools information, shown in the following figure, utilizes a retailer’s 10-transaction history to help with troubleshooting.

**Figure 7.13 – 8:  
QuickTools Application**



**Easy Access to Troubleshooting Information:** Information on QuickTools screens will help the associate to take the next steps.

In addition to QuickTools, the associate will access GNIE to attempt to resolve retailer issues.

### **Step 5: Operator Dispatches FST, if Necessary**

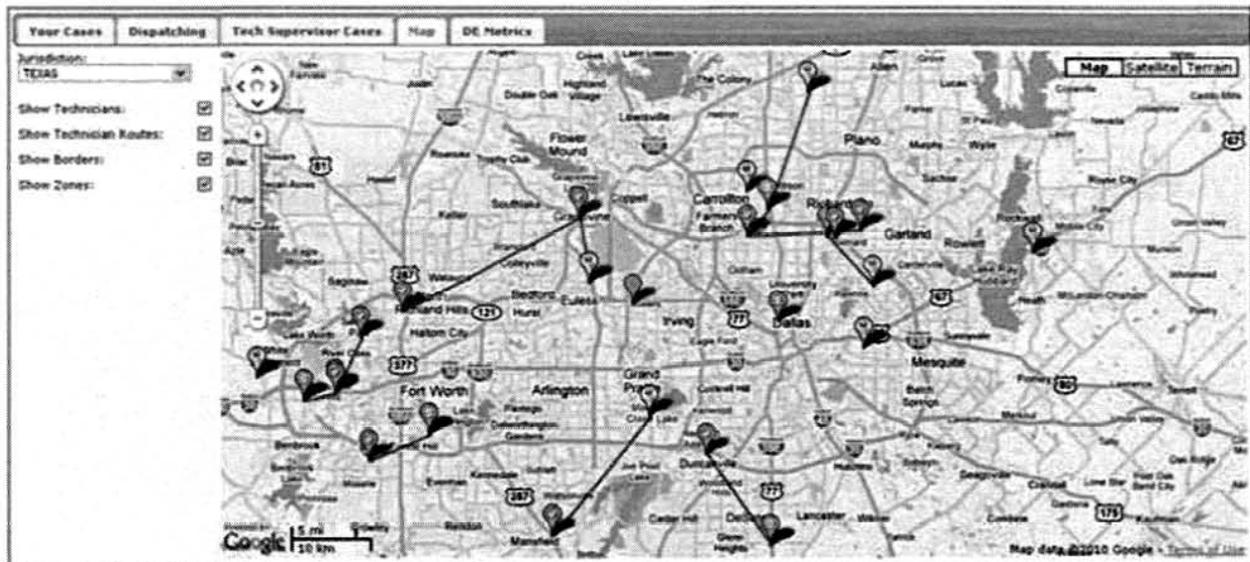
If the operator is unable to resolve the issues, he or she will dispatch an FST to the retailer. The CSMA's Dispatch Engine (DE) automatically schedules an FST with the appropriate skills at the time determined by call prioritization, the retailer's operating hours, location, and availability by sending a message to the FST's device. The scheduling function is based on multiple factors, such as your business rules, and has the capability to reschedule in real time. This helps to ensure that the resource is able to troubleshoot and resolve the retailer issues in the one visit.

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The call center dispatch and FST concept has benefited from GTECH's continuing pursuit of new technology and improvements in the service standards area. The DE builds an optimized schedule to improve efficiency and performance and is responsive to changing conditions and new cases being reported. It uses numerous variables, from distance to severity of the issue, when selecting the most appropriate FST to be dispatched to handle a call. This further improves our already effective FST utilization. In this format, the FST, equipped with a Personal Digital Assistant (PDA) manages service calls and Preventive Maintenance (PM) visits, often without needing to speak with a dispatcher.

A Queue Dashboard provides a summary of cases that need to be completed as well as cases approaching the Service Level Agreement (SLA) period. The Queue Caseload View shows a snapshot of the total cases broken down by status, such as: Down Cases, Faulty Cases, Up Cases, Cases in Penalty, Cases in Penalty 30 Minutes, and Cases in Penalty 60 Minutes. The Dispatching View shows the case listing and divides cases by status, such as: Assigned, Communicated, Dispatched, and Unassigned; it also divides cases by the technicians assigned to them. The Map View, as shown in the following figure, displays the cases for the day. The different pin colors show the case status.

**Figure 7.13 – 9:**  
**The Map View for Texas for April 6, 2010**



**Map View for Any Day:** This map provides a snapshot of all call center calls on April 6, 2010, by status, as well as line routing for the FSTs handling those cases.

**Confidentiality Claimed**  
**Not released**

Other data that can be found on the CSMA includes the Case Action, which shows all the activity and interactions for the currently open cases. The Queues View presents a list of all open cases by specific queues, including assigned, dispatched, and scheduled. The Hot Issues Dashboard shows a summary of calls by issue type for two time periods: the last 15 minutes, and since the start of the day.

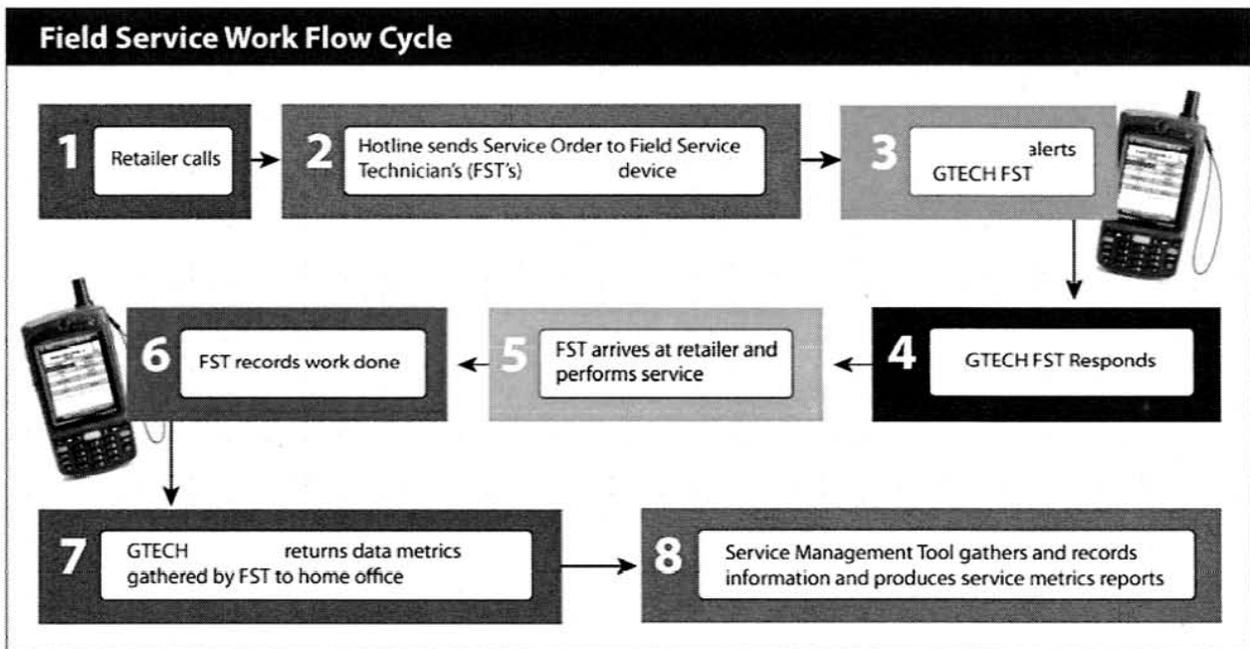
### Step 7: FST Updates Case History

After the problem is resolved, the FST updates the retailer's case history for the work performed, providing detailed real-time case closure notes before closing the case. If the FST determines on-site that the case issue was different than indicated, he or she has the ability to make those changes prior to case closure. This provides completely accurate and valuable information for the next time the retailer calls the NRC.

The result is cost reduction for service work planning, travel, and communication, as well as minimization of penalties. The following figure describes the work flow for a call, including FST actions.

**Figure 7.13 – 11:**

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**Effective Field Service Communication for Fast Response:** is a valuable tool for communicating information to the FST about a call and for allowing the FST to report information about the call issue resolution.

Every new issue or service call immediately adjusts the scheduling process for the field staff, without human analysis. This creates a real-time scheduling process that can place our staff at the retailer's location faster than traditional scheduling methods.

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## Real-Time Reporting

As discussed in Section 7.9, Reporting, we will provide the Lottery with the right information, in the right format, to make informed and effective business decisions. GTECH's

satisfies both of these two reporting objectives – complete transparency and facilitation of the best possible business decisions through integrated reporting. And the brings all data together into a single, easy-to-use interface that encompasses all TLC users.

All the information you need (including Lottery metrics, sales trends, reports, and charts) is available with a single click of your mouse. You can easily customize the information in reports to suit your needs, and using trends, you can achieve meaningful insight into your business. The Texas Lottery staff can create ad hoc system reports using user-friendly graphical tools and format the reports to display a wide variety of data in the style that best serves each one of your users.

Currently, we provide the following reports to the Texas Lottery on a daily or biweekly basis:

- Call Type Abandon/Answer Distribution Report.
- Call Type Abandon/Answer Distribution by Half Hour Report.
- Call Type Daily Report.
- Texas Service Level Report.
- Texas Biweekly Call Type Report.
- Combined NRC Call Center Report (includes calls handled by agents in Austin and Providence).

In addition, we hold Texas Helpdesk Monthly Review meetings at the Lottery's headquarters. We are typically represented by Sam Franco, Call Center Manager, Austin NRC, at these meetings, which take place every third Tuesday at 3:00 p.m. During each meeting, the current overall year-to-date service levels are reviewed (e.g., 2009 number of calls received: 150,201; number of calls handled: 143,868) as well as training and staffing changes at either the Lottery or GTECH. Other topics discussed during meetings held in 2009 included special program launch readiness plans (e.g., *Powerball*®), stolen ticket patterns, GNIE, chronic caller issues, retailer incentive program, and player-activated terminals. Please refer to Section 7.12.1, Installation, Relocation and Removal, and Section 7.12.2, Maintenance and Repair, for more information.

## NRC Management Reporting and Incident Statistics

The CSMA tracks all statistics relating to both call center and field service performance, including a log noting all maintenance activities. These incident statistics are presented via reports that we use to improve our service. The information captured by the CSMA can come from several sources, and these updates will be available to the TLC in real-time:

- A call center associate enters case notes detailing the purpose of the call, the nature of the problem, and its resolution.
- The CSMA will capture all this data along with the corresponding retailer data and update all history data for the call.
- The FST, using \_\_\_\_\_, can update the source of the actual problem encountered after visiting with the retailer and follow the steps taken to solve the issue.
- The FST can also enter information concerning any training required to prevent future issues.

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The Texas Lottery will have access to a report engine with which it can view any required retailer incident and performance reports to monitor retailer service levels. Available reporting options include, but are not limited to:

- Daily, weekly, and monthly service reports down to the retailer level.
- Daily, weekly, and monthly service reports down to the equipment level.
- FST productivity.
- Retailer maintenance history, including dispatch and repair data indicating when the service has occurred.
- Retailer Service Exception Report.
- Parts used in the process of the repair.
- Comments about the problem or the repair.
- Time repair was completed and machine became operational.
- Retailer acceptance on every case with electronic signature (comments can be logged).

## Silent Monitoring by the TLC

From TLC headquarters, TLC employees can monitor any GTECH Texas associate that is on a call. You will have log-in access, and through a series of voice prompts, choose an associate to be monitored in real time. GTECH will provide training and all related system instruction to the TLC regarding this feature.

## Stolen Ticket Procedures

By working very closely with the TLC, we ensure we are following your procedures and, therefore, limiting your losses. Stolen tickets will be handled by GTECH's                      This information is communicated to the Texas Lottery using a dedicated terminal in our call center. The terminal maintains a stolen ticket database. Essentially, we "Stop status" the Instant Ticket and make it unavailable for validation. The sooner we are able to identify and obtain the status of stolen tickets, the less likely the ticket can be redeemed. The NRC has a dedicated team that have been trained to handle stolen ticket reporting. In addition, GTECH's QA team regularly reviews the stolen ticket procedure.

## Toll-Free Circuits and Prerecorded Messages

We can make changes or troubleshoot any problems immediately without reliance on a third-party vendor, meeting the Lottery's system requirement to support a minimum of 99 percent of all calls without a busy signal. Our engineers have extensive experience with toll-free technology they use to manage call center phone traffic. Our technical capabilities and depth of knowledge provide us with the skills necessary to manage the design, implementation, and maintenance of the Lottery toll-free routing plans in-house.

We continually refine processes to improve retailer feedback. All incoming calls are queued, and we have implemented prerecorded messaging to retailers to let them know about issues such as major outages. When possible, we identify where the problems are occurring so retailers understand that the issue is larger than just their store.

### **Real-Time Statistics Help New York Retailers**

In an effort to reduce calls and reduce the retailers' troubles, we implemented reporting on Channel Service Unit (CSU) statistics in New York. This feature provides better information back to our call center and communications teams, and to the telephone company, and allows the Operations or Communications department to receive the status of real-time trunks.

## Front-End Message

All inbound calls to our single, toll-free 800 number can be “front ended” by an IVR system. If there is a system or site issue, the call centers have the capability to record front-end messages so that retailers who call are notified immediately of the issue and have the option to disconnect once they hear the information. This process can be implemented on short notice and is available at all times, saving the retailer valuable time when a larger issue occurs that impacts retailer service.

## Video Conferencing

Through video conferencing, the NRC can direct the activities of a multisite environment so that the centers operate as one virtual call center. We can solve problems of each call center easily, involving as many experienced persons without the expense of traveling.

Teleconferencing equipment has improved the communications at GTECH's NRC by utilizing video conferencing for the following purposes:

- Conducting face-to-face weekly meetings of the leadership team in the Austin and Providence call centers to coordinate activities and discuss allocation of resources, training needs, call volume trends, service level analysis, and upcoming conversions.
- Cross-training across sites to increase the associates' average skill count.
- Training FSTs and Field Service Managers at remote sites.
- Training call center associates on dispatch functions, which enables the NRC to integrate the dispatch team and the call center team.

## Verint Recording System and Maintaining Call Recordings

The NRC team provides call recordings and analysis for QA and for audit purposes at the Texas Lottery's request. In 2009, the Texas Lottery requested and received 82 call recordings; in 2008, 93 call recordings; and in 2007, 80 call recordings.

The call recordings are generated from the Verint Ultra Intelliportal, which contains all inbound and outbound call recordings. As such, we have the capability to record calls observing all applicable Federal, State, and local laws related to recordings, and all Texas Lottery-specific requirements. GTECH uses technology-powered digital recording to capture, store, analyze, and manage all interactions with Lottery retailers.

Using the ULTRA Portal, we can make recordings available to the appropriate Lottery staff. The Portal's selective retention and archiving options let us retain recordings according to TLC requirements. This ensures that the recordings you need are always available upon request and according to agreed-upon time frames. Recordings will be stored on line for a minimum of six months.

**Using ULTRA Portal ensures that the recordings you need are always available upon request and according to agreed-upon time frames.**

## **Call Transfers to the Texas Lottery**

The Texas Lottery puts a high value on customer service, as does GTECH. Therefore, the requirement for a live operator to answer call center calls is a *must*. When transferring a call, introducing the caller develops rapport. A warm introduction establishes trust and helps both parties to open the lines of communication.

From our experience with the Texas Lottery, we know that you must hear a customer's entire message, not just the words. You must be able to listen and distinguish the voice quality, rate of speech, and tone, which all contribute to the message. These characteristics do not come through on an automated call. Furthermore, approximately half of the calls taken by Texas Lottery associates, the caller is not a native English speaker. Therefore, the call center associate may also be an interpreter transferring the call to another same language speaker or technical person. This requires professionalism and diplomacy, which an automated response cannot fulfill.

Our associates may need to transfer a call to the TLC so that the retailer can discuss the status of their account directly with the TLC. Our associates will transfer the call, while the retailer waits on hold for an introduction. This is called a "warm transfer" since the retailer's call is still hosted by the call center associate until the introduction is made to the TLC. Warm transfers allow the associate to introduce the retailer to the Texas Lottery, having described the reason for the call to the TLC. This eliminates the need for the retailer to repeat the reason for the call.

### **73.3**

#### **Call Center Staffing and Management**

NRC staffing and management is instrumental to maintaining the quality of our service organization. We achieve this by focusing on balancing estimated call volumes, the number of associates, and their respective skill levels. All these things ensure that we have the right resources, at the right time. We maintain all of our associates skill levels through continual training and QA reviews. In this way, we provide timely, professional, courteous, and accurate responses for all retailer equipment issues.

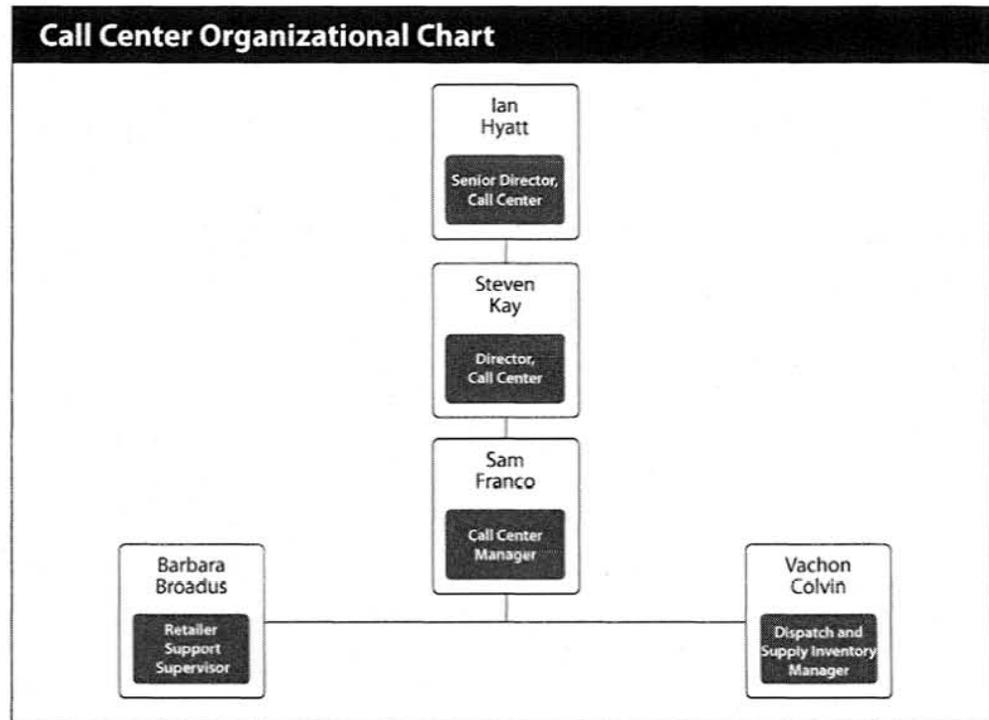
**We maintain all of our associates skill levels through continual training and QA reviews.**

#### **Staffing – Resource Levels**

The NRC is organized according to levels of expertise. Senior Director of the Call Center, Ian Hyatt, who has been with GTECH for six years, has extensive experience with satellite technology and communication systems. Since his arrival at the NRC, Ian has focused on putting the TLC first. Ian relies on the experience and skills of his Call Center Director and Call Center Manager, who have a combined 22 years of call center experience. These two individuals have initiated Stoplight and incident escalation procedures, improved real-time service level management, updated the Texas Stolen Ticket procedure, and added video equipment to make GTECH's NRC a world-class organization.

The following figure contains an organizational chart that demonstrates the interaction of the management staff. A brief description of their roles and responsibilities follows the organizational chart.

**Figure 7.13 – 12:**



**Summaries of Key Call Center Staff**

- Senior Director:** Ian Hyatt is responsible for call center management for six locations servicing 25 production lotteries nationwide. His management tasks include day-to-day operations as well as all direct support functions. Ian has the overall management responsibility for all of the GTECH Americas NRC locations.
- Austin Call Center Manager and Providence Call Center Director:** Sam Franco, Austin call center, and Steven Kay, Providence call center, are responsible for the day-to-day operations of their respective NRCs. Their direct report group includes four supervisors each with call center associates reporting directly to the supervisors, resulting in a ratio of 20 associates per supervisor. Sam and Steven ensure that each call center has the proper resources and the correct allocation of those resources in order to meet or exceed the established service-level targets for each jurisdiction. Their duties also include the selection, training, and development of staff.

- **Call Center Trainers:** Our two call center trainers, Michael Carpenter and Joseph Guillory, are responsible for curriculum development for our associates, providing instructor-led classes, updating appropriate documentation in support of new systems and information, and supporting the NRC management team with continued development on the floor through our nesting environments.
- **Technology Managers:** Ken McGovern is responsible for the day-to-day oversight of the NRC network support and administration. Mike Bock is responsible for all of the in-house developed call center systems and functions, including development, support, and operations.
- **Principal Network Engineers:** Fred Esman and Steven Eyler are responsible for the design and maintenance of the VoIP phone system; hardware; toll-free routing plans; and circuit capacity planning. One engineer is always on call in the event of a phone system problem.
- **Business Analyst II:** Kelly Estes is responsible for customer service quality processes and procedures and ensuring quality service to Texas retailers. Her QA team responds to TLC requests for call recordings.
- **Workforce Manager:** Greg PetitBon is responsible for reviewing forecasts and schedules to ensure adequate staffing to meet service-level targets. He is also responsible for providing daily, weekly, and monthly reports, as well as the long-term call-forecasting budget. He continues to enhance the workforce management team by bringing a new level of professionalism and experience to the Key Performance Indicator (KPI) management.
- **Call Center Supervisors:** Barbara Broadus, Retailer Support Supervisor, and Vachon Colvin, Dispatch and Supply Inventory Manager in Austin; and Joel Arias, Jennifer Lombardi, Shannon MacKinnon, and Barbara Wilks (Providence supervisors) are responsible for managing teams of call center associates and providing coaching, feedback, and development.

### Technical Call Center Associates (TCCAs)

Call center associates are the first line in responding to retailers. All of our associates can handle terminal, printer, and network communication issues, as well as deal with other related sales equipment problems and questions.

TCCAs are a second tier of associates; they have advanced training and technical competencies. The TCCAs serve as SMEs who are able to assist our call center associates with problems and escalate issues to supervisors. They also provide a redundancy of skills that are critical in the event resources must be reallocated quickly. These associates have been specially trained by the Field Services department to maintain the terminals issues within the call center.

The following figure shows the many call center resources that are available to Texas Lottery retailers.

**Figure 7.13 – 13:**

### Call Center

Our technology is proven and successful, but it is the human interaction that creates an environment that helps you reach your lottery goals. This is evident in the support the National Response Center (NRC) provides to you and your retailers. With more than 20 years of Call Center experience, NRC leadership works hard to foster excellence among associates.

**Empowering Employees**  
Our 3 percent attrition rate means we retain the knowledge and skills associates acquire. A 55-60 percent employee utilization rate means no employee burnout! This allows us to deliver great service to your players and retailers and help you reach your goals to benefit your communities and state.

**Who Is There for Your Retailers?**

  
**Call Center Associate 1**

  
**Call Center Associate 2**

  
**Senior Call Center Associate**

  
**Technical Call Center Associate**

  
**Super Call Center Associate**

## Associate Training

Our associates are problem solvers. Continually improving the problem-solving skills of our associates is essential to maintaining the service levels the TLC expects of its call center. Our Texas Lottery call center associate training is extremely thorough. Our trainers develop all training programs and materials in-house. We create the courses based on the content in GNIE. Often, our associates use GNIE in lieu of a training manual or participant's guide, since the information in GNIE is always current and easy to navigate.

Ultimately, the associate's most important job is to keep every retailer in operation so that TLC customers have what they need to continue making Lottery sales.

## *New Hires*

We hold New Hire classes for new associates. Classes consist of training, a series of tests, and a comprehensive written final exam. Upon passing the final exam, the associate participates in an oral board review. The associate takes a mock call from the instructor and is graded in five important areas:

- Call Opening.
- Communications Confidence.
- Compassion.
- Job Knowledge.
- Closing.

## **Texas-Specific Training for Associates**

The GNIE training tool is so easily accessible and user-friendly that even for the recent *Powerball* launch in Texas and 15 other states, there was no need to pull associates off their call stations to attend a separate training session. The communication was prepared as a comparison or variation to the *Mega Millions*® game that has been available in Texas for six years. This is an example of how we emphasize what is “different” for a particular game, and how we focus the associate on what they need to know. In this case, associate training and the *Powerball* introduction occurred without a hitch.

During *Powerball* launch weekend, we:

- Hired and trained an additional 30 associates to assist with potential increases in call volume.
- Identified the NRC’s then 96 Texas cross-trained associates, 19 of whom could speak Spanish.
- Provided training materials and updated all associates on *Powerball*.
- Recruited for unlimited overtime.
- Provided lunch for GTECH staff to maximize phone support.
- Placed front-end message for retailer education.
- Increased leadership weekend coverage support.
- Updated the call center Texas training terminal with the new game.

## **NRC Help System Course**

As additional Texas-specific training and support, GTECH’s NRC QA team developed an NRC Help System course. This module is presented during the initial training period for every Texas call center associate. The goal of this course is to ensure that each Texas call center associate is familiar with the Texas-specific GNIE information.

During the training, an NRC QA team member provides an overview of the NRC GNIE Help System and facilitates a detailed discussion on navigating and quickly locating call handling and troubleshooting articles within GNIE. The goal is to provide each Texas retailer with concise, accurate, and appropriate issue resolution. Each Texas call center associate is given an opportunity to practice several role-playing scenarios to gain familiarity and expertise in navigating GNIE during this training module. The knowledge and skills learned are reinforced throughout the training, as well as on a continuing basis through coaching and feedback provided by the call center supervisors and the NRC QA team.

## **E-Learning Tools**

Since everyone learns differently, we also utilize online courses for e-learning. Our designers write the course scripts and then go into the call center to observe how well they work. E-learning courses available for GTECH NRC associates are:

- Building Strong Customer Relationships.
- NRC Customer Service Fundamentals.
- Communicating Across Cultures.
- Customer Service via Phone and Email.
- Effective Listening Skills.

All associates train on GNIE for Texas calls. This provides a good rehearsal for taking live calls. Employees throughout GTECH also have access to Aspen e-learning courses for professional development. Our work culture encourages employees to challenge themselves, and our goal is to keep loyal employees. We work with call center associates toward their career goals by providing an intensive training program and encouraging them to quickly get up to speed to be prepared to respond to more questions from the field.

## **Call Evaluation**

The NRC QA team does a quality review of random calls each month and provides feedback to the call center associates on how well they handled the calls. Every evaluation results in a written report of the associate's performance. The QA team member will use the CSMA case information and notes, GNIE, Defined Behaviors document, and the call recording to score the call. We have a well-defined process for these evaluations, which results in the highest service level to the TLC of any lottery served by GTECH.

## On-Site Trainers

Our call center includes two full-time, dedicated on-site trainers who support the consistent and continuous development of our associates.

We maintain terminals on the call center floor for troubleshooting retailer questions and for training. We also have a larger group of training personnel to assist with training. Associates interested in the NRC Training Partner Program attend the following classes:

- Adult Learning Theory (7 Principles).
- Teaching Methods for Success (Tell, Show, Do) and Motivating Learners.
- Identifying Styles of Learning (Visual, Auditory, Kinesthetic).
- Trainer Responsibilities (Preparation, Scheduling, Effective Communication, Training Room Setup).
- Observing Learners' Non-Verbal Language (Body Language, Eye Contact).
- Listening Skills (Questions and Answers).

*"Training classes helped me establish myself at GTECH. The classes gave me the knowledge I needed to perform at the best of my abilities on all of my GTECH calls and my external Texas retailer calls."*

– Christine L.

### Chris Forcino, NRC Sr. Trainer

As a senior trainer, Chris brings a wealth of training and development experience to the NRC training team. He has implemented telephone center training programs that have had a direct impact on results. For the NRC, he and his team are currently implementing a multi-year plan that directly supports key GTECH priorities, including putting the customer first, developing NRC leadership, and providing cost leadership.

## Michael Carpenter, NRC Trainer

Since joining GTECH in 2007, Michael has been instrumental in implementing ambitious training plans across all jurisdictions supported by the NRC. Drawing on his previous experience within the NRC as an associate and quality analyst, Michael delivers comprehensive training programs aimed at improving knowledge of Lottery policy and hardware, thereby increasing the NRC's effectiveness in achieving first-call resolution of retailer issues.

## Anthony Fasano NRC Trainer

Anthony has a wealth of experience within the NRC. He has been with GTECH for four years and, in addition to his experience as a call center associate, was a member of the Workforce Management and Quality Assurance groups and acted as a Training Partner before becoming a full-time trainer. Anthony provides a training experience that includes, in combination with GNIE, associates rehearsing a variety of call scenarios before taking actual "live" calls.

## **Ensuring the Quality of Our Call Center Service**

The GTECH NRC QA team is based in Austin and comprises five members: the QA team supervisor and four QA analysts. The QA team works closely with the call center supervisors and leadership team in identifying current trends in feedback, coaching, and training opportunities for the GTECH NRC associates. The on-site QA team reviews a sample of calls for each associate every month (Texas has a 90.66 average QA score for 2009 and 91.48 through March 2010.) The team conducts analysis of retailer complaints and determines root cause issues to help drive improvements.

The QA team supervisor has an extensive background in call center operations and processes. The supervisor monitors the work flow and maintains a metric system of measurement for each of the team members, and also provides ongoing mentoring and coaching of the team members in their development within the NRC. Each of the four NRC QA analysts is hired from a group of candidates made up of the most experienced and talented NRC associates. In addition to performing ongoing random QA reports on all call center associates, the QA analysts are all members of the NRC Training Partner Program and support the NRC training team by facilitating training modules and developing training program materials.

Our QA team is an important element in the monitoring of associate handling of retailer calls. In addition, this team is integral to our training process, providing feedback that becomes part of future training.

## **73.4**

### **Call Center Staffing and Management Support Retailer-Licensee Base**

The tools and technology available to our associates make them effective at solving retailer issues. Continual training and call center management are key elements to maintaining service levels. We provide language support for all retailers. The most common bilingual need is Spanish, but we provide help for almost any spoken language in the TLC's diverse licensee base.

#### **Bilingual Support**

To provide optimal service to the Texas Lottery and its diverse retailer base, we will continue to recruit multilingual call center associates. We currently have 104 call center associates trained to respond to Texas Lottery retailers, 18 of whom are fluent in Spanish. We also have associates fluent in seven other languages: French, Swedish, Hindi, Urdu, Punjabi, Cantonese, and Portuguese. GTECH has its own certification program for associates that speak other languages, and they must prove their speaking qualifications. This program ensures that each retailer will be speaking to someone capable of answering his or her questions professionally and correctly. The certification includes an oral board review in which call center managers who speak Spanish determine whether the operator's Spanish skills are acceptable and can be used in the call center.

#### **Language Line**

When non-English-speaking retailers call in, we provide a "Language Line," which can be utilized to provide accurate and complete first-person interpretation, regardless of country of origin or level of education of the speaker in more than 170 languages. The Language Line is available 24 hours a day, 7 days a week, 365 days a year, and the interpreter is available within seconds.

If an associate does not know which language the retailer speaks, he or she can say, "Help," and be automatically transferred to a representative trained to help in language identification. The Language Line has a group of quality specialists who regularly monitor calls to ensure interpreter quality. They are bound by a strict code of ethics and are trained to focus on the performance of the interpreter, not the conversation.

## **73.5**

### **Call Center Performance Levels**

Another example of GTECH's approach to ensuring the best possible service is our "real-time queue management" process. The required service levels are:

- Minimum 95 percent calls answered in 45 seconds or less.
- Handle 99 percent of calls without a busy signal.
- Call abandonment rate no greater than 5 percent.
- Maximum hold time 2 minutes.
- Maintain call center availability – maximum 15 minutes of downtime in a 7 day period.

The NRC utilizes a series of reports that help us maximize operational efficiencies. The GTECH Cisco VoIP phone system provides reports for each day's calls received (call volume), calls answered, percentage of calls that queued, average answer time, number/time of abandoned calls, percentage of abandoned calls, average abandon time, average and total hold time, and a variety of other call management statistics, such as staffing. Periodic statistical summary reports (as approved by the Lottery) will be available to the TLC upon request or delivered automatically at predetermined intervals. We will also provide authorized Lottery personnel with access to any of our call center reports so that they may monitor the status of call volume and performance levels.

Electronic wall boards displaying real-time queue volume are mounted throughout the call center floor. The boards show the number of calls in queue, the service level for the last 30 minutes, the service level for the day, the longest call in queue, and the total calls received for the day. The staff utilizes the wall boards to strategically adjust schedules to make sure Texas calls are being answered according to our service level agreement and respond to the call volume appropriately throughout the day.

### **Workforce Management Team**

We have added a new function, the Workforce Management team, to enhance the quality of our services, ensure that we always achieve our service levels, and bring a new level of professionalism and experience to KPI management. The Workforce Management team will focus on balancing associate staffing, managing service level forecasting, participating in scheduling, as well as making real-time adjustments to meet changes in service levels by analyzing Call Center data and reporting findings to the Call Center Management team.

## Greg PetitBon, Workforce Manager



The latest initiative created a new position, Workforce Manager. With 11 years of call center experience, Greg brings his knowledge, and promise of innovations, into the NRC. He was trained as a Lean Six Sigma Black Belt and has been certified as a Six Sigma Green Belt since April 2006.

Greg will lead his team with a continued focus on the following:

- Developing dashboards that will continually monitor and report on standardized metrics.
- Providing a framework for internal change management.
- Identifying gaps in the call center team through data analysis.
- Offering solutions for team skill enhancement, training needs, and staff balancing through data analysis.
- Measuring how the NRC responds to our customer needs and requirements.
- Measuring the NRC performance to GTECH's bottom line.

### **Forecasting – Impact 360**

As discussed previously, we use workforce optimization software, Impact 360 (I-360), to forecast call volume and to identify the appropriate resources required to best serve for the Texas Lottery. In short, Impact 360 provides a statistically reliable method to ensure superior call center coverage for retailers. The I-360 methods evolved from its initial implementation in the call center with the Texas Lottery in 2006. Since then, our tools have become more sophisticated, but we maintain the same focus: to ensure we have proper response load-balancing for Texas calls.

The software is backed by experienced call center managers and site staff. We can predict call volumes based on many factors, and we know when to overstaff the predicted volumes as a hedge against the unexpected.

### **73.6**

#### **Chronic Problem Resolution**

The TLC defines a chronic problem as "...four or more service calls for any reason in a consecutive 90-day period." GTECH will establish a more stringent threshold of *three* calls in a 90-day period to monitor and escalate emerging chronic problems for prompt resolution and follow-up. In this way, we can identify and manage problems before they become an even greater issue.

Our CSMA will be able to identify chronic retailers, documenting their past history and the problem that must be solved now. The chronic retailer status and the case notes will be identified on \_\_\_\_\_ for the FST.

Before dispatching or closing the case, the associate will indicate in the case notes if this was the first, second, or third call. This appears as the first piece of information in the case notes for the next associate responding to the retailer. The associate will escalate the case to a TCCA on the third callback from the retailer. Our escalation procedure follows:

- The TCCA will call the FST III, based on the retailer's zone, and advise the FST III that we are escalating an open dispatch case. We provide the retailer's information to the FST III.
- If we are unable to reach the FST III, we will leave a detailed message and then contact the Field Service Supervisor.
- If we are unable to reach the Field Service Supervisor, we will leave a detailed message and then contact the Field Service Manager.
- For after-hours calls, we will email the FST III and Field Service Supervisor, to alert them to the retailer issue.
- Field Service will expedite a resolution for the retailer to return the terminal to operational status.

There is a well-defined approach to dealing with chronic problems. GTECH has a problem management process that operates to resolve the root cause of all problems. Please refer to Section 7.12.2, Subsection 70.4, Resolution of Chronic Equipment Problems, for more information.

## **73.7 Inventory Order and Distribution**

### **The Evolution of Automated Instant Product Inventory Management in Texas**

Since its inception, GTECH has provided the Texas Lottery with automated Instant Ticket distribution. Quota Level Management System (QLMS) was the original version of automated distribution. The application was designed to create orders for retailers based solely on statewide sales trends. Initially, it worked in its design. However, as the Texas Lottery's Instant product matured and the number of different games and price points on the market increased, it became apparent that QLMS could not effectively manage each retailer's Instant Ticket inventory. The system did not consider important variables for each order such as a retailer's sales trend by game, display capability, game preference, or future game introductions. As a result, orders were not customized to each retailer's unique set of circumstances.

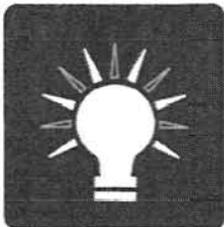
ProCall evolved from QLMS as the primary means of Instant Ticket distribution to Texas Lottery retailers. It was a proactive approach to Instant Ticket distribution, combining retailer-specific sales trends and inventory data with a human element (ProCall representatives), that made inventory management decisions that QLMS could not. Its methods were revolutionary at the time in its attempts to maximize a retailer's sales potential by accurately and consistently gauging inventory supply levels and player demand for each game. ProCall continues to serve as an enhancement to the Texas Lottery's existing supply chain and its efficiencies to effectively deliver product to each outlet.

The TLC's Instant product continues to mature today. Managing retailer inventories while the number of games and price points on the market fluctuate at a rapid pace and filling an increasing variety of retailer game display types (e.g., on-counter slots, in-counter slots, Instant Ticket Vending Machines [ITVMs], GamePoints, etc.) are among the new challenges. Eighteen years of Texas experience, coupled with advances in technology since the implementations of QLMS and ProCall, allow for the next evolution in Instant product distribution – full system automation of ProCall methods supported by enhancements to retailer-level product demand gauging.

### **The Evolution of Gauging Player Demand – GTECH's**

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GTECH has always ensured that the Texas Lottery's distribution model was based on industry cutting-edge methodologies. This was accomplished by developing new ways of gauging consumer demand at the retailer level and using that information to customize inventories specifically for each retailer's unique needs. Even QLMS, in its simplicity, emerged as a progression from the industry standard Tel-Sell method, in which knowledge of product demand was neither necessary nor emphasized. QLMS and ProCall stress a more granular analysis of product sales trends, while Tel-Sell stresses telephone contact with retailers in order to gain insight into their inventory needs. Tel-Sell is often less effective as it relies heavily on a retailer's own perception of sales at a retail location to replenish inventory.

QLMS and ProCall leverage the Texas Lottery's retailer financial data in gauging sales and demand – more specifically, the rate at which retailers become financially responsible for packs they display for sale (settlements). According to the Texas Lottery's business rules, retailers are charged for packs when they're sold (consignment), providing a certain level of accuracy within this method. Though each model provided much success during the time it was executed, new challenges must be met.

As the Texas Lottery continues to find innovative solutions to increase sales by offering more games, more variety in price point, varying pack sizes, and an increasing number of display types to capture a wider player base (on-counter slots, in-counter slots, in-lane displays, self-service equipment, etc.), financial data becomes less sufficient in gauging true product demand at the retailer level. There are important factors that can't be determined using financial data alone. These factors (the time span between displaying or "activating" a game for sale to the time the pack becomes a retailer's financial responsibility, which packs a retailer might currently have displayed for sale, and how many tickets might remain of those packs), though extremely important in determining true player demand, are left to assumption. Using financial data doesn't reflect actual demand; it only demonstrates that a retailer is financially accountable for a pack.

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As the next proposed progression in Instant product supply chain management, our [redacted] offers the Texas Lottery an opportunity to continue as an industry pioneer in replenishment distribution. [redacted] does not use financial data to gauge demand, but uses a retailer's estimated ticket-by-ticket sales to accomplish this. This is shown in the following figure.

**Figure 7.13 – 14:  
IS and Supply Chain Management**

Automated Instant Product Distribution Model	Progression in Gauging Player Demand
QLMS	Retailer's player demand based on statewide sales trends
ProCall	Retailer's player demand based on retailer settlements
	Retailer's player demand based on retailer validations

With [redacted] we will document the process, with the Lottery's approval, to customize retailer ticket orders. This includes but is not limited to services performed by telemarketing staff, LSRs, etc., as we work to maximize Instant Ticket inventory turnover and maximize your retailers' ability to order Texas Lottery Instant Tickets.

**Product Demand Gauging Comparison**

To illustrate the superior automatic replenishment capabilities of [redacted] we will compare two retailers, using ProCall for Retailer A and [redacted] for Retailer B.

## ProCall

ProCall assumes that once a pack is paid for, all tickets have been purchased by players. The following figure helps to demonstrate the current logic of gauging Instant product demand using retailer financial data.

**Figure 7.13 – 15:  
Retailer A Inventory**

Game Name	Confirmed Packs	Active Packs	Settled – Week One	Settled – Week Two
Break the Bank	3	0	3	3

Retailer A became financially accountable for six packs of Break the Bank in the most recent two weeks. If Retailer A is reviewed biweekly, it can be assumed that six packs of on-hand (confirmed) inventory are sufficient to sustain current settlement rates until the next review date in two weeks. Because Retailer A already has three packs of Break the Bank on hand, it is necessary to ship three packs. This will give Retailer A six packs to satisfy assumed player demand.

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From the application, the user can comprehensively view and manage a retailer from one easy access point. By selecting the tabs at the top of the information display, the user can review the retailer's profile, general information, address information, financial information, and license details; create letters or review previous correspondence; view and modify instant information, and view or manage assigned field representatives.

Instant Ticket inventory information for each retailer is also available by clicking the Inventory button next to the Submit button at the bottom of the screen. The Inventory button provides access to the retailer's Instant Inventory screen without the need to change applications. Likewise, from the retailer's Instants Inventory screen in users can navigate in the same fashion to the retailer record in

The integrated nature of [redacted] allows for all authorized users to access pertinent retailer information with the single click of a mouse. From any [redacted] screen comment – or narrative – may be added. These comments are logged in real time along with information on the user who added the comment. This feature automates a detailed trail of interactions with a given retailer and/or any additional information a user might have deemed important to the retailer record that could not have been recorded through other means.

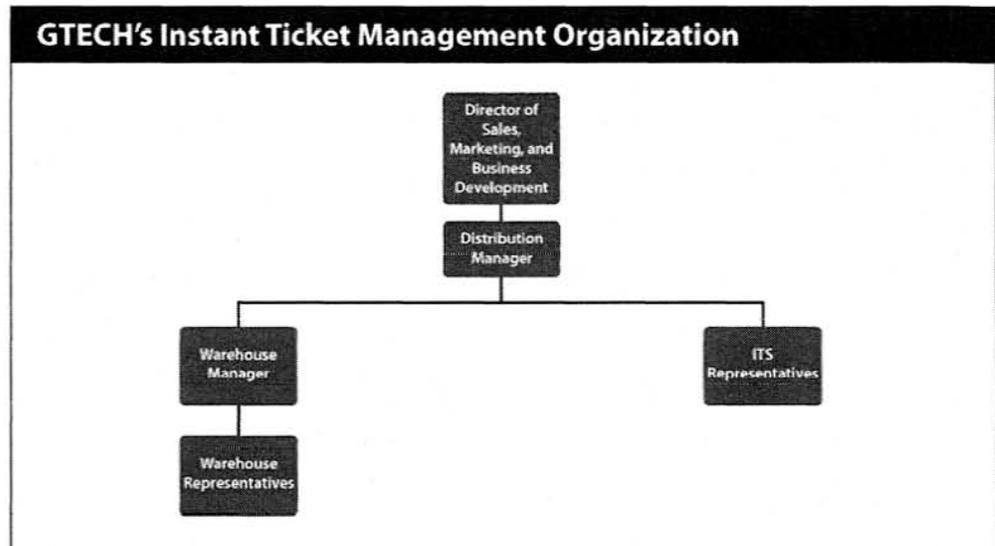
Please see Section 7.3, Instant Ticket Game Management, and Section 7.5, Retailer Management, for additional information.

Through the reporting function of [redacted]

GTECH Management, as well as the TLC, has the capability to report on retailer-specific orders, Instant Ticket ordering trends by retailer, zip code, region, trade style, etc., as well as metrics related to ITS order placement. For additional information on [redacted] reporting capabilities, please see Section 7.9, Reporting.

The following figure shows the makeup of our Instant Ticket management organization.

**Figure 7.13 – 21:**



### **73.9**

#### **Special, Out of Cycle, Express, Expedited, or Emergency Orders**

An empty dispenser can ultimately mean lost revenue to the Foundation School Fund. To mitigate this risk, GTECH's approach to Instant Ticket order and distribution strives to ensure retailers have a three-week supply of appropriate inventory on hand at all times. Although ADIS uses actual retailer-specific historical validation activity to anticipate the future Instant Ticket activity in each retail location, there are, and always will be, special circumstances that may exhaust a retailer's inventory at a faster rate than expected. Such circumstances may include Lottery-related changes, such as close proximity to a promotional event; a group of players purchasing entire packs of Instant Ticket games; or environmental-related changes such as road work that increases foot traffic for a period of time. In any of these circumstances, faster sell-through of Instant Ticket Games is always a good thing.

To protect against lost sales due to retailer shortage, [REDACTED] has been designed to review every retailer's in-store inventory every day. [REDACTED] estimates in-store inventory based on validation activity and proceeds with filling the Instant Ticket order with the appropriate number and types of games to maintain the three-week supply of on-hand inventory until the retailer's next regularly scheduled order day.

ITS representatives are also available to assist retailers with any special, out-of-cycle, express, expedited, or emergency orders. Since the ITS representatives have access to all retailer order history and [REDACTED]-suggested ordering, they are well equipped to provide specialized Instant Ticket order recommendations to these retailers. When emergency orders are placed with ITS, they are given packing priority and sent immediately to the warehouse to be packed the same day.

The National Response Center is on call 24 hours a day, 7 days a week to assist retailers in all matters. When ITS representatives are not available to place orders on the retailers' behalf, NRC associates assist by taking the order from the retailer and communicating that order to ITS. NRC associates do not have access or authorization to place orders directly into [REDACTED] so the order will be placed upon receipt by ITS.

Retailers will also be able to have their ticket orders processed on weekends and holidays when necessary. With the precision of [REDACTED] the need for weekend and holiday processing is less likely than before. As in the past, however, GTECH will do whatever it takes to ensure that your retailers' orders are processed in a timely fashion. We will bring warehouse, ProCall, ITS, and any other staff in on weekends and holidays based on ticket ordering activity and/or special circumstances as required by the Lottery.

### **73.10 Retailer Ordering**

In the retail environment, convenience is crucial. When competing for retailer time and attention, it is imperative to not only provide the most accurate information possible, but to also allow options for retailers to determine the most convenient way in which to do business. To that end, GTECH's solutions provide a number of ways for retailers to order and manage their inventory as well as to ensure Instant Ticket inventory is optimized. Regardless of the method of order placement, all Instant Ticket orders generated will be indistinguishable once received by the warehouse for packing.

### **System Initiated Automated Ordering Options**

#### **Orders**

Eighty-five to 90 percent of retailers prefer to receive replenishment orders without any interaction. They rely on the experts to determine what games, in what quantities, and what time frame orders should be received to maximize their Lottery earning potential. As discussed previously in Subsection 73.7, Inventory Order and Distribution, [REDACTED] takes the worry out of Instant Ticket ordering for these retailers.

#### **ITS Generated Orders**

In addition to [REDACTED] order generation, retailers may opt to continue receiving orders placed by their trusted ITS representative. For these retailers, ITS representatives will place orders on a predefined call schedule but will review the suggested order generated by [REDACTED] for determining the proper games and quantity of games for distribution.

ProCall-designated retailers will also be reviewed daily by [REDACTED] for shortages. ProCall representatives will be alerted daily of any retailer with an inventory shortage and will place the interim order on the retailer's behalf.

## Retailer Initiated Automated Ordering Options

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### Retailer Call Orders

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At any time, a retailer may place a call to his or her ITS representative to assist in Instant Ticket ordering. Retailers may opt out of and ProCall ordering and choose to call when they want to replenish their Instant Ticket inventory. In these instances, the ProCall representative will review the calculated games and order quantities to assist the retailer in making an informed order decision that will optimize in-store inventory.

### Terminal Orders

For additional convenience, retailers may initiate Instant Ticket orders from their Lottery sales terminal. Retailer-initiated orders rely on the retailer to determine the games and pack quantities to include in their order, based upon a list provided by the system and displayed on the terminal. Once the terminal order is placed by the retailer, authorized ITS representatives will review the order, as part of control procedures, against predefined parameters, which include retailer status, financial restrictions, and -calculated suggested order. If the order falls within the predefined norms, it is approved and sent to the warehouse for packing and distribution. If the order does not fall within the predefined norms, the ITS representative will call the retailer to resolve any discrepancies. The order control screen is shown in the following figure.

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## Web Orders

Whether integrated into the TLC's existing Retailer Services Center or accessed using GTECH's Lottery Services Portal, retailers may also place Instant Ticket orders over the Internet. These orders may be sent real-time to the Lottery gaming system through the Web Service Portal or through a nightly feed.

These orders will be subject to review by ITS representatives prior to being sent to the warehouse for final packing and distribution (through the screen shown in the previous figure.)

To ensure proper Instant Ticket distribution and optimization, retailers participating in sales terminal or Web ordering will not be eligible to receive or ProCall orders. **Information Redacted**  
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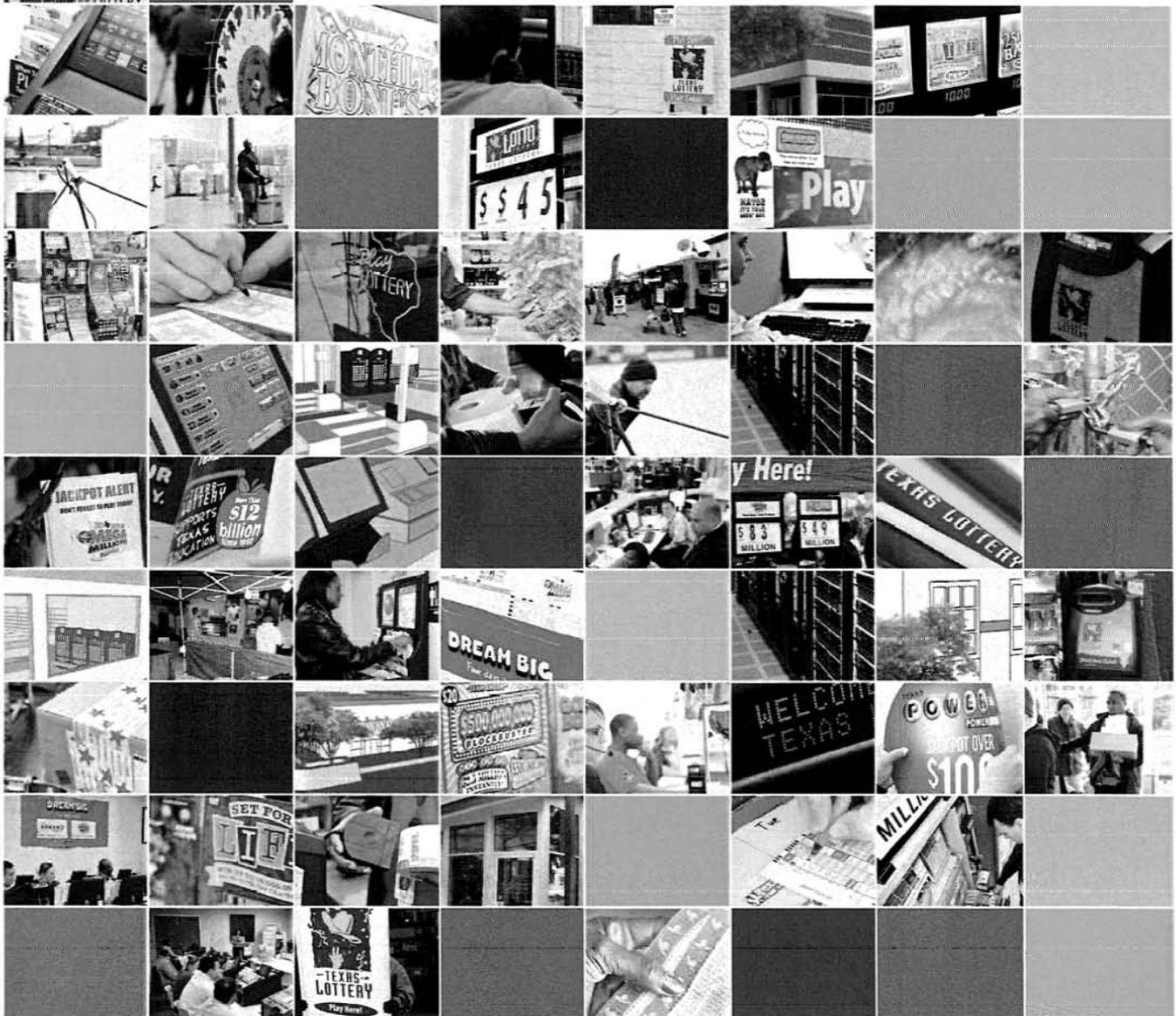
## Real-Time Updates for the Lottery

Within Order Management, authorized users, including the TLC, have the ability to access the status of all orders in the system. This includes orders placed and real-time updates as orders are being packed and shipped. Further, the Lottery can search all orders in the system by order number, tracking number, status, and retailer.



# 7.14

## Communications Network



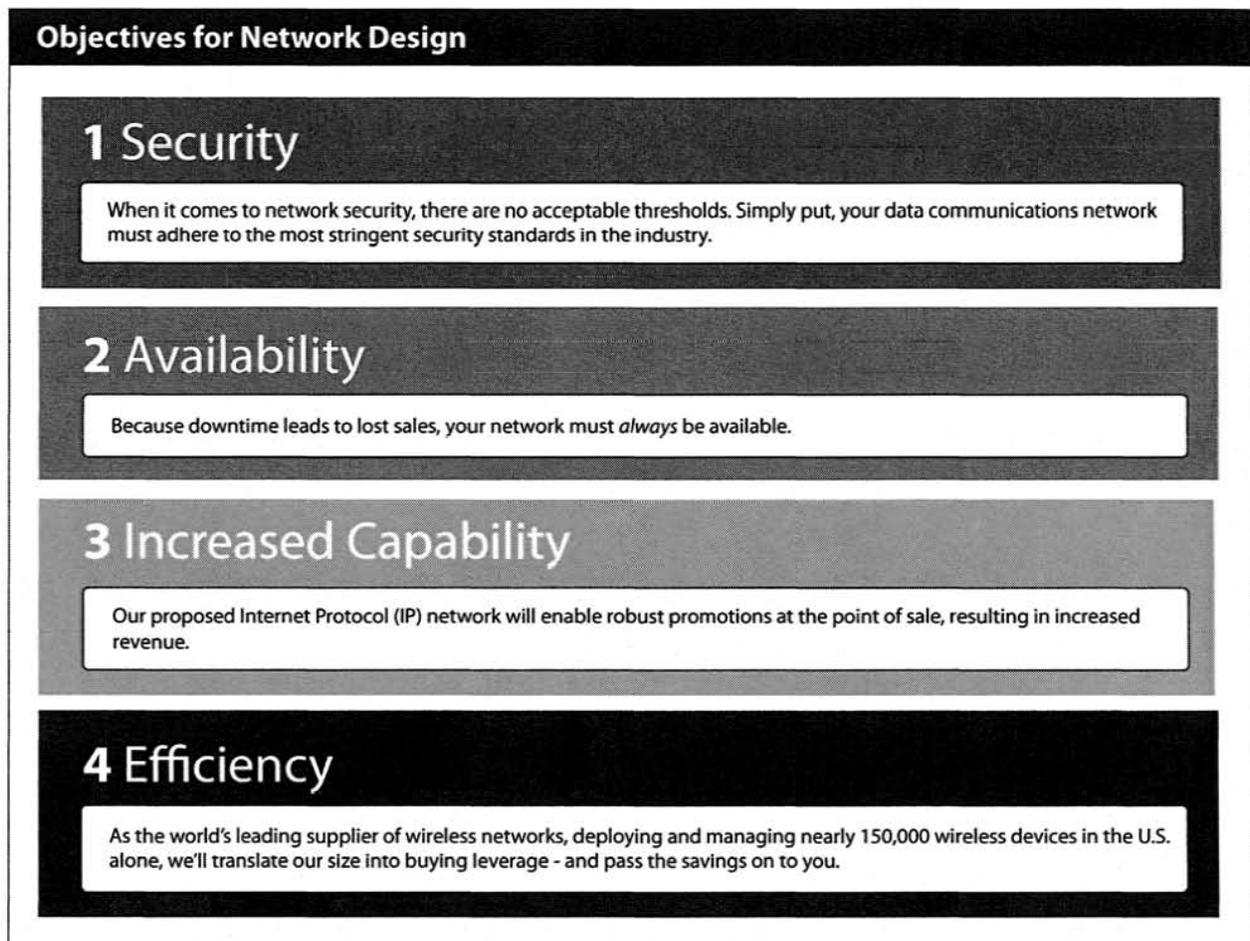
# 7.14

## Communications Network

### Introduction

Designing a communications network for the Texas Lottery entails more than just coverage maps and line-of-sight estimations. It requires real-world knowledge of your unique retailer base and the recognition that your communications network is vital to keeping revenue flowing to the Foundation School Fund. To that end, we followed four objectives to design a new network for the Texas Lottery:

**Figure 7.14 – 1:**



Availability is an essential feature of a lottery infrastructure because any failures disrupt the revenue stream. For decades, the industry has required redundancy in data centers, power sources, systems, and data center communications paths. Until recently, the link between the retailer and system, the “last mile,” represented a single point of failure. This is no longer the case.

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Two years ago, GTECH invented \_\_\_\_\_, a routing mechanism internal to our Altura® GT1200 retailer terminal and Altura GT1200 Mid-Range Small Footprint Terminal (SFT). \_\_\_\_\_ will provide you with redundant communications paths from the retailer to the central system for your highest-volume retailers. While \_\_\_\_\_ is innovative and new, it is also proven: With \_\_\_\_\_, the secondary path takes over automatically if the primary path is disrupted. We’ve deployed thousands of \_\_\_\_\_ links in New York, Michigan, and Rhode Island.

**By equipping 30 percent of your retailers with \_\_\_\_\_, we propose to provide redundant communications paths to cover more than 50 percent of your revenue.**

## **Table 76 Communications Network Response Requirements**

### **76.1 Roles, Responsibilities and Detail Requirements**

GTECH acknowledges and accepts the roles, responsibilities, and detail requirements indicated in this section of the RFP.

## **76.2 Communications Network Diagrams**

### **Network Design**

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### Why 30 Percent

Two of the objectives we evaluated when designing your new network were availability and efficiency. When we design a network with we seek to balance cost (redundancy) and benefit (availability). The key to our success in recent network deployments in New York, Michigan, and Rhode Island was finding the point at which cost and benefit intersected to provide the highest availability at a reasonable cost. This same approach for Texas yielded the following design.

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**Figure 7.14 – 3:**

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**Figure 7.14 – 4:**

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[REDACTED]	

### **Throughput, Software Support, and Video Streaming Support**

The TLC's network will allow for adequate throughput at all points in the network. Retailers will obtain nominal bandwidth to support rapid software and data downloads as well as transaction processing. All communications technologies will have adequate bandwidth so that no subset of retailers is unable to receive services available to the remainder of the bandwidth. Throughput will be great enough to support software downloads to retailer sales terminals and video displays.

The next table represents the estimated retailer bandwidth for all proposed communications types.

**Figure 7.14 – 7:  
Estimated Retailer Network Performance Data**

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**Cost-Effectiveness**Information Redacted  
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In applying the objective of efficiency to our network design, we strive to attain the highest levels of stability and availability for the least amount of cost. When these two factors, availability and cost-effectiveness, are considered simultaneously, we derive the optimal balance of dual versus single communications. As mentioned previously, by furnishing to 30 percent of your retailers, the network will provide greater protection for 50 percent of your sales. As the retail network grows, we will maintain our design philosophy, which is geared towards maximizing revenue protection while remaining cost-effective.



## Network Diagrams

GTECH has provided the required network diagrams as **Exhibit 15, Communications Network**, which is located in the Exhibits Volume. These diagrams show:

- Data routing and redundant communications paths.
- Proposed locations of remote nodes.
- Equipment intelligence at the nodes.
- Private and public connections.

No single piece of equipment will interrupt service for a large portion of your retailers. Steps GTECH has taken to eliminate single points of failure include:

- Three satellites.
- Redundant and geographically diverse NOCs.
- Redundant and physically diverse backhaul connections.
- The use of networks for fixed-wireless-connected retailers.

## Adequate Bandwidth and Lines

The network will have adequate bandwidth and lines for connectivity to and between all designated Texas Lottery facilities, including but not limited to:

- Lottery headquarters.
- Claim centers.
- Warehouses.

There will also be adequate lines and bandwidth to and between all Texas Lottery facilities, including but not limited to headquarters, claim centers, and warehouses, as required by the Texas Lottery.

## Communications Network Monitoring

The communications links between the Lottery Gaming System and the retailers that generate ticket sales constitute the Texas Lottery's "nervous system" – sales will quickly grind to a halt if a retailer experiences a communications outage. Monitoring communications links and devices on the network with tools that continuously test communications links will be critical to maintaining a high level of readiness for the Lottery. Monitoring tasks will be automated due to the large number of links required by the Lottery.

### Primary Monitoring Tools

We have selected the best combination of monitoring tools to support your requirements and resolve complex problem-determination situations. Our toolset will allow for network monitoring, protocol monitoring, and event recording. These tools will show the status of the network, including data communications, and the functioning of all network circuits on the system. All network monitoring tools will be located at both the PDC and the BDC. Our toolset includes:

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## Tools for Retailer-Level Queries

The four key monitoring tools that collectively facilitate network management

will enable our engineers and operators to examine your network at any level of detail, from a high-level dashboard showing all the principal nodes for all of Texas down to the status of individual devices at retailers. When they “drill down” to examine network operations at the retail level, they will use the tools described in this subsection.

### *Retail Monitoring*

HPSS offers the ability to monitor the entire network at a granular level to spot and solve any problem. Associates and managers at the DCA network operations center can use this capability to monitor the status of any retailer terminal or group of terminals, filtered by the type of communications link being used for transmission (e.g., \_\_\_\_\_).

Combined with \_\_\_\_\_, these tools will enable authorized operators/managers to see whether the terminal is operational, whether the retailer is signed on or not, and any other relevant information.

The sample screen shown next is a typical dashboard. The dial on the left shows the total number of operational retailers, while the two on the right show the number active for two different cellular communications protocols. Messages indicate individual network devices that are having issues; they may be down, or they may be operational but not performing according to standards.

Alarm conditions can be set for network communication quality. For example, they can be set to notify us if a retailer’s site is due for a preventive maintenance visit. This approach is truly proactive; it makes the best use of Field Service Technicians (FSTs), schedules upcoming maintenance visits before an outage occurs, schedules visits according to retailer convenience, and avoids disrupting retailers during peak sales periods.

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### Lottery-Initiated Network Monitoring

Authorized Texas Lottery employees will be able to monitor the network utilizing \_\_\_\_\_, a highly secure, Web-based interface that accesses the terminal, broadcast, and communications information-management functions of our GTECH \_\_\_\_\_ solution. It will provide the Lottery with all necessary status information, as well as reports regarding attempted or successful unauthorized entry to the network.

## Historical Reporting

The HPSS suite offers a variety of reports on operational performance of the network. These can be used to examine performance trends for the network as a whole or drill down to individual components or groups.

## Communications Network Management

The network infrastructure supporting the Texas Lottery is complex. Monitoring the network using the tools described previously will be the principal way to track network performance. The monitoring capabilities of these tools will be instrumental in finding problems quickly and developing effective solutions. The goal will be a 100 percent reliable network. To move toward that goal, we have a number of proven methods to identify problems faster, reduce repair times, and prevent their recurrence. We begin by taking all the raw data that the monitoring tools provide and then using it to make the network more reliable in the long term.

## Incident Tracking System

Incidents of degraded performance or failure are logged to the incident tracking system, i.e., to a central incident database, at the time of occurrence, so they can be analyzed and correlated with other similar incidents. Once logged, the incident moves through a number of steps toward resolution, e.g., identification, diagnosis, alternatives, and solution implementation. If required, the incident is escalated to bring in additional people with advanced skills to work on the problem. For additional details regarding our overall approach to incident and problem management, please see Section 6.4.1, Incident and Problem Management.

## Vendor Management

The communications network we've designed for the Texas Lottery will maximize retailer uptime and availability. The monitoring tools we've described will provide the Lottery with all of the communications information necessary for insightful decision-making.

We will be responsible for working with the applicable network vendor to resolve any communications problems that may arise. This will include management of communications carriers, our FST staff, and any applicable escalation procedures.

Given the private nature of the network designed for the Texas Lottery, the interaction required with outside service providers will be minimal. Since very few retailers will be serviced by common carrier technologies, we won't be dependent on outside providers for resolution of service issues at most retail locations. We also keep an updated list of escalation contacts and specific, contractually obligated trouble-ticket and escalation procedures for each outside communications service provider. These procedures are updated when necessary with any changes in contact or system information. GTECH staff is familiar with and trained on all of these procedures, which are also posted and readily available at each workstation.

GTECH will manage the relationship between the retailer and network vendor on behalf of the Lottery. The carriers have escalation procedures that elevate their attention to service problems according to a three-level assessment:

- **Level 1:** Emergency situation that causes, or has the potential to cause, a total network outage.
- **Level 2:** Emergency situation that causes, or has the potential to cause, a partial network outage or degraded performance in the network.
- **Level 3:** Situation that affects a single site.

GTECH will notify the network vendor if any of these situations occur. We will switch to backup capabilities if necessary and take all steps required to ensure problem resolution.

### Network Event Recording

Our network management tools have recording, recall, and reporting capabilities and are configurable. GTECH and the Lottery can jointly develop standards for the types of events recorded, sensitivity levels, and data-retention periods. Alarms can be set up according to the triggered event. Operations staff can sort and prioritize events according to actual conditions. This capability ensures the most effective problem resolution.

Multiple alarms can be correlated to quickly and accurately pinpoint the source of the network issue so that no time is wasted trying to locate the problem. A database of network events and alarms can be used to support reporting and trend analysis.

## Segregation of Down Retailers

A down retailer, due to a network outage, will have no communications with the Lottery Gaming System until the problem is resolved. In these cases, we will provide the retailer with updates on the situation through the call center, at periodic intervals or on request. Any outbound network traffic will be held in electronic form at the call center. This traffic will be sent to the retailer as soon as its connection or equipment is restored. More detail on call center services can be found throughout Section 7.13, Call Center Support.

## Real-Time Video Security Monitoring of Claim Centers

Real-time video security monitoring of claim centers can be supported with communications links between designated Texas Lottery facilities, including:

- Lottery Headquarters.
- Claim centers.
- Warehouses.
- Any other facility designated by the Lottery.

GTECH will provide communications links with sufficient bandwidth to enable this function.

### *Video Teleconferencing*

The same communications link that enables real-time video-security monitoring of Texas Lottery facilities will be used to support video teleconferencing. GTECH will provide communications links with sufficient bandwidth to enable both video security monitoring and video teleconferencing, if required.

## Third-Party Traffic Studies

GTECH will engage "an independent third-party vendor to perform traffic studies and provide recommendations regarding communications network performance" if required. We interpret this to mean that we will hire a communications consultant to analyze traffic patterns and capacity across the network and make recommendations for adjustments that will improve network performance.

## **Regulatory and Legal Requirements**

GTECH will comply with all regulatory and/or legal requirements set forth in the RFP, the resulting contract, and any and all other related statutes and/or ordinances. RFP Section 7.14, Table 75, Communication Network Requirements, Detail Requirement #17, outlines three specific requirements in this regard. GTECH's responses to these requirements are provided in the following paragraphs.

### **Obtainment of Required Approvals and Payment of Tariffs**

GTECH will obtain any federal, state, or local licenses required to operate the communications network. GTECH will be responsible for the payment of any special tariffs required for the development, operation, and expansion of the communications network.

### **Compliance with Applicable Laws**

GTECH will comply with all applicable laws relating to communications network standards, availability, costs, licenses, tariffs, etc.

### **Assignment Permission**

GTECH agrees to insert a clause in all contracts with communications vendors that permit the assignment of such contracts to the Texas Lottery or any other entity designated by the Lottery.



# Part 8

## Sales and Marketing





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#### Invited Option Icon

This icon indicates where we have responded to an Invited Option.



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#### Specified Option Icon

This icon indicates where we have responded to a Specified Option.



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#### Offered Option Icon

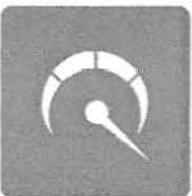
This icon indicates where we have proposed an Offered Option.



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#### New Innovation Icon

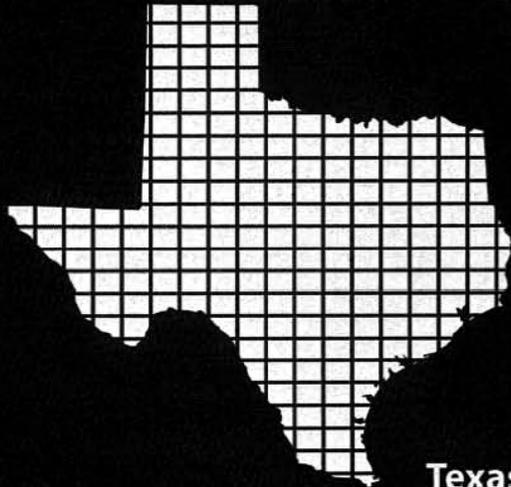
This icon indicates where we describe a new, GTECH-designed product or feature that represents GTECH's commitment to industry innovation.



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#### Exceeds Icon

This icon indicates areas in which GTECH exceeds the requirement.



## Texas Brand

### 8.1 Overview

Every retailer visit by a Lottery Sales Representative is an opportunity to generate revenue for the Foundation School Fund as well as reinforce the integrity of the Texas Lottery by serving as an extension of its brand.

# Texas Lottery Core Values...

## Honored

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**Integrity and Responsibility:** GTECH will provide increased transparency of field operations through innovations such as our GTECH and tracking technology.

**Innovation:** Integrated analytic and performance tools will put the power of actual field data in the hands of Lottery Sales Representatives (LSRs) to ensure the success of every marketing and sales support initiative approved by the TLC.

**Fiscal Accountability:** We will provide LSRs the tools and information required to responsibly generate revenue for the State of Texas without unduly influencing players to participate in your games.

**Customer Responsiveness:** GTECH is committed to providing LSRs with immediate access to information so that they're in the best-possible position to respond to any retailer need or concern.

**Teamwork:** Innovative new solutions like will provide an unbreakable link between the GTECH Sales Force, the Texas Lottery, and Texas Lottery retailers.

**Excellence:** By providing our experienced Sales Force with new solutions and tools, which are discussed throughout the body of our proposal, the Texas Lottery's field staff will be at the forefront of the lottery industry.

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will ensure effective execution of business initiatives and a transparent view into all field operations.

The TLC's customized LSR organization is designed to fit into the retailer life cycle and includes all necessary links to other business functions within the Texas Lottery operation.

GTECH boasts the industry's most-experienced Retail Recruitment team, led by Connie Laverty O'Connor, our Chief Marketing Officer. This team is focused solely on developing new business opportunities in order to expand the TLC's retail footprint and capture new consumers.

When sophisticated analytic and reporting tools, like Claritas' Prime Location and GTECH's World Wide Marketing Database and Lottery Marketing Database, are driven by our experienced local and corporate analytic and research teams, retail expansion efforts, game development projects, game promotion initiatives, and **DOCUMENT REDACTED BY TLC - 12-4-10** practices for optimal results and return on investment.





# 8.2

## Sales Management and Business Development



# 8.2

## Sales Management and Business Development

### Introduction

At the beginning of Part 8, Sales and Marketing, of the RFP you note that your vendor's sales and marketing activities throughout Texas constitute a direct link between your products and the retailers and players who sell and buy them. In Section 6.2, Account Management, we state that, as an agent of the TLC, we fully understand that your retailers see our sales force as such when we distribute games and promote the Lottery's brand across the State. The work of this dedicated team is the most visible expression of our outreach activities on your behalf.

Over the years, we've had many opportunities to assist you with achieving your goals while guarding your professional integrity and enhancing your brand image. The sales management and business development activities we describe in this section have evolved from this history of local engagement and continuous improvements, and will further strengthen alignment between the TLC, our staff, and Lottery retailers. Together, we can generate even greater enthusiasm for your brand and games – and convert that enthusiasm into Lottery sales.

### Building on Your Success

Because the Texas retail landscape encompasses an enormous geography covering more than 268,000 square miles and more than 70 highly diversified trade styles, it takes local experience, effective data analysis, and customized tools to manage your game portfolio effectively and position your products in ways that capture the attention of millions of Lottery players.

Supporting the Lottery's marketing initiatives and retailers, the current staff of 181 Texas-based professionals who make up GTECH's Sales, Marketing, and Business Development teams have been hard at work for more than 1,600 cumulative years. The teams' continued attention to your retailer network is the starting point for your future sales success. By increasing staffing numbers for the new contract, and investing in new tools, data analysis, and technology, we will remain committed to continuous improvement.

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### **Key Sales, Marketing, and Business Development Offerings**

Your vendor must control countless details to help you meet your revenue objectives. For example, the right mix of Instant Games needs to be displayed at each of your nearly 17,000 retail locations, Point-Of-Sale (POS) signage has to line up with the rollout of new products and promotions, new retailers and their staff have to be trained on selling Lottery products effectively, etc. The list is extensive.

Our own sales, marketing, and business development activities throughout the state have given us firsthand insight into where and how to sell Texas Lottery products. Each year, our sales staff:

- Conducts more than 450,000 retailer visits.
- Processes more than 1,250 changes of ownership.
- Makes more than 4,000 recruitment visits, yielding an average of more than 900 new retailers annually (for a net increase in total retailers of more than 250).
- Holds more than 600 key, corporate, and chain account strategy sessions.
- Places more than 1.5 million POS pieces.

Managing this immense spectrum of marketing activity requires a highly organized, experienced, and accountable management team and structure, which GTECH already has in place.

### **What Working for the Texas Lottery Has Taught Us**

The scope and complexity of the Texas retail landscape has taught us to focus on project execution, because we've learned that this is what makes the greatest and most positive difference in getting the sale. We value the theory necessary for developing sound plans, but we devote greater energy to executing our plans effectively.

Working for you has taught us that paying attention to the detailed needs of TLC retailers, players, and staff has a huge impact on our joint success. We have studied the Texas marketplace – its complexities, your regulations, and your requirements – and have the experience necessary to know what will work well. We also have Texas-specific mechanisms in place for refining our products and services. We can push products, and if necessary, corrections, across the market. We've learned about the many challenges the Texas market presents by living with, and meeting, your retailers' and players' high expectations.

## **Table 79**

### **Sales Management and Business Development Response Requirements**

#### **79.1**

##### **Roles, Responsibilities and Detail Requirements**

GTECH acknowledges and accepts the roles, responsibilities, and detail requirements indicated in this section.

#### **79.2**

##### **Identification of Sales and Management Staff**

GTECH and the local Texas team have invested in management personnel and strategies for identifying new selling and business development opportunities. In addition, we have a corporate team dedicated to key, corporate, and chain account recruitment that expands beyond the TLC's borders.

##### **Full-Time Texas Sales Management Staff**

Tom Stanek,  
Director of Sales, Marketing, and Business Development



Tom manages GTECH's Sales, Marketing, and Business Development teams who provide services to almost 17,000 retailers in Texas. With 7 years of industry experience, Tom makes sure all sales force efforts maximize retailer sales (corporate accounts to independents) and develops tactics for expansion into new retail environments, realizing more than \$3.7 billion in total sales on an annual basis. Tom will be a main point of contact for the Texas Lottery for all sales management and business development needs.

**Arden Reid,  
New Business Development/Recruitment Manager**



Arden is responsible for key, corporate, and chain account recruitment in Texas. He is currently in communication with more than 25 potential retailers representing more than 4,000 prospective stores and potential annual sales of \$400 million. An industry leader in Texas-based retailer recruiting with 15 years of industry experience, Arden collaborates with the Lottery on developing and implementing comprehensive account acquisition strategies and plans for growing TLC revenue.

**Brian Finnigan and George Sanchez,  
Regional Sales Managers**



Brian and George manage their respective sales teams in the south and north territories of the state. Their 16 distinct teams execute strategies for increasing sales performance and expanding the retailer base. Several members of their teams will focus solely on recruiting. With 35 years of combined Texas Lottery experience (both working with the TLC since 1992), Brian and George are each involved in day-to-day operations, making sure that all retailer expansion strategies are communicated and executed in the field. They will be main points of contact for the Texas Lottery with regard to field execution.

**TBH,  
Senior Sales, Merchandising, and  
Business Development Managers**



We propose adding two new, significant management positions to our sales organization structure. Under the direction of Regional Sales Managers Brian Finnigan and George Sanchez, the Senior Sales, Merchandising, and Business Development Managers will plan and direct all sales, merchandising, and recruiting programs and activities for their respective areas of responsibility. The new managers will also establish and maintain effective working relationships with Lottery personnel, retailers, and GTECH staff as they maximize sales through the activities listed above. We would fill these positions immediately upon contract award.

**Mandy Carter,  
Corporate/Chain Account Manager**



Mandy manages four Key Account Representatives who are responsible for working with more than one-third of the Texas retailer base, helping to generate more than \$1.2 billion annually. With 12 years of experience in the grocery and telecommunications industries, Mandy helps her team cultivate relationships with key corporate, and chain accounts. Her goal is to drive substantial incremental sales growth by devising innovative, tailored marketing and promotional strategies in concert with corporate account leadership and the TLC. She also contributes to the development and implementation of TLC policies and projects.

**Shannon Plum,  
Marketing Manager**



Shannon directs the data analytics team that identifies expansion opportunities. Her team develops tools and supplies information needed for increasing sales at current retailers and supporting retailer expansion. With 15 years of retail and marketing experience, Shannon formerly managed the field marketing and sales division of Phillip Morris, a company long-recognized for its retail services best practices. Responsible for retail-focused, strategic marketing plans, Shannon recently assisted with creating more than 160,000 pieces of GTECH-funded *Powerball*® POS materials for the TLC. She will be a main point of contact for the Texas Lottery with regard to analytics and marketing.

## **GTECH Corporate Sales and Marketing Support**

### **Connie Laverty O'Connor, Senior Vice President and Chief Marketing Officer**



Connie leads our corporate marketing teams in supplying tactical marketing advice on game development, industry best practices, retailer network development, and promotion design and execution. Having formerly managed the New York and Georgia lotteries' sales and marketing teams, Connie has more than 30 years of lottery sales, marketing, and management experience. While managing the lotteries in New York and Georgia, Connie was instrumental in driving annual sales of more than \$6.6 billion and \$3.2 billion, respectively. In addition, under Connie's marketing leadership, the New York Lottery's Instant Game sales increased by more than 800 percent in a ten-year period. Connie was also a central figure in facilitating the Mega Millions and Powerball cross-selling initiative, working with the leadership of both consortiums.

### **Larry King, Vice President, Strategic Sales**



Larry has held various sales positions at GTECH over the last 17 years. During the past year, he has assisted our Retail Development group with recruiting national chains and has been a central player in communicating the benefits of selling lottery to executives from Dollar General, Costco, Walgreens, and most recently, Family Dollar, which is now participating in several pilots. Dollar General, with more than 8,400 U.S. locations, is also currently piloting lottery sales in Tennessee and Georgia. Larry spent many years in Texas as the Sales Director, managing your sales force and working as your Account General Manager.

**Susan Strouse,  
Senior Director, Retail Development**



Susan will work on identifying TLC retailer expansion opportunities. With GTECH since 2000, she is responsible for the strategic development of GTECH's retail product and service line. She also manages business relationships with chain accounts at the national level. An industry leader in national corporate chain and retail expansion, Susan has been instrumental in building business relationships with CVS, Dollar General, Family Dollar, Dollar Tree, Walgreens, and Costco. Worthy of particular note is Susan's work related to the recruitment of more than 7,000 CVS locations across the United States, which resulted in a full rollout in California that generated more than \$40 million in 2009. With 20 years of retail development experience, she brings a strong retail and consumer-goods background to the grocery, convenience, big-box home improvement, office product, and mass merchant trade channels.

**Jim Breindel,  
Senior Manager, Retail Strategy**



Jim has held a variety of positions in the lottery and gaming industries, including roles in product development, marketing, and operations. He has spent much of the past 10 years meeting with U.S. retailers from various trade styles to solicit input to guide new lottery product development. Numerous meetings with Circle K led to the first Lottery Inside deployment in Circle K's ZapLink financial-services kiosk. Extremely involved with retail industry groups, Jim is a supplier member of National Association of Convenience Stores (NACS) and has participated in the NACS Annual Conference and NACSTech. He also serves on the Petroleum Convenience Alliance for Technology Standards (PCATS) Device Integration Committee and Lottery Working Group.

## 79.3 Sales Organization Structure

The framework that we used to help design our sales organizational structure is consistent with the process advocated by Burton, DeSanctis, and Obel in *Organizational Design*. Over the past 18 months, we have invested considerable time and resources in defining the goals of the organization and reviewing its strategy, structure, process, people, coordination, and control. This exercise involved the following steps:

- **Step 1:** Goal definition (efficiency vs. effectiveness).
- **Step 2:** Strategic and environmental analysis.
- **Step 3:** Structural optimization (configuration, complexity, and geographic distribution).
- **Step 4:** Process and people alignment (task design, leadership, and organizational climate).
- **Step 5:** Coordination and control implementation (information systems and incentives).

This process ensures that our organizational design will remain flexible and aligned with the goals and business strategies of the TLC, most important of which are to protect the integrity of the organization, be responsive to the needs of Texas Lottery retailers, and reach and exceed goals for sales and retailer base expansion.

## Applying Lessons Learned to Sales Management Improvement

Our local experience and lessons learned also provided us with an opportunity to step back and examine the sales force structure from the bottom up. Our leadership team analyzed quantitative and qualitative information to identify sales opportunities and then investigated alternative sales force structures to best realize these opportunities. Analysis drew heavily on current retailer requirements, future retailer growth, current and future player needs, review of Nielsen Claritas predictive sales models, and our own sales reporting tools.

Next, the team compared findings against the collective insights derived from thousands of LSR discussions with Lottery retailers. This analysis concluded with recommendations to make structural modifications to the sales organization, which we have already implemented to better serve the TLC in the upcoming contract. Many of these changes, such as bolstering our marketing teams, have begun to take shape over the past 18 months.

Throughout our response to Subsection 79.3, Sales Organization Structure, which follows, we highlight these important factors of our sales organizational structure and its effective deployment:

- **Key Functional Responsibilities and Importance to TLC:** We recognize the complex business processes that make up the Texas Lottery's operations and the interdependencies that your vendor must support and optimize.
- **Support and Optimization Plan:** Our approach for supporting and increasing sales focuses on retailer recruitment and performance optimization of current retailers.

### Sales Organizational Chart

The following sales organizational chart features a new department focused on merchandising and business development, as well as enhanced staffing levels to bolster retailer support.

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Our team structure focuses on retailer recruitment, analytical market research for data-driven results, and flexible responsiveness to the TLC, which, together, will create opportunities for sales growth and give us greater control to deploy manpower where it can do the most good. In short, we will put the right people with the right skillsets on the right teams that are aligned with the TLC's current and future goals.

## The Business Processes Behind the New Organizational Structure

The heart of every salesperson's job is to sell. However, because Lottery products represent the integrity of the State itself, it is critically important that every member of our sales organization meet the highest standard of integrity in every retailer action. We must also be able to demonstrate to the TLC that our sales representatives are accountable to our sales management team and your oversight staff for every action they take.

Ultimately, the success of our sales team is heavily dependent on your business processes and our organizational interdependencies. We have invested a great deal of time and effort over the past 18 months to identify and document at a granular level the multiple business processes that guide each of our employees through their interactions with retailers, and with the TLC, to cultivate responsible sales on a daily basis. By documenting these activities precisely, we achieve these essential goals:

1. We make it possible to convey clear expectations to each employee involved in helping retailers sell Lottery products.
2. We share a common map with you to pinpoint activities for continuous business improvement.
3. We demonstrate that we adhere to each of your requirements for Lottery product handling and treatment of retailers.

A sales organization cannot perform at world-class levels without robust business processes and the necessary support infrastructure. In addition, it is virtually impossible to provide a relevant and effective organizational structure without the knowledge of your specific business processes and applicable interdependencies.

In Section 7.5, Retailer Management, we highlighted a series of business processes that support what we call the retailer life cycle. These processes depict actions that our teams take to establish an optimal distribution network for your games. The sales organization supports these processes, which include:

- Identifying retailers with the greatest potential to sell Lottery products effectively.
- Confirming that a retailer will be an effective Lottery outlet.
- Orchestrating an efficient application review through each critical checkpoint and getting qualifying retailers up and selling as soon as possible.

- Cultivating sales at each location through effective delivery of appropriate game inventory and staging of relevant promotions.
- Managing swift, seamless change of ownership transitions for continuity of sales to a location's customer base.

Taken together, these processes help us understand and improve how the sales force can focus on making retailers – and through them, the TLC – successful.

Our support of the TLC includes strict adherence to its extensive and highly detailed business processes. To enhance the service we provide, we have reviewed these processes and identified areas where our proposed solutions can increase efficiencies and productivity in the coming contract. The insert on the following page, entitled **Retailer Life Cycle Overview**, illustrates the interactions between our sales organization and other groups that are essential to maintaining the retailer life cycle.

## **Retailer Support and Optimization Plan**

The targeted roles and responsibilities we've created will enable our new organization to provide substantial services focusing on the following:

- Recruiting retailers.
- Optimizing current retailers' performance.

### **Recruiting Retailers**

To execute our retailer recruitment strategy in Texas, our staff will focus on four actions:

1. Staff alignment.
2. Market analysis.
3. Opportunity identification.
4. Recruitment execution.

### **Staff Alignment – Dedicated Recruiters**



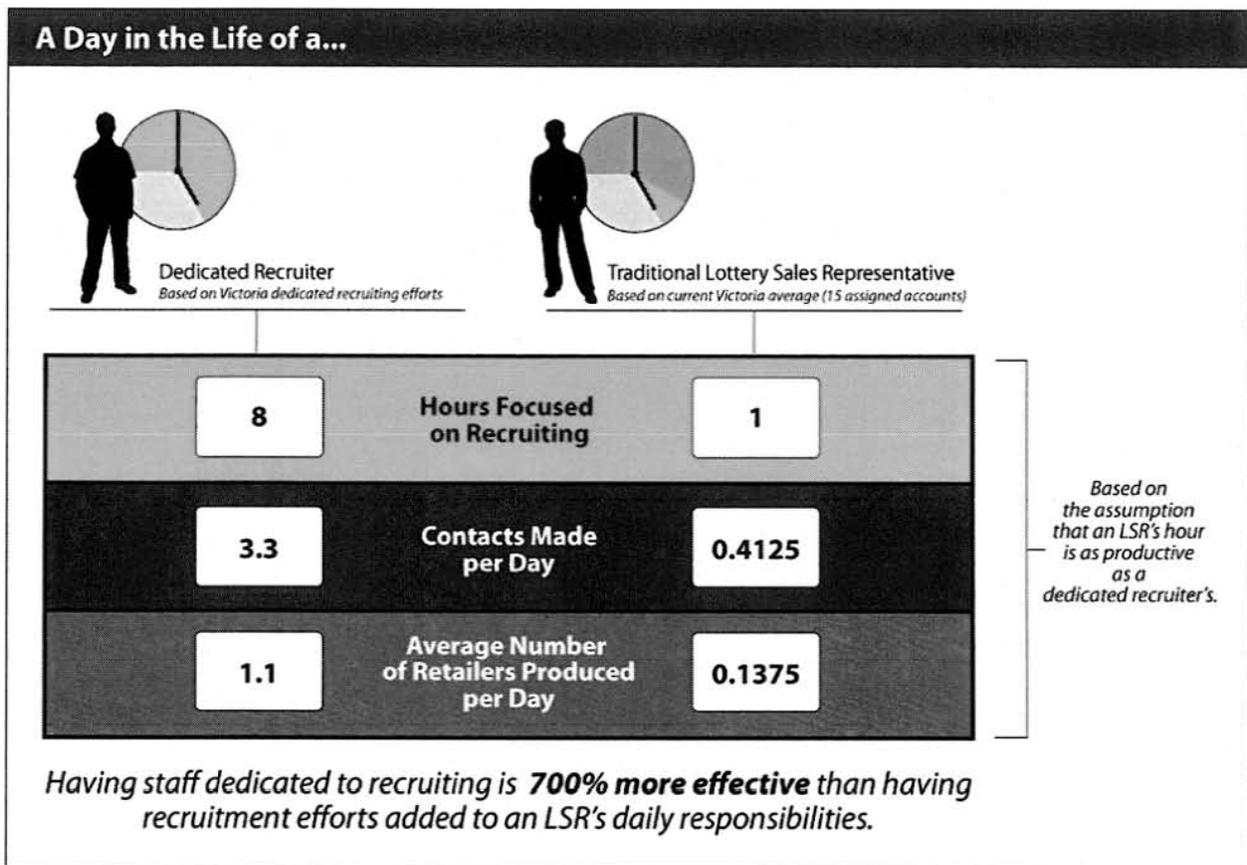
While every member of the GTECH sales organization is responsible for identifying and recruiting Texas Lottery retailers, the most effective way to achieve growth and manage retailer recruitment is to have sales team members who are dedicated solely to developing retailer relationships, expanding current demographic and regional penetration, and recruiting retailers in new trade styles. This functional division of labor has proven successful in many pilot programs, including several in Texas, and will be central to the success of TLC retailer network expansion throughout the next contract.

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Assigning staff specifically to retailer recruitment is significantly more productive than emphasizing the task under traditional LSRs' daily responsibilities. As part of our proposed sales force organizational structure, we will have many individuals whose primary responsibility is to recruit retailers and facilitate new retailer support. The following graphic illustrates the benefits of assigning staff specifically to retailer recruiting.

Figure 8.2 – 3:



**The Right Focus:** Adding dedicated recruiters more than fills the recruiting gap that traditional LSRs have in terms of their time, as tested and proven in Victoria.

### Market Analysis

Our sales organizational structure will be anchored by our marketing analytics team and their data-driven approaches. Our understanding of your retailer base and impending changes to the Texas market, as identified by data analysis, will help to drive Texas Lottery sales. We will blend quantitative information (predictive sales models and geodemographic research) with qualitative information (anecdotal human intelligence that our sales force gathers) to identify expansion opportunities that would likely go unnoticed without the knowledge we've acquired through our experience in Texas. In other words, we have the experience and tools required to turn Texas opportunities into Texas sales.

For instance, we know that the city of Katy, Texas, is planning a large shopping mall, much like Houston's famed Galleria, for the very near future. The mall will be located off of Interstate 10 in the Grand Park area and bring in many new businesses. Local knowledge regarding these types of opportunities will enable us to align resources with retailer expansion opportunities in instances like these.

**We have the experience and tools required to turn Texas opportunities into Texas sales.**

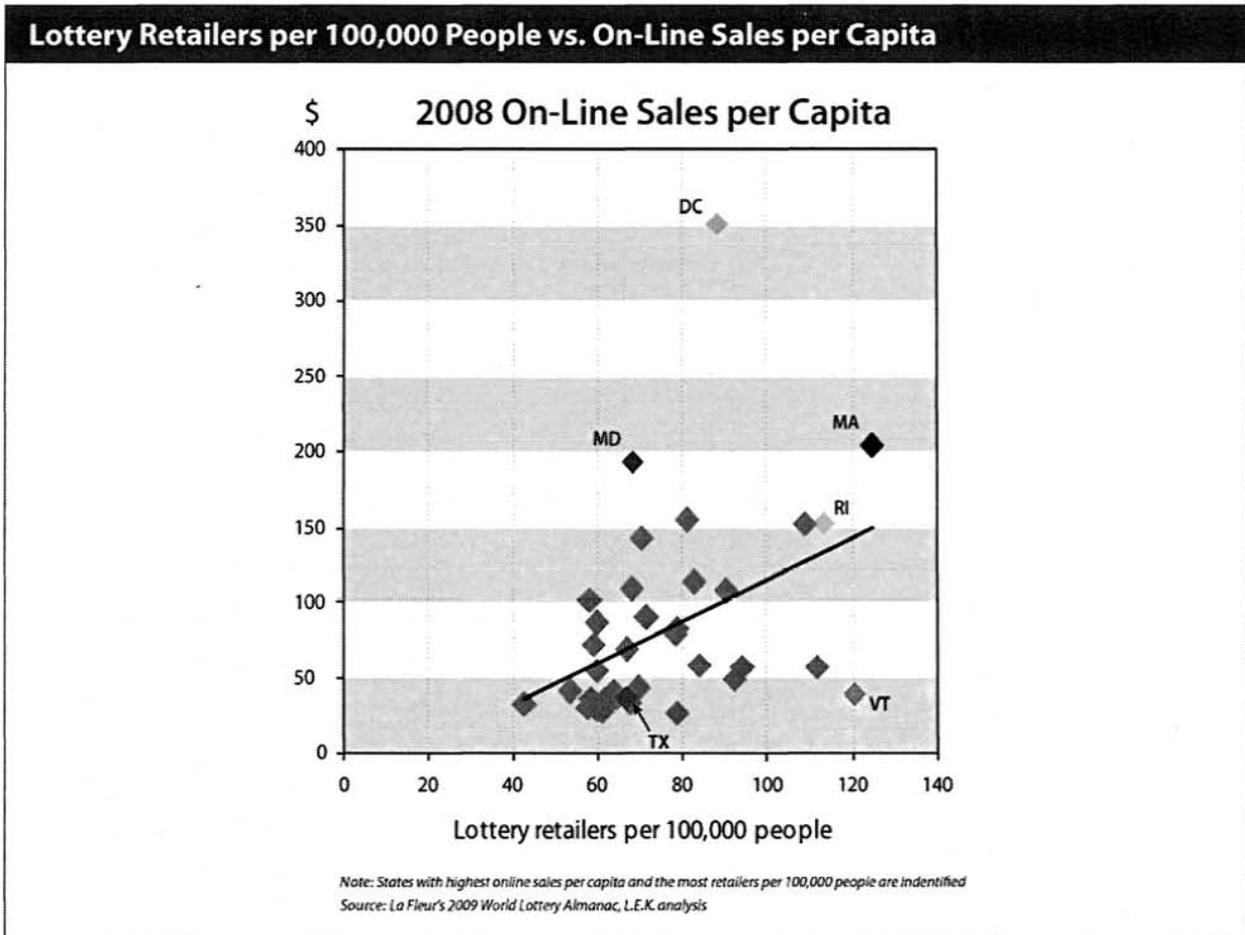
To drive continued retailer expansion with peak efficiency, we will supply the sales force with solid recruitment leads based on structured analysis. We will compile lead listings using industry-wide retailer-density best practices, Texas predictive sales modeling, and comparative account analysis. We will customize this information according to each sales force member who is recruiting. Because we will provide the sales force with accurate, detailed, and relevant data, they can have productive conversations with prospective retailers. will supply this information directly, quickly, and easily for every sales call.

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*Retailer Density and Sales Analysis*

Focused, region-level retailer development plans, based on analysis of historical and projected population growth and retailer penetration data, will ensure that the Lottery achieves the greatest returns and responds appropriately to demographic shifts. A regression analysis using U.S. lottery data indicates that increasing the number of retailers results in greater sales per capita and greater returns to the state. In 2008, Texas had 68 Lottery retailers per 100,000 people, or approximately 1 retailer for every 1,481 people – a more than acceptable ratio when compared to lotteries with similar attributes. Still, given the scope of the Texas market, additional retailer expansion opportunities exist. Expansion throughout domestic jurisdictions has had a positive impact on On-Line sales, the most profitable product within most lottery portfolios, including the TLC's as shown in the following figure.

**Figure 8.2 – 4:**

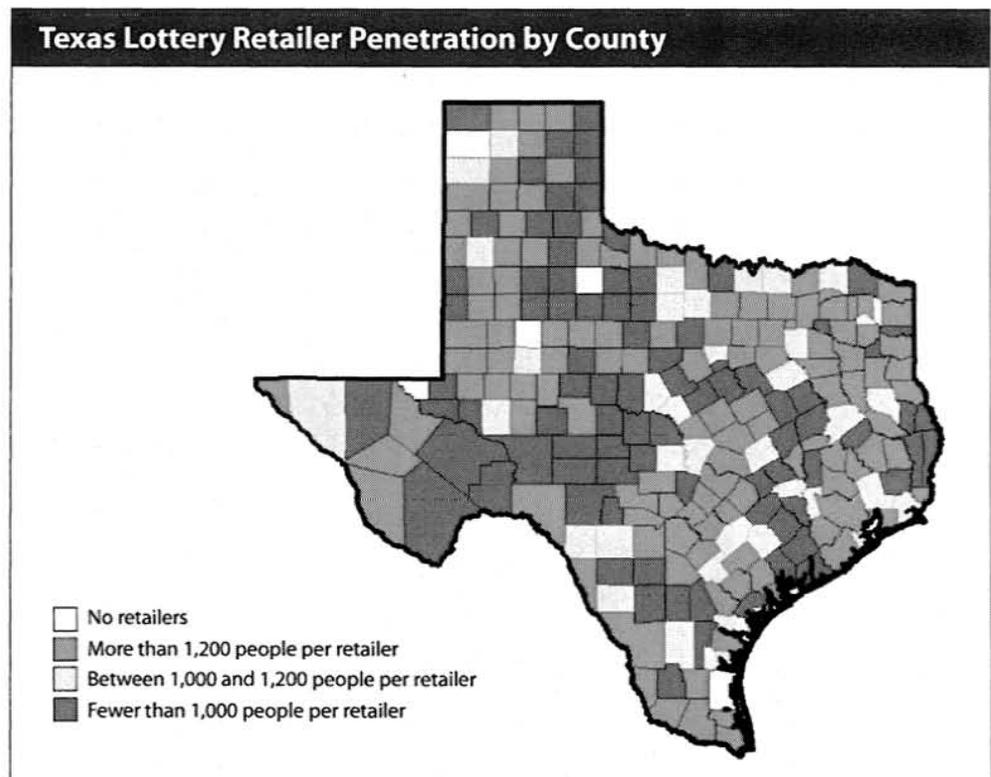


**Increasing the Number of Retailers Increases Sales:** Analysis of 38 U.S. jurisdictions shows that, as the ratio of lottery retailers to people (x-axis) increases, per-capita On-Line Game sales (y-axis) also grow.

It's important to note that, while retailer density is strongly correlated with sales, the relationship is not 1:1 (e.g., a two percent increase in the retailer base doesn't necessarily translate into a two percent increase in sales). Other variables, such as location, and independent factors such as proper merchandising, advertising, product availability, etc., *do* play a role in sales success.

To further direct our recruiters, we will perform a market capacity model. This research will identify under-penetrated regions of Texas, which will help us accurately target areas where recruitment of new retailers will result in the lowest cannibalization of the current retailer base.

**Figure 8.2 – 5:**



**Identify Where Opportunities Lie:** Analyzing retailer penetration is part of developing our market capacity model to determine which geographic areas of the State are prime candidates for retailer expansion efforts.

We also factor Texas-specific happenings into our retailer penetration analyses. For example, refinery expansions in Beaumont and Port Arthur and the rebuilding of the Bolivar Peninsula represent the type of relevant business trends we consider when searching for expansion opportunities.

### *Predictive Sales Analysis*

To identify underserved areas, GTECH collaborated with Claritas Analytical Consulting. We conducted a market screening analysis on a prospect list of 57,004 retailers across the State and used the resulting predictive sales model to identify high-potential retailers. The sales model pinpointed more than 28,000 retailers with more than \$2,000 each in weekly sales potential. We also identified the top 10 retailer prospects with weekly sales potential of between \$12,000 and \$20,000.

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Of course, capturing all potential retailers using predictive sales analysis is an unrealistic expectation, given variables such as retailers' attitudes toward gaming. Actual field surveys must take place to confirm and execute the recruitment process. The results do, however, provide a strong guide for our recruitment teams. Our experience in recruiting prospective lottery retailers, using this methodology, indicates that approximately 10 percent of prospects have the potential to become licensed retailers.

## Opportunity Identification

We have invested in extensive research to identify high-potential retailers and developed support plans to turn them into high-selling retailers. With current penetration of convenience and grocery stores at 67 percent, the Texas Lottery is well represented in traditional trade styles. However, penetration in nontraditional trade styles (e.g., drug stores, super centers, and dollar stores) is limited: the Lottery has presence in only two percent of these types of retailers. GTECH will increase the Lottery's penetration in these trade styles by identifying prospects for the TLC.

Our framework for identifying opportunities focuses on:

- Regional expansion.
- New independent retailers.
- National corporate accounts.
- Texas-based chains.
- New trade styles.

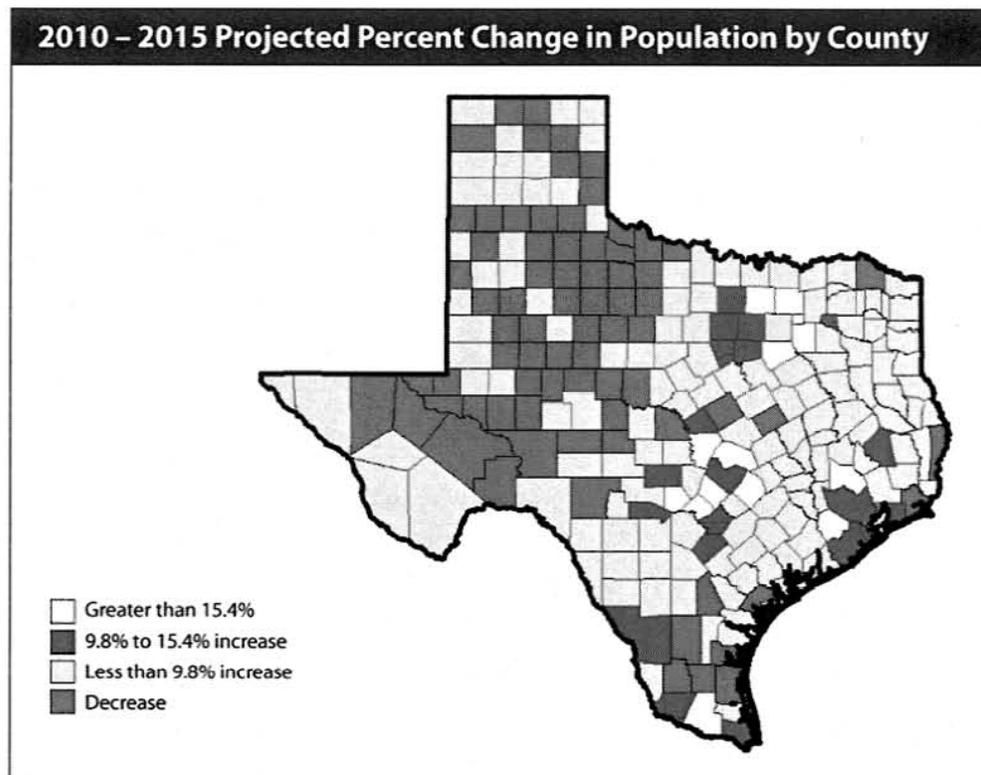
Using our proprietary predictive sales model, the Lottery can target expansion into specific, high-potential, independent retailers and in significant growth areas such as Irving, Houston, and others.

### *Regional Expansion*

To identify regions with the most untapped sales potential, our data analytics staff studied retailer penetration levels and population demographics in each Texas region. The analysis shows that Dallas, Houston, Austin, and San Antonio are likely the best places to start new recruitment efforts based on current demographics and retailer penetration. These cities are experiencing strong population growth, *and* they don't have enough Lottery retailers per capita. Other areas, such as Lubbock and Tyler, are also experiencing strong population growth, but the magnitude of that growth is much smaller than that of Dallas, Houston, Austin, and San Antonio. Therefore, we recommend that recruitment efforts in areas such as Lubbock and Tyler be secondary to those in the larger areas.

Data also indicates that current urban-suburban and west-east migration trends will continue. For example, population growth in Irving and Houston is expected to continue at an accelerated rate. Rapid retailer expansion in these types of areas will let the Lottery keep pace with population growth trends.

**Figure 8.2 – 7:**



In addition, population is greatest in the north, south, and southeast regions with the north, southeast, and central regions expected to see the greatest population growth.

**Figure 8.2 – 8:  
 Current and Future Texas Population by Proposed Sales District**

Sales District	2009 Population	2014 Projected Population	Projected Growth Over 5 Years
Austin	2,045,325	2,308,563	12.87%
Houston Northwest	1,948,015	2,190,145	12.43%
Dallas North	2,267,163	2,531,822	11.67%
McAllen	1,588,723	1,768,662	11.33%
Forth Worth	2,273,821	2,524,734	11.03%
Victoria	1,670,273	1,832,577	9.72%
San Antonio	2,303,264	2,514,904	9.19%
Houston Southwest	1,886,495	2,049,608	8.65%
Waco	1,189,663	1,284,676	7.99%
Dallas South	1,718,263	1,845,923	7.43%
Houston East	1,550,388	1,646,144	6.18%
El Paso	826,140	872,054	5.56%
Tyler	1,711,645	1,799,442	5.13%
Lubbock	1,608,929	1,645,781	2.29%

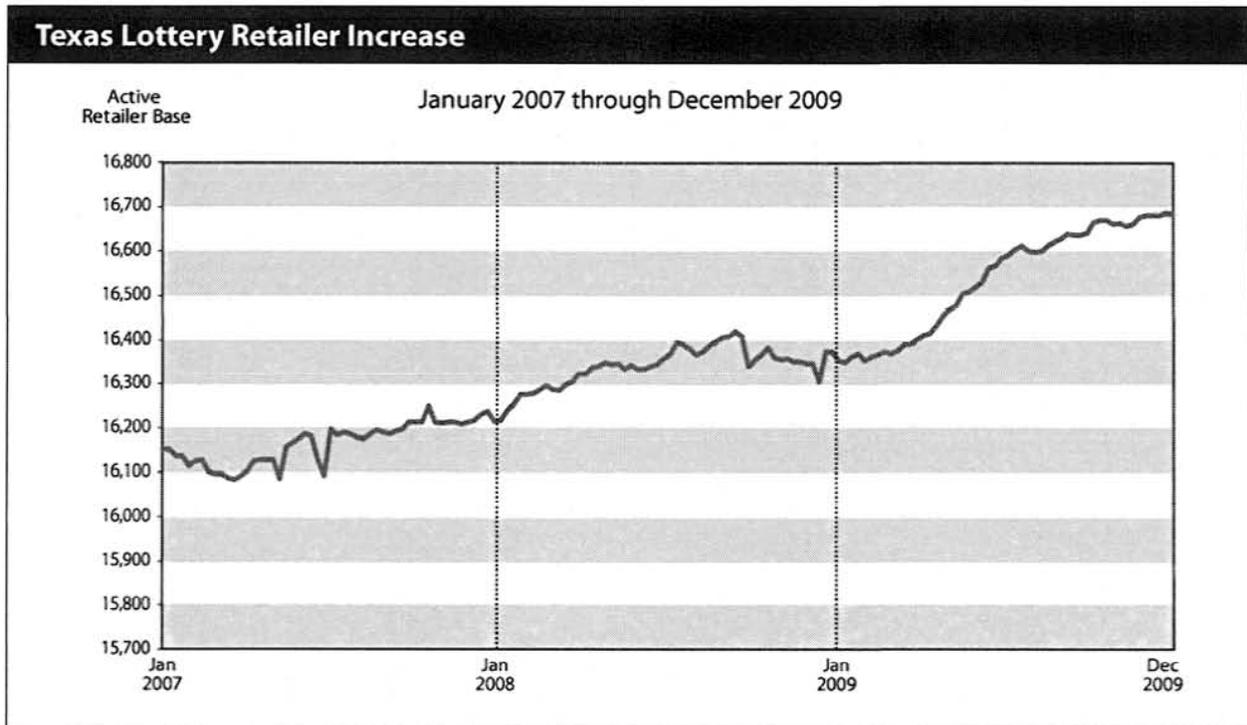
For more information on our strategic district plans, please refer to Section 8.4, Lottery Sales Representatives. For more information on the strategy and methodology of the predictive sales-analysis process, please refer to Section 8.8, Research and Lottery Product Development.

**Growing the TLC’s Retailer Base**

Even with an average of 700 retailers leaving the network each year, GTECH is able to recruit not only for backfilling for those that leave but also for sustained net growth of the retailer base.

This growth demonstrates the success of recruitment initiatives that have already begun, such as sales force incentives for retailer recruitment and having dedicated recruiters. Continuing these types of efforts will provide the Lottery with an increasingly robust retailer network to help drive sales.

**Figure 8.2 – 9:**



**Proven Recruitment Abilities:** GTECH's recruitment efforts have steadily increased the TLC retail base over the last three years.

#### *New Independent Retailers*

Approximately 60 percent of the Texas Lottery's retailer network is composed of independent retailers, mostly in the convenience store trade style. Continuing to expand presence in this retailer group, the heart of the Lottery's retailer base, is another key growth strategy.

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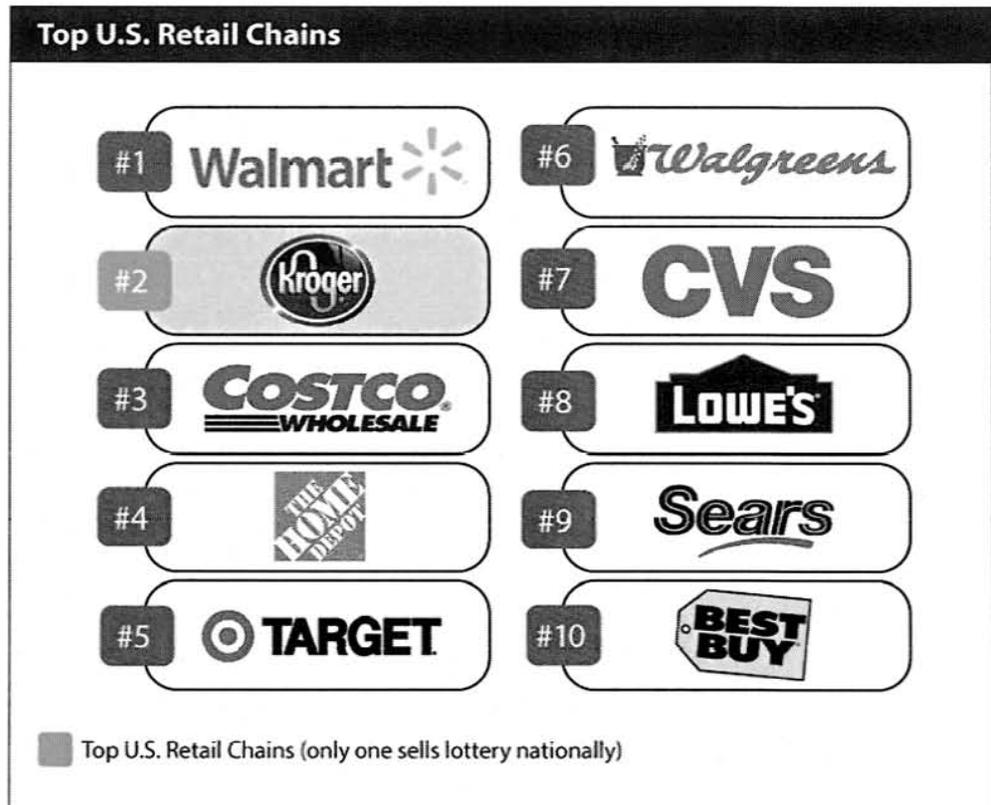
We are currently working on establishing relationships with these 10 retailers and will continue to target sound independent retailer prospects to provide the strongest growth possible for the Texas Lottery. Additionally, dedicated sales representatives will provide rapid recruitment and optimal support levels for independent retailers to ensure successful expansion.

### *National Corporate Accounts*

Currently, traditional corporate lottery retail channels such as grocery and convenience stores account for the majority of Lottery sales. However, these channels are losing a share of household spending, while the drug, dollar, warehouse, and supercenter channels are showing significant growth. While independent stores make up the core of the Texas Lottery's retail network, recruiting new, national corporate accounts is becoming increasingly important as consumers shift their buying habits from independent stores to big-box corporate chains such as Walmart and discount stores such as Family Dollar.

Lotteries currently sell in only one of the top-10 national retailers, Kroger supermarkets, on a large-scale level. While there are small pockets of sales at CVS, Sears, and, potentially, Walgreens in Texas, penetration is low relative to the potential of selling throughout entire chains. The following figure lists the top 10 retailers based on sales volume. These sales are driven by foot traffic and visit frequency, which is why the list of target retail chains for recruitment looks similar across almost all U.S. lottery jurisdictions.

**Figure 8.2 – 11:**



**Selling Lottery on a National Level:** Our Retail Development group will work to recruit these retailers for the TLC.

GTECH's Retail Development group has experience recruiting corporate account retailers at the state, regional, and national levels. We are actively recruiting major U.S. retail chains that do not currently sell lottery products, by dealing directly with the target companies and through trade and retail supplier-base organizations.

Our corporate account team's objectives are to:

- Develop strategic relationships with leading national chains and drive lottery pilot testing in their stores through business models that suit their operations.
- Offer in-store solutions that show them that selling lottery is an easy and winning proposition.
- Increase same-store sales by capturing incremental sales in high-potential retailers.

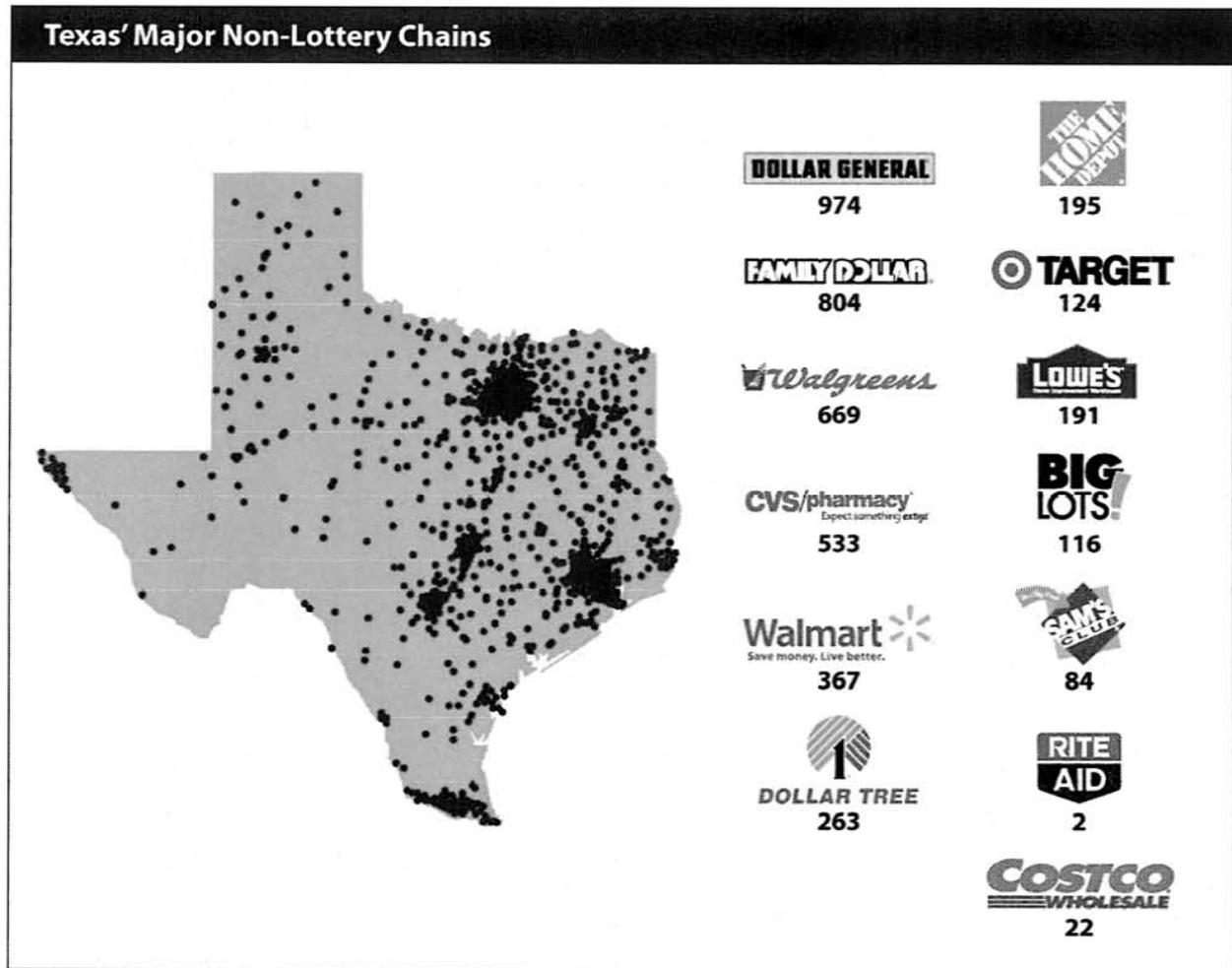
With our large U.S. footprint, suite of flexible retail solutions, and numerous store service models, we are best equipped to support the Texas Lottery in engaging key, corporate, and chain accounts. We are actively working with numerous lottery customers to implement pilots in their jurisdictions' top national drug, variety, and discount retailers such as Walgreens, CVS, and Family Dollar. Specifically, we meet with corporate decision makers to tell them about the benefits that selling lottery can bring – how lottery products are popular and accepted consumer purchases that can provide substantial contributions to company profit margins. We also have retail trade association commitment in support of our dialogues with major chains that do not currently sell lottery products. And acceptance at corporate and national levels paves the way for retail recruitment at state levels.

#### **A Recent Win in Texas**

In March 2010, after more than 24 months of negotiations, Walgreens agreed to conduct a pilot to sell Lottery products through self-service devices in 30 Texas locations following proper TLC application filing. This is the first time Walgreens will offer lottery products – and that first time will be in Texas!

This win was accomplished through the team efforts of our corporate Retail Development group and our Key, Corporate, and Chain Recruitment group in Texas. The six-month pilot is expected to go live in Summer 2010 and should generate an additional \$600,000 for the Foundation School Fund. If the pilot is successful and rolled out to appropriate Walgreens locations, we estimate Walgreens sales could generate an additional \$10 million in revenue for the State of Texas.

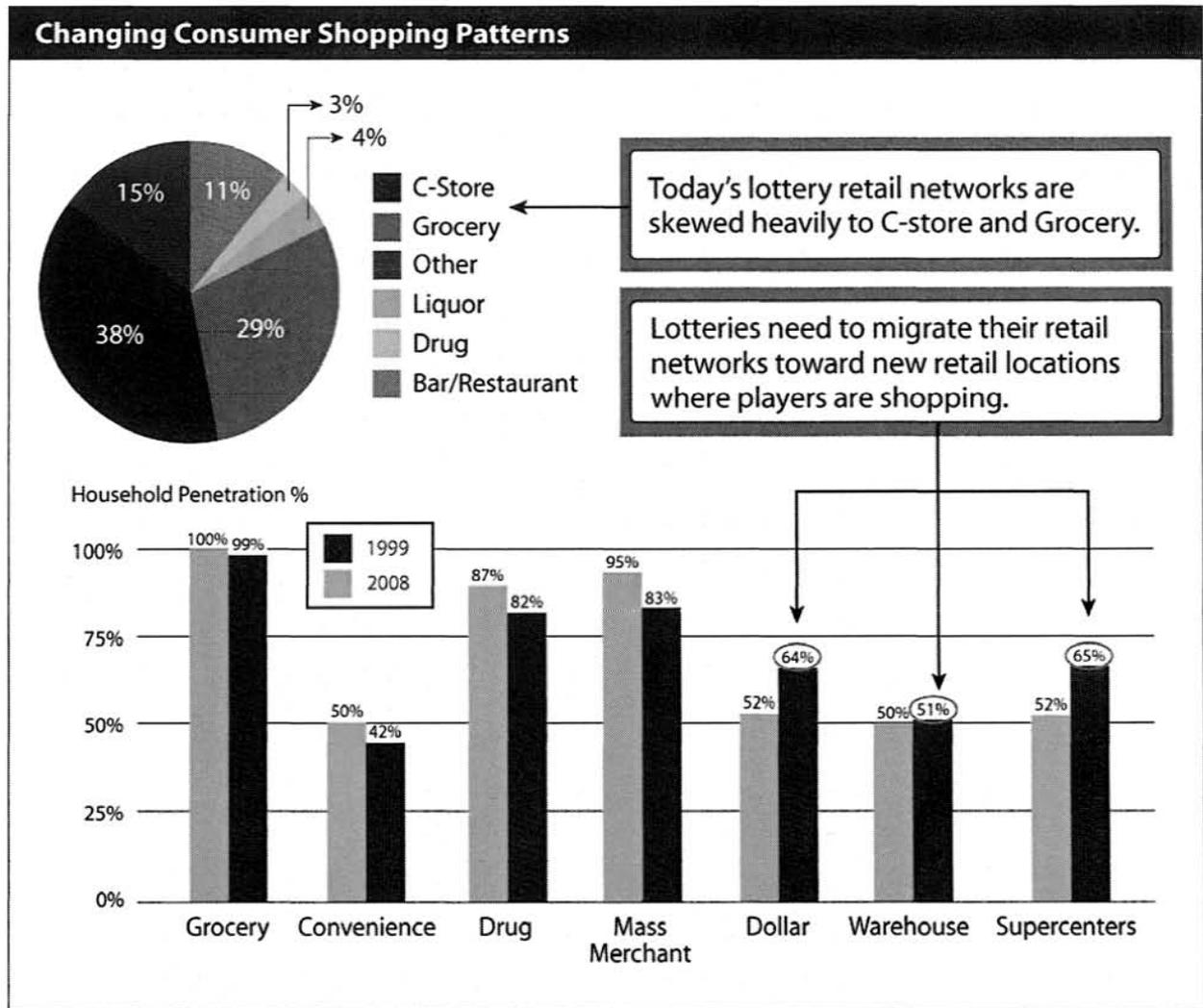
Figure 8.2 – 12:



**Optimizing Sales Opportunities:** There are thousands of viable retail chain expansion candidates in Texas, and GTECH has made significant progress toward establishing a Lottery presence in many of them.

When considering supercenter retailers, a major advantage high-volume, they have is lower prices due to large economies of scale and purchasing power. Further, due to their large square footage, supercenters can offer a diverse product mix and wide selection of brands, so consumers need not shop elsewhere. The convenience of one-stop-shopping is compelling for busy consumers, especially as lifestyles are becoming increasingly hectic in the 21<sup>st</sup> century.

Figure 8.2 – 13:



**Follow the Dollar:** A major key to future success is having lottery products sold in places where people are shopping more and more frequently.

### Case Study: Walmart

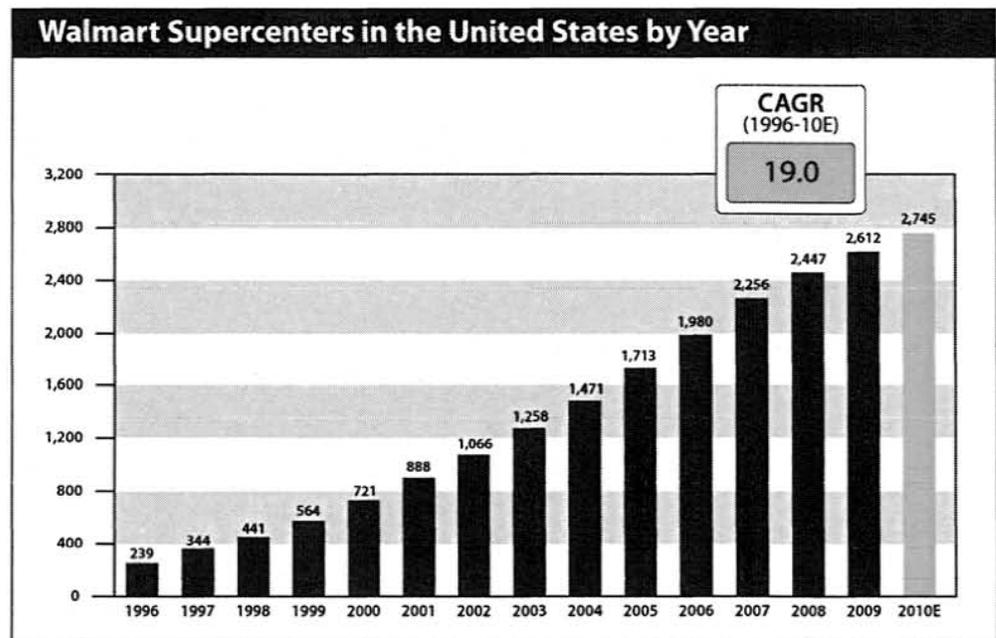
Experts believe that Walmart is able to offer grocery savings of 10 to 15 percent on average, making it difficult for traditional supermarkets to compete. In fact, Walmart has already impacted grocery store sales and/or market share adversely in several regions, as the following examples demonstrate:

- In Houston, when two Walmart supercenters and a rival regional grocery store opened near a Kroger Co. supermarket, Kroger's sales dropped by 10 percent.
- In Detroit, Walmart has quadrupled its share of the metropolitan area's grocery market, capturing 11.8 percent in October 2008, up from 2.6 percent in July 2007.
- In Virginia, family-owned Ukrop's Supermarkets' share dropped from 24 percent in 2001 to 17.5 percent in 2009; their chairman attributes this drop to Walmart expansion in the area.

As the chart in the following figure demonstrates, the number of Walmart supercenters has increased almost fivefold in the last 10 years, and this trend is likely to continue:

- According to Walmart's 10-K report, the company plans to continue pursuing an expansion program for opening new locations.
- The company plans to add 125 to 140 supercenters in 2010.

**Figure 8.2 – 14:**

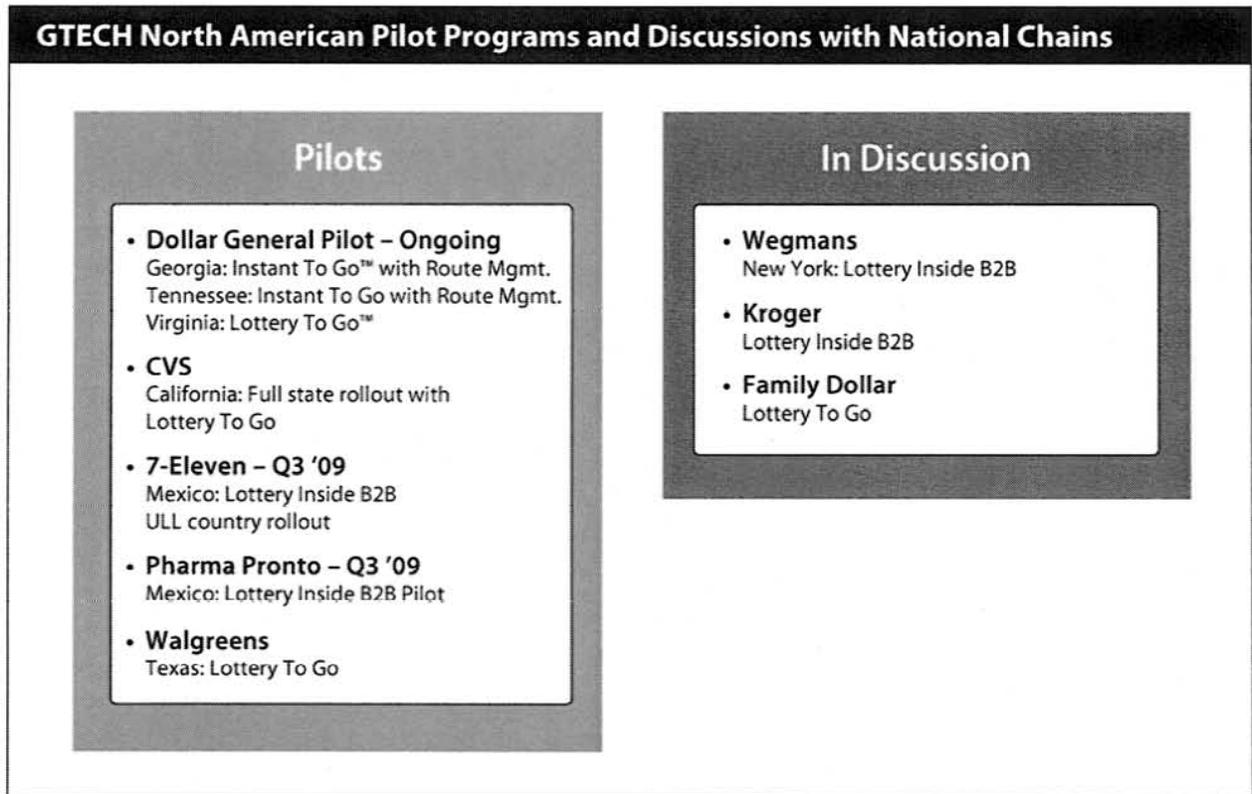


Along with our knowledge of and experience in Texas, GTECH brings national presence and industry knowledge to its work with national and Texas-based retailers. By providing capabilities in-house, we can maintain flexibility and accountability in every aspect of corporate chain recruitment and management. In fact, we have already launched successful pilot programs with several national and Texas chain accounts. Converting our five corporate retailer pilot programs into full roll-out programs in Texas will be a critical factor in increasing availability for Lottery products and reaching consumers where they shop most often.

Our corporate Retail Development group has worked tirelessly with our lottery customers to recruit national chains. Their hard work has paid off as lottery pilots with several chains are currently in the works or underway in several states. In addition, other national retailers have indicated a willingness to put lottery pilots on their calendars for 2010. With this procurement and, ultimately, with new self-service equipment, the TLC will be perfectly positioned to capitalize on expansion efforts into these new retail outlets. As stated previously, GTECH has made significant in-roads with Dollar General, Family Dollar, CVS, and Walgreens. A successful national rollout with these four retailers would provide the Lottery with the opportunity to add almost 3,000 retailers to its network.

Over the last year, we've worked with the Texas Lottery and other progressive U.S. lotteries to develop pilot programs for several of the top 10 U.S. retail chains. These pilot programs aim to improve retailers' perceptions of the lottery and lay the groundwork for future expansion.

**Figure 8.2 – 15:**



**Ready for Takeoff:** With pilots currently underway in several chain store locations, and even more planned, retailer expansion opportunities are just around the corner.

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There is a clear opportunity for the Texas Lottery to diversify its distribution network and benefit from current trends. To minimize the negative impact of big-box retailer growth, the Texas Lottery can capitalize on new consumer shopping patterns by including more chains and corporate accounts in its retailer network. Big-box retailers don't buy the traditional lottery model. However, many of our new technologies and recent developments in Texas, such as \_\_\_\_\_), Single Ticket Accounting, and our route sales model, are the types of solutions that cater directly to the needs of big-box retailers.

These solutions make selling lottery much easier for big-box retailers. And since we recognize the obstacles and have developed solutions to overcome them, retailers are typically more receptive to selling lottery with our solutions. We would be privileged to continue to work for you toward recruiting these retailers.

### *Corporate Chain Expansion in Texas*

GTECH will collaborate with you to develop a process for evaluating and selling to each account. This includes identifying strategic initiatives, corporate objectives, unique "hot buttons," and resistance issues related to lottery product sales. We will include information regarding lottery products that retailers indicate would work best in their operating environments. Thus, you will be able to have effective and engaging conversations to address retailers' operational needs and concerns, both now and in the future. As your sales team crafts focused messages that resonate with prospects, we will support them in that task and blend all the elements into customized presentations for each target account.

With a dedicated corporate team coordinating its work with the Austin GTECH division and the Texas Lottery, we offer tremendous resources for optimizing chain recruiting efforts in Texas.

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We've leveraged all of our capabilities to expand into several high-profile chain accounts within Texas, including United Supermarkets.

#### **Case Study: United Supermarkets**

In the case of United Supermarkets, persistence has paid off. After 12 years of ongoing recruiting efforts and discussions with this chain, GTECH's skilled recruitment team partnered with United Supermarkets in March 2009 to run pilots using GamePoint On-Line and Instant Ticket vending machines in four locations.

After GamePoint was installed in the first pilot store, United was so pleased with the ease of implementation and the results that they requested GamePoint deployments in all of its stores in Texas. Within three months, GTECH had rolled out GamePoints to all 53 locations and conducted 20 training sessions in six cities.

The United launch demonstrates the tenacity of our sales force and our ability to build relationships with retailers who are hesitant about lottery. By leveraging all of our capabilities, ranging from our dedicated sales force to our advanced LVMs and creative marketing solutions, the lottery will succeed in recruiting many additional target retailers. Many of these retailers may be hesitant to sell lottery today, but that doesn't mean this reluctance can't be overcome by building trust and working with them to find solutions that meet their individual needs and alleviate their concerns.

#### **Other Corporate Recruitment Strategies**

Another way GTECH has worked to expand the lottery retailer base is by working with the country's leading POS system suppliers, such as Pinnacle, IBM, NCR, and Dresser Wayne, to make selling lottery tickets on their systems possible in existing and new retail locations.

In New York, we are running our Lottery Inside solution, which enables lottery sales via the stores' existing registers on a Pinnacle POS system, in Stewarts Shops, the New York Lottery's top retail chain with full deployment by July 2010. We are also having discussions with IBM about adding Lottery Inside onto existing IBM ACE store systems, which are widely deployed in the U.S. The benefit here is that these store systems will be "lottery-enabled," making it much easier to activate the Lottery Inside application when the time comes.

GTECH also maintains a strong history with major retail trade associations to keep in front of retail technology trends. GTECH's corporate Retail Development and Product Marketing groups participate in trade shows and events sponsored by major trade associations in numerous retail channels. These include:

- **Convenience Stores:** GTECH is a NACS supplier member and participates in the annual NACS Show and NACSTech.
- **Grocery/Supermarket:** We regularly attend the Food Marketing Institute (FMI) Annual Conference and MarkeTechnics Trade Show.
- **Mass Merchant/Discount:** We regularly visit the annual National Retail Federation (NRF) Trade Show and Conference.
- **Self-Service Industry:** GTECH is a KioskCom Professional Society charter member, and we regularly attend the annual KioskCom Conference.
- **Standards Groups:** GTECH is a PCATS supplier member and a NASPL Standards Committee and Retail Expansion subcommittee member.

Our years of participating in these industry associations have provided us with abundant customer feedback, which we use to guide development of retail-friendly lottery solutions and recruit new national chain retailers.

### ***Service Versatility***

GTECH's merchandising services support pilot programs with manned kiosks, route management, and store merchandising.

**Figure 8.2 – 17:  
In-House Capabilities to Meet Pilot Chain Needs**

Chain Need	GTECH Solution
Flexible retail solutions	Provide equipment that suits each client’s store format, operational needs, and space constraints
More in-store support services	Remove as much clerk labor as possible by performing: <ul style="list-style-type: none"> <li>• LVM loading</li> <li>• Stock outage monitoring</li> <li>• Cash reconciliation</li> </ul>
Flexible business models	<ul style="list-style-type: none"> <li>• Lease space in lieu of retailer commissions</li> <li>• Adjust chain-licensing terms</li> <li>• Reduce retailer commissions in return for increased retail support and category-management services</li> </ul>

*Expansion into New Trade Styles*

Nontraditional trade styles, such as gift and souvenir stores, car washes, dry cleaners, meat markets, and video rental stores, offer the Lottery additional opportunities for expansion. Expanding Lottery within both traditional and nontraditional trade styles will establish a ubiquitous presence across the State, reach more players, and generate more revenue.

**Figure 8.2 – 18:  
 Current Texas Lottery Retailer Base in Nontraditional Trade Styles**

<b>Retailer Trade Style</b>	<b>Number of Retailers</b>	<b>Percent of Nontraditional Retailer Base</b>
Other Activities Related to Credit Intermediation	90	19.8%
Tobacco Stores	60	13.2%
All Other General Merchandise Stores	45	9.9%
Other Gasoline Stations	41	9.0%
Full-Service Restaurants	28	6.1%
Gift, Novelty, and Souvenir Stores	21	4.6%
Warehouse Clubs and Supercenters	16	3.5%
Pharmacies and Drug Stores	12	2.6%
Video Tape and Disk Rental	10	2.2%
Discount Department Stores	9	2.0%
General Automotive Repair	8	1.8%
News Dealers and Newsstands	7	1.5%
Used Merchandise Stores	5	1.1%
All Other Miscellaneous Store Retailers (except Tobacco Stores)	5	1.1%
Other Business Service Centers (including Copy Shops)	5	1.1%
Jewelry Stores	4	0.9%
Other	89	19.6%

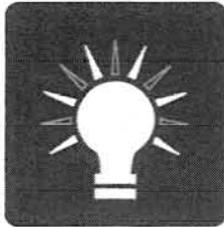
To optimize the expansion of the retailer base within nontraditional trade styles, we will recruit high-sales-potential retailers in high-foot-traffic locations. For example, GTECH has been building a relationship with Greyhound, a Texas-based corporation, in a key expansion initiative to invest in nontraditional trade styles with self-service Instant and On-Line Game LVMs. By utilizing its proprietary predictive sales model, GTECH validated the hypothesis that Greyhound's high-foot-traffic locations will generate significant sales. Moreover, GTECH supports Greyhound as a full-service Lottery retailer, assisting in all marketing and technical-support aspects to maximize sales and player enthusiasm. Upon full implementation of the plan, the model indicates that offering Lottery at Greyhound will generate an incremental \$450,000 in annual returns to the state.

Major airports are other types of high-foot-traffic locations in which the Lottery can continue to expand its presence. With LVMs and a cashing kiosk deployed at George Bush Intercontinental Airport, we are currently working with other Texas airports (such as Intercontinental and Dallas-Fort Worth International Airport) to expand TLC exposure and availability there. These solutions are best implemented before security checkpoints to maximize exposure and availability to both travelers and nontravelers.

#### **Another Texas Win**

Barri is a large wire-transaction-remittance corporation that has a business partnership with the 1,115 La Michoacana grocery stores in Texas to operate check-cashing/wire-transaction kiosks inside their stores. The majority are located in Houston and Dallas. Barri also operates more than 90 standalone locations.

GTECH is in the process of initiating a three-month pilot with four Barri locations (two in La Michoacana stores and two standalone locations) to allow Barri to see if the Standard Operating Procedures (SOPs) we developed will meet their needs. The pilot will also determine if using ITVMs to sell lottery will eliminate the majority of its concerns (labor, lines, and losses) and create a solid new revenue stream. Barri also wants to determine whether or not selling lottery via a traditional, self-service business model with an ITVM, can be managed by its existing kiosk personnel with minimal time commitment, and validate that lottery has value in driving incremental kiosk visits.



Another new trade style we have started to actively recruit within, in collaboration with the Texas Lottery, is dry cleaners. After performing a predictive sales analysis that considered factors such as potential sales, customer propensity to use self-service, and customer propensity to play jackpot games, we identified nearly 2,200 dry cleaners that are good lottery prospects and worked with the TLC to reach out to them. Collaboration in terms of initially reaching out to the potential retailers was followed by our LSRs calling on them for further recruitment.

Our sales force's previous experience working with a variety of trade styles provides a solid foundation for providing new business models. We can provide the following to serve each trade style's needs and ensure a productive relationship with the Texas Lottery:

- Customized sales plans.
- Diverse product portfolios.
- Research-driven marketing programs.
- Cutting-edge equipment.
- Targeted sales routes.

### Recruitment Execution

Recruiting new TLC retailers will continue to be a major driving force in terms of the strategy and performance of every member of the sales force. Knowing the varied nature of the retailer base and individual sales potential, recruiters and sales team personnel will continue to guide retailers through the development process. This will include assisting them with the application and licensing process.

Our sales team surveys the needs and potential of each new prospect. We then create customized, service-level strategies focused on sales, marketing, compliance, and training needs of each new recruit. As each new retailer is brought into the Texas Lottery's retailer network, it's our job to make sure the "five Ps of marketing" – product, price, place, promotion, and people – and our in-store mission (explained in detail in Section 8.4, Lottery Sales Representatives) are properly executed.

### *Recruiting Visits*

After a potential new retailer is identified and the proper analytic groundwork and planning are complete, the next step is the recruiting visit. During the recruiting visit, our sales team member:

- Discusses predictive sales modeling results and sales analysis with the prospective retailer along with comparable retailer sales data for the area – (accessing all reports and analysis all via
- Describes the advantages of becoming a licensed Texas Lottery retailer, including gaining customers who are existing players, realizing incremental product purchases, and contributing to the Foundation School Fund.
- Explains the application and licensing processes and what GTECH will do to support and grow the retailer's sales.
- Works to gain a commitment from the retailer to sell Texas Lottery products.

After the initial meeting and completion of the application, the recruiting sales team member sends a thank you letter to the retailer for taking the time to learn about enhancing his or her business by becoming a licensed Texas Lottery retailer.

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Our support of the TLC includes strict adherence to its extensive and highly detailed business processes. To enhance the service we provide, we have reviewed these processes and identified areas where our proposed solutions can increase efficiencies and add functionality in the coming contract. The insert on the following page, entitled **Recruitment Process**, illustrates how our solution will enhance your recruitment capability.

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As the sales organization executes these recruiting initiatives, GTECH managers and the Texas Lottery will have real-time access to all related data through \_\_\_\_\_ screens. For more information, please refer to Section 7.5, Retail Management. In addition, \_\_\_\_\_ full capabilities are detailed in Section 8.4.1, Retailer Visit.

## Equipment and Solutions

Equipment plays a key role in retailer success. Presenting potential retailers with a diverse array of equipment and selling options increases the likelihood of successful recruitment. GTECH offers the broadest range of products and services (retailer terminals, self-service machines, Instant Ticket inventory solutions, in-lane solutions, POS merchandising equipment, ticket checkers, playstations, Instant Ticket bins, Single Ticket Accounting, etc.) to facilitate selling lottery products within diverse trade style environments. We develop these solutions using retailer input.

On a corporate level, we have worked with many U.S. lotteries to improve retailers' perceptions regarding lottery and its operational impact. We offer well-designed products, and we listen carefully to retailers to prepare for the next opportunity. For example, determining appropriate equipment allocation, such as numbers and types of items, as well as which locations can optimize LVM placement, results in successful implementations.

## Marketing and Sales Action Programs

Another area in which we customize our recruitment-execution efforts is the presentation of marketing and sales programs. Each potential retailer is unique, and presenting them with the appropriate, customized marketing program helps ensure success. LSRs will be able to access in-depth Lottery play propensity data, information on consumer purchase behaviors, and the framework needed to build specific marketing and sales programs for each potential retailer through \_\_\_\_\_. For additional information on our marketing strategies, please refer to Section 8.3, Marketing.

## Product Portfolio

The ability to align not only game price points but also specific game themes (e.g., sports-related \$2 Instants) is integral to the recruitment process. Having the optimum product portfolio ensures that future players will have access to the games they want to play and retailers will see a good return on their inventory investment and decision to become a Texas Lottery retailer. This will ultimately translate into greater returns to the State.

## Optimizing Current Retailers' Performance

Our second initiative to support and grow Texas Lottery sales and increase revenues for the Foundation School Fund is optimizing the sales performance of your current retailers. To properly take advantage of the opportunity that exists within your current retail base, we take the following three steps:

1. Identify current retailer growth opportunities.
2. Execute retailer growth opportunities.
3. Represent the Texas Lottery brand properly.

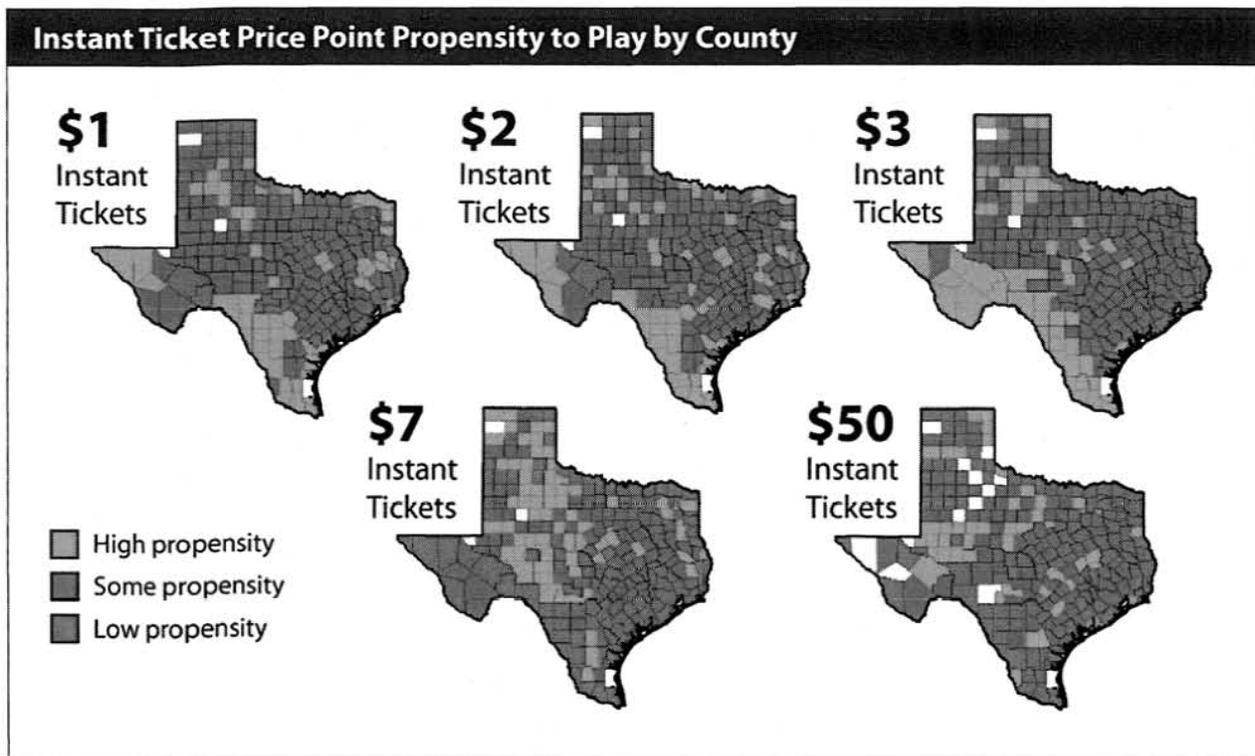
## Identifying Current Retailer Growth Opportunities

To completely understand the opportunities that exist within your current retailer network, we will perform a full retail network analysis. This study, similar to our detailed recruitment study, will be conducted by Claritas Analytical Consulting and our marketing analytics team. The result will be a complete and accurate understanding of where growth prospects exist and to which products those opportunities relate.

This information will provide our sales organization a plan for in-store execution (explained in detail in Section 8.4.1, Retailer Visit). Each retailer will have a customized execution plan that's accessible via [REDACTED]. The view from [REDACTED] will be customized for each sales team member, so that only information relative to his or her particular responsibilities is accessible. Our sales organization will also be able to access consumer purchase behaviors to build targeted product portfolios for each retailer based on consumer trends.

Information Redacted  
§552.101/466.022/552.139

Figure 8.2 – 20:



**Opportunity Abounds:** Knowing where growth potential exists, in this case by analyzing district sales by Instant Ticket price point, enables our sales organization to execute viable marketing initiatives.

### Executing Retailer Growth Opportunities

Using the data generated from the opportunity identification process, our teams will focus on optimizing current retailer sales. To do this, they'll help retailers identify the correct promotions, equipment, merchandising strategies, marketing strategies, product mix, and training for their specific retailer environment. Our sales organization will concentrate on:

- In-store execution.
- Corporate/key account team development.
- Proper direction of the newly created Sales, Merchandising, and Business Development team.

We are responsible for receiving, administering, and submitting marketing content from key, corporate and chain retailers, including, but not limited to, key, corporate and chain accounts. We also notify the Texas Lottery of any new content submitted by key, corporate and chain retailers for the Texas Lottery's approval. Upon receiving the Texas Lottery's approval, we send the approved content to the content management system for distribution to designated retailer sales terminals at key, corporate and chain retailer locations.

**Confidentiality Claimed  
Not released**

*"GTECH has worked diligently to find ways to increase our lottery sales, present valuable data for research and review, provide up-to-date communication with our staff, and deliver stellar customer service, all while maintaining a close relationship with our convenience stores. GTECH not only provides me with monthly and quarterly information regarding our stores but also provides me with custom reports upon request.*

*"When doing business with GTECH, I know they have my best interests at heart and will go out of their way to meet the demands of our company. Felipe (their LSR) has been very involved in the category and is available any day, or night, of the week when contacted. It's my pleasure to work with GTECH and Felipe."*

– Jill Johnson, Category Manager for Stripes corporate office.

### Corporate Account Strategy

Corporate accounts comprise more than 38 percent of the TLC’s annual sales, and nearly 39 percent of Lottery retailers. Because they represent such a large share of TLC’s revenue and retailer base, proper management of corporate accounts is crucial to optimizing overall Lottery sales. We will assign corporate accounts on of four classifications. Each account has different needs; by classifying accounts this way, and by using our retail optimization analysis to identify where potential exists to sell more, we will give each account and each retail location the service it requires.

With a focused and dedicated team supporting corporate and chain accounts, we will provide consistent sales reporting, specialized promotional planning, and overall guidance in driving the lottery category within the stores in each category. We will also continue to work with the TLC to develop the criteria we use to assign account types (e.g., Key, Corporate, and Chain) and make sure the Lottery always approves of the criteria being used. The following figure shows the designations we assign corporate accounts.

**Figure 8.2 – 21:  
Corporate Account Designations**

Account Type	Description
Chains Attended to by District Sales Manager (DSM)	More than one selling location; weekly sales average of \$35,000 or less
Key Account Representative- Assigned Chain Accounts	More than one selling location; weekly sales average of \$35,000–\$50,000
Corporate Account	More than one selling location; minimum weekly sales average of \$50,000
Key Accounts	More than one selling location; minimum weekly sales average of \$100,000

As part of our corporate account sales strategy and execution plan, we will work with the TLC to:

- Provide recommendations for minimum sales levels or performance for key, corporate and chain retailers.
- Develop a program to administer the minimum sales requirements or performance levels for key, corporate and chain retailers.
- Propose an improvement plan to deal with key, corporate and chain retailers that do not meet minimum sales or performance levels.
- Implement the improvement plan if requested by the Texas Lottery.

To deliver this tailored, highly focused service, we will provide a dedicated support system with our Corporate Accounts team. This team will work in tandem with the GTECH leadership, DSMs, LSRs, and the TLC to increase sales of Texas Lottery products and returns to the Foundation School Fund. Specifically, the Corporate Accounts team will be composed of individuals experienced in servicing and supporting large-scale organizations in executing results-driven sales strategies and addressing operational efficiency opportunities within each account.

**Figure 8.2 – 22:  
Key Account Representative Assignment Overview**

Key Account Representative	Number of Accounts	Total Locations	Major Key Accounts	Approximate Weekly Sales
Barron	20	1,748	Valero, H-E-B	\$8.8 million
Easley	12	1,571	7-Eleven, Kroger	\$6.8 million
Hudman	32	1,071	Allsup's, Southwest Convenience	\$5.7 million
Rose	28	1,146	Stripes, Landmark Industries	\$6.7 million

We will also provide the TLC, on a monthly basis, with the job duties and number of personnel assigned to the Key, Corporate, and Chain accounts along with all account assignments. Our key account representatives will leverage the relationships built with their corporate account contacts to minimize operational gaps, gain POS/marketing tool placement data, and construct cutting-edge promotions to drive Lottery sales.

*"Since 2005, GTECH has worked in concert with H-E-B to train the Business Center teams on how to sell the On-Line Games and cohesively worked together to create efficient, streamlined service and accounting SOPs. H-E-B and GTECH also worked together to launch the first of its kind ePOS pilot and devise the first-ever Texas Lottery co-op promotion. We subsequently planned and executed a second co-op in 2009. The results yielded a minimum 49 percent increase in On-Line Game sales.*

*"In 2005, H-E-B had total Lottery sales of over \$32 million and grew to over \$69 million by the end of 2009. H-E-B paid out over \$54 million in winnings to Lottery players.*

*"These numbers were driven through H-E-B's fine store partners, administrative partners, and the GTECH Corporation. Most notably within GTECH have been the efforts of Linda Sanderson. Her strong-arm tactics and leadership have helped pave the relationship and results for H-E-B. Her service and drive have been influential in our success. We look forward to working with GTECH as we source new and innovative ways of building the business, and strategizing successful outcomes that exceed our current accomplishments."*

– Chad Van Cleave, Business Development Manager, H-E-B Services Co.

As a team, GTECH Corporate Accounts is committed to providing the highest level of service to the TLC and its retailer accounts and a superior level of consultancy to help grow Lottery revenues and returns to the State of Texas. The goals and initiatives of the Texas Lottery and its retailers will be accomplished through the building of solid retailer relationships, consistent communications, and sharing of sales data and trends. With strategic planning, the strong relationships built within key accounts can impact incremental sales of Texas Lottery products due to the sheer volume of retail locations involved.

*"I have managed the Texas Lottery product line as part of my marketing responsibilities for over three years, and it's been my good fortune to work with Mandy and the other members of the GTECH team to grow our businesses together during that time. She and her team and predecessors have always been responsive to our needs, whether due to store expansions, reporting needs, or promoting the business together. GTECH has been instrumental in developing and implementing promotions at the local store level as well as unique system-wide initiatives that have proven to be extremely successful in creating excitement and value for our customers."*

– Pat Fitzpatrick, Sr. Category Manager, Valero Retail Holdings, Inc.

Corporate account representatives work with their assigned accounts to develop innovative methods to:

- Engage their customers in understanding the available points of purchase within their retail locations.
- Educate customers on how to play Texas Lottery games, whether clerk-assisted or via self-service equipment.
- Create value offerings for their customers.

Corporate account representatives are responsible for planning and executing yearly promotional calendars and sales goals for each of their assigned corporate and key accounts. In addition to these annual calendars and goals, major account managers are responsible for devising three-year sales goals and strategies for each of their assigned corporate and key accounts. These will be formulated based on comparative account standings, unrealized promotional opportunities, and historical sales increases. These long-term plans and data will be shared with the corporate account contacts at annual business reviews, and sales updates will be communicated on a monthly and quarterly basis.

Support from the Corporate Accounts team will begin at recruitment of a potential corporate/key account and continue all the way through the account's emergence as a top Texas Lottery retailer in its trade style, region, and/or the State. As the retailers mature in their Lottery procedural and selling experience, our team members will provide continuing strategy guidance. They will support this guidance with regular sales data reporting and POS suite arrangements.

POS materials are sometimes the main communication with customers at retail locations. They can be a powerful tool when utilized effectively. POS is particularly important when announcing major additions to the Texas Lottery's games and/or services. Corporate account representatives must consistently provide available POS components to the accounts along with insight as to their placement. This can prove difficult, as, in many corporate accounts, space is a sellable commodity that has to be leveraged through relationships and demonstration of the potential Return On Investment (ROI) to the account.

A demonstration of how the Corporate Accounts team drives the successful fulfillment of a key TLC initiative can be seen in the tremendous work they did for the launch of *Powerball*® POS. In addition to properly distributing POS throughout the State, our Corporate Accounts team was able to leverage its relationships, and the trust that had been built upon those relationships, to show many corporate accounts how *Powerball* POS would be beneficial to business. *Powerball* POS pieces were distributed to corporate accounts that had previously not allowed Texas Lottery advertising placement and/or charged for the space, including:

- **Southwest Convenience:** 570 static clings, one applied to every door at each store location. (Many stores have double doors.)
- **Quik Trip:** Static clings and wobblers/shelf talkers at 77 locations.
- **Kroger:** 201 change mats, for all locations.
- **EZ Mart:** 106 change mats, for all locations.
- **Brookshire Brothers:** Change mats and pump toppers for 43 tobacco barns.

Our Corporate Accounts team starts working to develop trust and relationships with the accounts at initial licensing. As part of this effort, corporate account representatives assist in outlining a specific and detailed launch plan that includes developing accounting/operations SOPs and marketing calendars with major milestones focused on introducing the sales of Texas Lottery products to the account's customer base.

An example of a thorough launch plan is the ALCO Route Management plan enacted in February 2010 and shown in the following figure. As you will see, the plan comprises POS deployments, including ePOS screen installations at each of the five ALCO locations, clerk T-shirts, and branded banners. In addition, the GTECH team executed four weeks' worth of educational selling events to engage customers and drive sales at this new venue for Texas Lottery products.

**Confidentiality Claimed  
Not released**

**Educational Selling Events Drive Sales**

John Hites, ALCO Store Manager at the Yoakum location, reported, "With the GTECH educational selling events, I've seen sales increase dramatically!" He continued, "I've seen my customers becoming more and more comfortable with the machine and will be using it more and more."

## *Promotions*

Once a corporate account has begun to establish solid, consistent sales, our Corporate/Chain Account Manager will build a comprehensive promotional event calendar in partnership with the account, the Texas Lottery, and the GTECH marketing team to capture new players and promote return purchases by existing players. Sustained player returns will be secured with a diverse variety of unique, value-added promotions. These will include traditional Texas Lottery promotion offerings such as Ask for the Sale, Spin/Customer Appreciation Day (CAD) events, and second chance drawings. But it's also crucial to expand the implementation of newly developed promotion types to include internal account-sponsored/funded promotions as well as co-op promotions for which the Texas Lottery sponsors portions of the player incentives.

### **Internal Account-Sponsored Promotions**

Internal account-sponsored promotions are designed by corporate account leadership with direction and support from GTECH and guidance and legal verbiage approval from the Texas Lottery. Once the promotional premise is devised, the account creates and produces the POS to advertise the player promotion and funds the customer incentive component.

One such promotion was Cefco's "Millionaire Mondays." This eight-week promotion was conceived and executed by Rick Rettig, Cefco Marketing Manager, and launched in all 80 Cefco Texas locations in January 2010. Cefco funded the promotion and partnered with one of its retail vendors and the Texas Lottery/GTECH to finalize the details, POS, and featured products. Cefco customers were rewarded with a free \$1 *Mega Millions*<sup>®</sup> ticket when they purchased a coffee and a pastry. One highly notable component was the innovative, eye-catching POS, which consisted of pump toppers, window banners, and change mats.

The results of this new, one-of-a kind promotion were incredible: the total sales increase for *Mega Millions* over the span of the promotion was more than 26 percent!

**Figure 8.2 – 24:**  
**Millionaire Mondays**

**MILLIONAIRE MONDAYS**

**FREE**  
TEXAS LOTTERY  
**MEGA MILLIONS**  
POWERPLAY  
MEGAPLIER

**\$1 Lottery Ticket**

**Coffee**  
(Mrs. Baird's Sct. Donuts—Powdered Sugar, Chocolate or Cinnamon)

**Donuts**

For a limited time only, enjoy your best Monday mornings. January 4, 2010. Promotion subject to end without notice. Offer valid exclusively at Texas Lottery Corporation (TLC) Mega Millions. Purchase of one size coffee and Mrs. Baird's Sct. Donuts is required to receive a \$1.00 Texas Lottery Mega Millions \$1 Lottery Ticket. Must be 18 years of age or older to participate in this promotion. Mega Millions is subject to sales tax in TX, LA, IL, IN, OH, and PA. The Texas Lottery supports Texas education. This promotion is subject to some restrictions. This promotion.

**MILLIONAIRE MONDAYS**

**FREE**  
TEXAS LOTTERY  
**MEGA MILLIONS**  
POWERPLAY  
MEGAPLIER

**\$1 Lottery Ticket**  
When you purchase any size coffee and Mrs. Baird's Donuts  
(Mrs. Baird's Sct. Donuts—Powdered Sugar, Chocolate or Cinnamon)

For a limited time only, enjoy your best Monday mornings. January 4, 2010. Promotion subject to end without notice. Offer valid exclusively at Texas Lottery Corporation (TLC) Mega Millions. Purchase of one size coffee and Mrs. Baird's Sct. Donuts is required to receive a \$1.00 Texas Lottery Mega Millions \$1 Lottery Ticket. Must be 18 years of age or older to participate in this promotion. Mega Millions is subject to sales tax in TX, LA, IL, IN, OH, and PA. The Texas Lottery supports Texas education. This promotion is subject to some restrictions. This promotion.

**More Sales!** During the span of the Cefco Millionaire Mondays internal account-sponsored promotion, *Mega Millions* sales increased more than 26 percent!

**Exclusive TLC/Retailer Co-Op Promotion**

Another critical marketing strategy to drive sales incrementally in corporate accounts is a co-op promotion designed as a “destination-buy” for customers playing Lottery games at selected locations only. The exclusive offering usually consists of a “Buy \$X of one Texas Lottery On-Line Game, Get \$X in another Texas Lottery On-Line Game” promotion. The corporate account has to commit substantial media support and POS presence to advertise the exclusive offer to obtain TLC approval and funding of the free ticket value in the player offer.

In 2009, GTECH Corporate Accounts spearheaded a campaign to drive the planning and execution of exclusive TLC co-op promotions that resulted in six successfully executed promotions (to date). Increases in sales for these six promotions ranged from 27 to 84 percent, as shown in the following figure.

**Figure 8.2 – 25:  
TLC Exclusive Co-Op Promotion Results**

Retailer	Trade-Style	Number of Locations	Dates of Promo	% Sales Change	Free TLC Tickets Generated
H-E-B	Grocery	320	4/5–4/18/09	(+) 49% increase in total On-Line Game sales	30,351
Brookshire Brothers	Grocery	114	6/28–7/11/09	(+) 27% increase in total On-Line Game sales	4,756
H-E-B	Grocery	320	8/16–8/29/09	(+) 66% increase in total On-Line Game sales	87,368
Valero	C-Store w/Gas	628	9/1–10/5/09	(+) 84% increase in <i>Lotto Texas</i> <sup>®</sup> transactions >\$5	332,096
Brookshire Brothers	Grocery	114	10/28–11/7/09	(+) 55% increase in average weekly sales	3,043
Timewise	C-Store w/Gas	158	1/11–1/24/10	(+) 44% increase in <i>Mega Millions</i> sales	16,568

As described earlier, innovation is a key factor in designing and implementing impactful sales strategies. GTECH Corporate Accounts has taken up the cause of securing additional buy-in from the accounts for standard Ask for the Sale promotions. Whereas previously no support was asked of retailers beyond posting POS, the Corporate Accounts team now requires accounts to supply additional support via gas-pump messaging, store announcements, and/or ad placements. This not only ensures that the individual store locations/clerks participate in the promotion but also drives customers into the stores to take advantage of the opportunity to get a free ticket should they not be asked to play the Texas Lottery.

### **Making Your Promotion Known**

In its August 2009 Ask for the Sale promotion, the Timewise chain provided gas pump messaging to support the promotion. Three months later, the Tiger Tote chain conducted the same promotion without the gas pump messaging. With the messaging, Timewise had an impressive 52 percent increase in total Lottery sales during the promotion. In contrast, Tiger Tote saw a much more modest, 7 percent increase.

On top of internal- and TLC-sponsored promotions, GTECH's Corporate Accounts team will propose and plan account-sponsored employee incentives to spur additional sales at the store level for TLC initiatives such as the Retailer Cash Incentive and Clerk Voucher programs. Suggested, account-provided employee incentives, have been as simple as sharing the TLC Retailer Incentive checks with employees – as Southwest Convenience does – to more creative incentives such as the employee point rewards program Timewise runs (in addition to sharing the check with their managers and employees). Thanks to the relationships built with their accounts the corporate account representatives can influence the accounts to incentivize their employees to actively sell during promotions – and outside of promotional periods – for the most profitable outcomes.

The types and frequency of promotions and other marketing strategies will vary based on the potential of the accounts, the engagement levels/buy-in elicited by the corporate account representatives, competitive pressures, and market share. But whatever the variables, the retailers will always be supported by a complete, dedicated, targeted approach to servicing their needs.

### GTECH Team Approach

All promotional, marketing, and operational activities will be designed in collaboration with the corporate account contacts, operations leaders, TLC leadership, and the GTECH sales force members to ensure input from all parties needed to make the strategies executable and successful. The Corporate Accounts team will work closely with GTECH DSMs and LSRs to obtain suggestions for promotion types, lengths, targeted accounts, and regions. We will leverage their solidly crafted relationships at the store and field management levels to identify challenges and opportunities, influence change, and reinforce all directives introduced.

To support the key accounts, GTECH will employ the highly successful team approach, which provides blanket coverage to the account for all its needs and levels of contact. This approach ensures that a consistent message is passed from corporate headquarters to field management and ultimately the stores.

**Figure 8.2 – 26:  
Focused Corporate Account Teams**

Corporate Account				
VPs, Directors, and Product Leads	Mandy Carter Linda Sanderson	Mandy Carter Felipe Elizondo	Mandy Carter Gina Easley Charles Howard (Temp)	Mandy Carter Edward Barron Charles Howard (Temp)
Regional Managers	Edward Barron All DSMs (when needed)	Brenda Boucher Terri Rose All DSMs (when needed)	Terri Rose Chris Sweaks All DSMs (when needed)	George Sanchez All DSMs (when needed)
Store Managers and Clerks	All DSMs and LSRs	All DSMs and LSRs	All DSMs and LSRs	All DSMs and LSRs

**Blanket Coverage:** Our team approach strategy affords a better way to identify large-scale issues that could potentially be adopted across the whole chain while also identifying best practices at the store level that could be instituted chain-wide or industry-wide.

In addition to the existing GTECH District teams, the Corporate Accounts team will also work closely with people in newly created positions on the Promotions team to ensure promotional events are designed, scheduled, and completed flawlessly and according to TLC and account parameters. The Promotions team is a targeted group that will help drive all promotional and marketing events for consistency of message, performance, and results. As promotions will be their focus, they can devote their time and energy effectively for wider coverage of the statewide retailer base.

More information on our proposed Promotions team can be found in Section 8.6, Promotional Events and Retailer Promotions. With this dedicated team, the other sales force team members will be able to complete their service duties more efficiently. Plus, it will also prompt the planning of more previously unrealized marketing opportunities and additional gains in TLC initiatives such as expansion of the retailer base.

Recruiting will continue to be the focus of every member of the GTECH team, and in particular the Corporate Accounts team. We will work to ensure that every available opportunity to gain licensing at newly acquired subordinates or existing locations previously unlicensed is addressed by our account contacts. This proved particularly important when, in 2009, 76 Murphy USA locations were identified as unlicensed to sell Texas Lottery. It became our objective to highlight the opportunity to drive revenue volume with the added locations. It took a lot of assessment of store locations and assistance from the Field Service team to provide communications and space solutions. But, by the end of 2009, 74 of the possible locations were licensed and selling.

As previously discussed, to drive the Texas Lottery's retailer recruitment efforts, GTECH has created dedicated recruiting positions. As a part of the New Business Development team, the new recruiting personnel will be committed to identifying and licensing the highest-potential retailers for the Texas Lottery. These retailers will be identified through research analysis of Texas retailers, propensities of the consumer base to play lottery, and other demographic indices. Once retailers are pinpointed, recruiters will:

1. Make contact.
2. Determine decision makers.
3. Present TLC-approved brochures and documentation.
4. Discuss equipment and service variables, such as traditional Lottery sales from the counter, self-service devices, and, potentially, route sales management.
5. Work closely with TLC Retailer Services contacts and GTECH leadership to determine final service and equipment assignments.

As important as execution of all initiatives is knowing how things are done to ensure revenue optimization. The experience we've had in Texas building relationships allows us the trust and goodwill to work with these corporate accounts, help maximize their Lottery sales, and return more revenue to support Texas education. Each member of the GTECH sales force, including the Corporate Accounts team, is focused on continuing to provide superior service to the Texas Lottery, its retailers, and every one of its current and potential players.

### *Sales, Merchandising, and Business Development Group Direction*

GTECH has created a new division within its sales organization – the Sales, Merchandising, and Business Development Group. This group's organizational structure, responsibilities, development strategy, and more are detailed in Section 8.4.1, Retailer Visits. Their entire focus will be on optimizing and supporting Texas Lottery sales. They will be responsible for recruiting new retailers and capturing the opportunity identified through our analyses.

### **Representing the Texas Lottery Brand Properly**

GTECH's sales organization will also support continued sales and player base growth through multiple initiatives that will enhance the brand image of the Texas Lottery. Our identification analysis will align our sales organizations to properly execute in-store merchandising and execution, retailer and player training, in-store promotions, events planning, and targeted promotions (as described throughout Part 8, Sales and Marketing). The Texas Lottery can be confident the GTECH sales organization is protecting and enhancing its brand image while supporting the growth of sales and revenues.

## 79.4

### **How Proposer Would Provide a Route Sales Model to Support Retailer Locations**

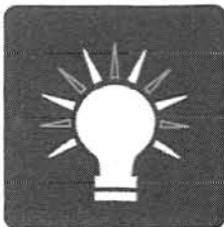
#### **Flexibility for the Future**

On a corporate level, many national chains we've spoken to have said they'd prefer to have either the lottery or a third party provide the in-store service for managing the vending machines and Instant Ticket inventory. They've often indicated they don't have the manpower or expertise necessary to manage these tasks. To assist lotteries in providing this service, our corporate retail department, working with local site teams, developed an internal route management process. In Texas, and in other jurisdictions where GTECH operates the sales force, we have the skillset and available resources to support multiple retailer service models, including route management.

**We have the skillset and available resources to support multiple retailer service models, including route management.**

To continue to optimize our offerings in Texas and strengthen our abilities in jurisdictions where we don't have the sales organization, we have worked to develop these route sales functions. Our experience with in-store route management and merchandising provides us incredible access and acceptability to test multiple route management programs throughout the country while continuing to guide the Texas team to provide your retailers with the right solutions.

#### **A Texas-Specific Solution**



Our aforementioned experience, combined with our Texas-specific expertise, positions us to service any retail chain that needs route sales management service. As stated in the 2009-2013 TLC Agency Strategic Plan, in reference to route sales, "...the ever-changing retail environment provides new opportunities for providing additional player access to lottery products." In pursuing these new opportunities and recruiting new trade styles for the Texas Lottery, it may prove necessary to expand traditional Lottery sales force assistance by making regular sales visits while the retailer maintains product inventory and accounting.

There may be instances when a nontraditional service package such as route management is a condition of becoming a licensed Texas Lottery retailer. The route management structure is set up such that GTECH will provide a sales force team member to visit the retail location based on a predetermined cycle of visits. During those visits, the GTECH associate will be responsible for managing all Instant Ticket inventory, consumables, cash reconciliation, accounting reports, and equipment maintenance.

As route management opportunities come to fruition, we are poised to create a new division within our sales organization. This team would be primarily responsible for servicing retailers that adopt a new route management model. As you are aware, Lottery vendors cannot also be a Lottery retailer of record in Texas.

The retailer application process can often be challenging and may, at times, discourage potential retailers because of certain stringent requirements, e.g., fingerprinting, background checks, etc. To minimize these concerns, we've created a Texas-specific route management solution that involves our sales team working closely with potential chain retailers to develop Service Level Agreements (SLAs) that are customized to their unique business styles and needs. For example, in the past, GTECH has committed to entering into route management agreements that creatively address individual retailer concerns, and in some cases, assume additional risk to overcome their objections to selling Lottery products.

Solutions like this one illustrate the marriage of GTECH corporate resources and the GTECH Texas site team. Our corporate team has learned a great deal about route management – i.e., what works and what doesn't – specifically as it relates to Texas. We've combined this industry best-practice expertise with our GTECH Texas sales team's local knowledge to provide a customized route management plan for the TLC.

### **The ALCO Route Sales Management Pilot**

As discussed earlier, our route management solution is already underway through a pilot program with ALCO stores in Texas. We are the first lottery vendor to undertake route management.

As of February 1, 2010, our sales force is responsible for the route management responsibilities at ALCO stores. In addition to their regular responsibilities our LSRs have for each retail location, route sales management entails greater responsibility and service to the client.

This includes:

- Exchanging the cash box in a self-service machine and replacing it with the secondary cash box.
- Reconciling money with store management.
- Validating refund slips.
- Confirming Instant Ticket orders.

During each sales visit, employee and customer questions were addressed by the GTECH sales professional.

**We are the first lottery vendor to undertake route management.**

This route sales model has benefited ALCO retailers by reducing their liability and helping them better customize their inventory. ALCO was able to grow its sales while reducing its labor. During the first four weeks of the pilot, when compared to the previous four weeks:

- On-Line Game sales were up 429 percent
- Instant Game sales were up 85 percent.
- Total sales were up 106 percent.

Our solution affords us flexibility in terms of systems and functionality. We can accommodate a route management service package expediently when the opportunity arises. This is the exact type of program that big-box or chain

account retailers seek before they even consider lottery. It's an effective tool to help us reach agreements with these types of accounts, and thus, it's a service we plan to always make available to Texas retailers who want it.

As stated earlier, GTECH has successfully negotiated a pilot program with Walgreens following proper TLC application filing. The negotiated pilot was based on the agreement GTECH made with Walgreens to provide a comprehensive route management service.

Our route management solution has an added benefit. Once it gets us in the door with these retailers, it gives us the opportunity to educate them, which in turn leads to them becoming more invested in selling lottery products. An invested retailer is almost always a better performing retailer. Thus, our goal would also be to use the route management tool to leverage the skillsets of our sales force, form relationships with retailers, and educate them about their Lottery products.

Our customized route management solution covers key, corporate and chain accounts and has been proposed to the following retail chains within Texas:

- Dollar General.
- Family Dollar.
- CVS.

GTECH has developed a proven route management service visit process that will assist in enlisting these retailers. The process has been developed through trial and error but is flexible enough to be customized to each potential retailer's needs.

**Confidentiality Claimed**  
**Not released**

## Marketing and Promotions

Our route sales model goes beyond just handling the logistical nuts and bolts tasks. Marketing and promotions are also integral to growing the sales of route management customers. Creating advertising, promoting games, and raising player awareness are all vital parts of our route sales model.

**Figure 8.2 – 28:**  
**ALCO Point-of-Sale Banner**



**Dream Big:** This banner is an example of POS we produced to use in conjunction with ALCO's route sales pilot.

For the ALCO pilot, we strategized and executed a robust marketing and promotional plan to stimulate sales growth. This plan included:

- Conducting Spin events at each of the five ALCO locations.
- Installing additional ePOS stations.
- Implementing an Easy Play Card education event.
- Producing "Dream Big" T-shirts for ALCO team members.
- Designing the large banner artwork.
- Customizing inventory to ensure sales maximization.
- Placing POS prominently both inside and outside the store.
- Creating excitement during weekly sales calls.
- Educating the players and clerks.

**Figure 8.2 – 29:  
Promotions Within our Route Sales Model**



**Create Excitement and Awareness:** Promotion and marketing execution is as important to our route sales model as the business tasks of the model.

## 79.5

### **How Proposer Would Coordinate Meetings Among the Lottery, Proposer and Retailers**

Communication is vital to ensuring first-rate alignment and execution of the 250-plus individuals representing the Texas Lottery in the field, the Lottery's almost 17,000 retailers, and the 24 million potential players. We will facilitate proper communication to engage the diverse retailer licensee base by coordinating face-to-face meetings among the Lottery, GTECH, and retailers through the following types of meetings and other contacts:

- Retailer communication:
  - Links meetings.
  - In-Field meetings.
  - Key, corporate, and chain account meetings.
  - Daily sales calls.

- Texas Lottery Communication:
  - TLC senior management strategy meetings.
  - Top-to-Top meetings
  - Biannual TLC and Sales Managers meetings.
  - Biweekly Product and Small Group Marketing meetings.
  - Weekly Recruitment and Business Development meetings.
  - Daily communication.
- Sales Organization Communication:
  - Annual State Sales meetings.
  - Quarterly Sales Managers meetings.
  - Biweekly District meetings.
  - Biweekly Business Development Team meetings.
  - Weekly Flash meeting with the sales management teams.
  - Daily DSM and LSR ad hoc meetings.

Meetings will be scheduled to ensure widespread participation by retailers across the state, and we will secure the meeting facilities. Each of these meetings is discussed in detail in the following pages.

## **Retailer Communication**

### **Links Meetings**

Our sales districts currently collaborate with the TLC to conduct a Links meeting each month in a different district. The districts are responsible for setting up the conference room and inviting retailers to attend. These meetings will allow the TLC to reach out to the retail community, share upcoming information with its retailers, and hear from retailers firsthand. We have worked with the Lottery to provide feedback and recommendations to improve the value of these meetings. Our recent recommendations include:

- Offering some scheduled Links meetings via phone or through Web sessions.
- Educating retailers with industry-specific “Did You Know” learning sessions.
- Allotting more time for open discussions.
- Starting and ending the meetings with trivia questions to win prizes (adopted with positive results).

These meetings will remain an invaluable forum for the Texas Lottery to gather members of the retailer base to discuss upcoming enhancements to products and services, provide general product information on regulatory matters, and hold frank discussions about their concerns. GTECH will continue to organize and secure retailer attendance and facilitate the meetings to ensure widespread participation across the state. We look forward to continuing to collaborate with you on these types of meetings to continue provide more avenues of communication among the TLC, GTECH, and TLC retailers.

### In-Field Meetings

We propose adopting a new meeting program called Customer-Vendor Field Trips. Lottery personnel and GTECH team members would meet at predetermined, randomly selected retail locations to confer on field activities and retailer needs. In addition, the meeting would enable the TLC to observe player and consumer behaviors.

### Key, Corporate, and Chain Account Meetings

We will hold annual reviews with each of our corporate, chain, and key accounts to help them assess the year that has passed and plan for the future. Typical topics on the agenda will include:

- Product Sales and Commission Summary.
- On-Line Product Breakout.
- Top-Producing Stores.
- Foundation School Fund Contributions.
- Account Total Product Breakout.
- Chain/Account Comparison.
- Previous Year Account Strategy Overview.
- Current /Next Account Strategy Overview.

These meeting environments vary, so our team must be flexible to respond to these large retailers' needs. We will conduct many lunch and dinner meetings to enhance our relationships and integrate the TLC's strategy with the corporate, chain, and key accounts' overall missions. We conducted more than 200 meetings of this nature in 2009 alone.

In conjunction with these meetings, we will provide a copy of all materials to be presented to key, corporate, and chain accounts to the Texas Lottery for review at least five working days prior to the annual review meeting with the account as well as provide a written report of the activities and meeting results to the Texas Lottery, within five working days of each annual review.

For key, corporate, or chain retailer-requested meetings, we will provide a copy of all materials to be presented to the retailer to the Texas Lottery for review and approval at least 24 hours prior to the scheduled meeting. We will not distribute materials to key, corporate and chain accounts if the materials are not approved by the TLC. We will also provide a written report to the Texas Lottery, outlining the activities and meeting results, within five working days of the meeting.

In addition, we will represent the Texas Lottery and assist in funding multiple corporate retailer-sponsored events, such as charity affairs, conferences, and golf tournaments.

**We will represent the Texas Lottery and assist in funding multiple corporate retailer-sponsored events.**

### Daily Sales Calls

Thorough, consistent, data-driven discussions with Texas Lottery, retailers will be critical to designing and implementing the most effective sales, marketing, and promotional strategies possible to incrementally drive returns to the state of Texas. This will continue to be true for both independent and corporate/key account retailers.

**Confidentiality Claimed  
Not released**

## Texas Lottery Communication

### TLC Senior Management Strategy Meetings

Joint Annual Strategy Planning meetings will continue to be critical for the preparation for the impending year's goals. Regular executive meetings will be a priority for first identifying any shifts in or implementation of major initiatives. The meetings will provide a venue for open and honest communications between GTECH and the Texas Lottery.

GTECH is committed to proactively distributing industry updates to the Texas Lottery so that changes in strategy can be considered and possibly implemented in an expedient manner. If the Texas Lottery is interested, we will coordinate meetings with our Corporate Support teams to provide any specific information.

### Top-to-Top Meetings

Throughout the year, GTECH will organize meetings between the TLC and corporate account decision-makers to discuss opportunities for corporate account expansion in Texas. Meetings are typically not on a regularly scheduled basis but occur at the request of the TLC or a particular corporate account. Also, if we see an opportunity or feel a meeting would be beneficial, we will also reach out to both as well.

### Biannual TLC and Sales Managers Meetings

Open communication and collaboration planning are key to synchronizing our sales efforts. The biannual TLC and Sales Managers meetings will be structured to serve as strategy planning meetings. During these meetings, GTECH will provide information on the current retail environment based on direct feedback from the sales organization and data supported by the GTECH Data Analytics group. Also, to ensure GTECH is providing the proper direction to the sales organization, it would be beneficial to review the Product Team's plans for upcoming launches and promotions.

## Biweekly Product and Small Group Marketing Meetings

The TLC Products Team and GTECH Sales and Marketing managers will meet biweekly to discuss the planning, execution, and review of current initiatives, the Instant Ticket Game Plan, and any upcoming initiatives to support On-Line products. We will also address retailer incentive strategies, discuss improvement for event promotions, provide corporate account updates, and develop the content for the monthly execution guides.

Our sales management team will work closely with the TLC's Products and Retail Development team. If the TLC desires, our sales management team will meet with, and make presentations, to the TLC's Products and Retail Development team on a weekly basis, or however often the Lottery deems necessary.

## Weekly Recruitment and Business Development Meetings

The GTECH sales management and marketing teams will also meet each week with the Retailer Services and Development group to discuss recruiting strategies, training initiatives, and equipment needs of retailers. These weekly meetings have been very beneficial to all parties involved as we work to ensure the best customer service is provided to the Texas Lottery retailers. Again, we can schedule these meetings or presentations as the TLC deems necessary.

## Daily Communication

Continuation of daily interaction with the Texas Lottery will allow for joint retooling of approaches to initiatives and objectives. Our employees will be available to the Texas Lottery anytime.

## Sales Organization Communication

Whether through the major annual sales meeting or the daily interactions we have with our sales force, our sales management team will work to teach and inform LSRs and business development employees about TLC policies and procedures, in addition to the many other areas we cover with our sales meetings and communication outlets. This effort will include making sure all sales personnel are aware of TLC security and retailer regulatory requirements, as well as any changes to these requirements.

## Annual State Sales Meetings

We will continue to hold annual State Sales meetings to set the tone for the upcoming year and beyond and educate the sales force on all advancements in technology and service levels. It is our goal to continue to include Texas Lottery leadership in our annual State Sales meetings. In this way, we will communicate the goals and initiatives of the Texas Lottery and GTECH, and the GTECH sales force gains another dimension of understanding for the upcoming year's initiatives.

The State Sales meetings will encompass all aspects of the upcoming year's goals, initiatives, and team development opportunities that line up with the stated objectives of the Texas Lottery. The annual meetings always contain continued learning/training sessions in order to further develop the sales force into efficient selling and service-driven personnel.

## Quarterly Sales Managers Meetings

Quarterly Sales Managers meetings will be an integral part of keeping the sales force informed on impending initiatives. They will also provide a venue to discuss sales performance updates and training initiatives. These meetings will typically be held at our facilities in Austin, but we may choose to move the location to other districts depending on the agenda. The TLC has an open invitation to attend these meetings. We welcome the opportunity to facilitate communication between the field and TLC management.

## Biweekly District Meetings

Each district holds sales meeting on a biweekly basis. To ensure a consistent message is delivered to each LSR, we will provide a meeting agenda prior to each sales meeting. These agendas will include items such as State and district updates, sales training, sales opportunities (On-Line and Instant), district promotions, and key account updates. The district meetings will be a main forum for communication of the team objectives, guidance in meeting their goals, and peer idea generation. Please see the sample **District Sales Meeting Agenda** that follows this page.

During the district meetings, we hold regular team "continued learning" sessions, in which new selling and communication tools are introduced, as well as advanced selling education sessions. Special training sessions on new selling techniques, industry updates, and technological advances are an important tool in continuing the education and enhancement of the sales force.

## Biweekly Business Development Team Meetings

Corporate and Key Account teams, Recruitment teams, and the new Sales, Marketing, and Business Development team will meet on a biweekly basis to discuss new selling and growth opportunities.

## Weekly Flash Meetings

Flash meetings will be held weekly among the leaders of the GTECH sales and marketing organization in Texas. We often hold these meetings after the Product and Marketing meetings to make sure that timely communication is occurring throughout the organization. The meetings are informal and intended to provide everyone with a quick update on the week's activities and reach out for support if needed.

## Daily DSM and LSR Ad Hoc Meetings

Our managers are responsible for "keeping their feet on the street," as that is the office of the majority of our sales organization. It is during these daily interactions with their team members that questions are asked, opportunities are identified, and solutions are provided. The GTECH Texas team operates with a philosophy of open and honest communication. We welcome the opportunity to engage with and hear from everyone within the sales organization, from metro Dallas to the far-reaching territory covering Big Bend. Working together and sharing information will allow us to continue to provide the best possible service to the Texas Lottery and Texas Lottery retailers.

**AGENDA TEMPLATE**  
**STATEWIDE**  
**January 22, 2010**

- **State Sales and District Update**
  - State Sales Comparison 2010 to 2009
  - Q1 Sales
  - Recruitment Update (\$150 initial payment & \$250 supplement payment = **\$400**)
- **GTECH Sales Training in a Box**
  - Recruiting Dialogue
- **Key Account Update – It's very important we all assist Key Accounts with the Corporate Retailers**
  - Corporate Updates in packet/Discussion
- **Vital Information**
  - Immediate return of ALL packs of Cash Bingo #1102 (confirmed, active and settled) Run through the terminal.
  - GTECH employees are not to deliver or handle money associated with retailer's accounting sweeps. Please direct the retailer to call the Texas Lottery or their local Claim Center for assistance.
  - Compliance Calendar – 2 week compliance – mandatory
    - ✓ Routes 1 – 9 must be completed this cycle by 02/20/10
  - ALL ROLLSTOCK Policies in place as of 1/31/10
- **Amendment 8 Phase 1 GamePoint Deployment, Training and Discussion**
  - LSR's are to refer all questions to DSM's and Charles Howard (979-255-7092)
  - Discuss the importance of maintaining counter slots and increased liability with additional games in GamePoint
  - Update from Charles Howard - attached
  - Things To Attend To Post Installation:**
    - Run updated inventory slip
    - Maintain inventory to support new slot count
    - Supply 4X4 cards on all games. B/W copies – unacceptable. Seek managements assistance on older games
    - Use player wallets to arrange 4X4 cards by price points
    - Keep on-counter and GamePoint slots full
    - Avoid posting unauthorized POS and remove other vendors POS
    - Relocation of GamePoint must be approved by TLC prior to being moved by retailer or GTECH
    - Notify management if EPP was not removed after GamePoint was installed
- **Online Sales Opportunities:**
  - Texas POWERBALL –**
    - ✓ First draw - 2/03/10
    - ✓ Tickets may be purchased until 9 PM Central time on draw nights
    - ✓ Drawing held at 9:59 PM on Wednesday and Saturday
    - ✓ Drawing broadcast at 10:12 PM
    - ✓ LSS focus must be on POWERBALL
    - ✓ Wear POWERBALL stickers
    - ✓ Continue to replenish Powerball playslips and How to Play Brochures
    - ✓ Place Pump toppers, accordion folds and change mats.
    - ✓ Place POWERBALL jackpot magnet sign on your van when the jackpot is over \$100 Million
    - ✓ New roll stock handling procedures
    - ✓ New Roll Stock Return Form - attached
  - Speaking Points for GTECH Sales Reps -**
    - ✓ We are excited with the Powerball game coming to Texas
    - ✓ A Mega Millions jackpot matching ticket was sold in Katy, Texas worth \$144 Million for the January 29 drawing. The retailer that sold the matching ticket is eligible to receive a \$1 million bonus.
    - ✓ This shows that Texans really do win the large multi-state jackpot games.
    - ✓ Now with Powerball joining Mega Millions in Texas, lottery players have the opportunity to play for large jackpots four times a week.
  - Pick 3 Clerk Promotion – 2/7 – 2/20**
    - ✓ Post terminal toppers
    - ✓ Retrain "Next"Key
    - ✓ Sell 5 tickets worth \$5 each (total \$25) for a voucher to receive a Texas Lottery Tool Kit
    - ✓ Last date to redeem the vouchers is 3/19/10

**AGENDA TEMPLATE  
STATEWIDE  
January 22, 2010**

▪ **Retailer Cash Incentive Program:**

- **2<sup>nd</sup> (current) Texas Lottery Retailer Cash Incentive Program: January 17<sup>th</sup> – April 24<sup>th</sup>, 2010**

- ✓ Continue to distribute first round of flyers
- ✓ **Tips to retailers:**
  - Cross-sell (Instants & Online)
  - Post winning tickets
  - Post coroplast signs on light poles
  - Update jackpot signs
  - Keep slots full with top selling games
  - Promote Pick 3 to win tool kit

- Retailer Cash Incentive is a two year performance base program. It is supported by funds approved by the legislature. After two year, if this program does not prove feasible it will be extremely difficult for the TLC to ask for additional legislative funding or possible increasing retailer commissions. It is very important that we support and do everything possible to make this program a success.

**Assisting retailers in meeting assigned goals is our main FOCUS**

- ✓ Remind retailers of 2<sup>nd</sup> Retailer Cash Incentive Program
- ✓ Ensure retailers received handout from last cycle and cover aspects of the 2<sup>nd</sup> Program

▪ **Instants Sales Opportunities:**

**Texas Lottery Focus Games**

- **\$5 - Dallas Cowboys (#1261)**

- ✓ Continue your focus on activating and promoting the game
- ✓ Game must be over 85% sold for TLC to start their negotiation before the next season starts.

<u>\$</u>	<u>Game #1261</u>
\$100,000	4
\$5,000	6

- **\$2 - Veterans Cash (#1265) & \$2 – Veterans Winnings**

<u>\$</u>	<u>Game #1265</u>
\$20,000	9
\$1,000	47

- **Double Blue - Q1 ends – March 27, 2010**

- ✓ Business Strategy Discussion
- ✓ Double Blue retailer goals are same as Retailers Cash Incentive goals
- ✓ Jackpot games are not part of the Online goal
- ✓ LSR's incentive is based on achieving 100% of the Double Blue goal; not 105% like in the past quarters
- ✓ No homemade POS, Reports, forms, stickers, flyers etc allowed unless approved by the TLC. Ideas & feedback can be sent to Brian, George, and Shannon.

- **Holiday Games**

- ✓ Pick-up Closing & full packs of all Christmas Games.
- ✓ Remove called games to make room for NEW, Core & best selling games

- **Q1 FY 2010 1<sup>st</sup> SPIFF: Game #1114 - \$20 Blockbuster & #1195 - \$2 FUTBOL (1/17/10 2/13/10)**

- ✓ Win **\$200** by reaching your assigned sales goal on **Blockbuster** Game
- ✓ Win **exciting Futbol prizes** by reaching your sales goal on **Futbol** Game
- ✓ Win **additional \$100** by achieving **both** the Futbol and Blockbuster sales goals

**AGENDA TEMPLATE  
STATEWIDE  
January 22, 2010**

- **Closing Games**

- ✓ Return all closing games to ensure retailers are not selling closed games. Encourage activation of new or core game to fill empty slot. Complete physical inventories to check for settled packs.

<u>Game #</u>	<u>Game Name</u>	<u>Closing Date</u>
1193	Merry Millionaire	2/11/10
1190	Merry Money	2/19/10
1201	Big Payout	2/21/10
1194	Cadillac Escalade Cash	2/27/10

- **Winner Awareness:** Make sure you inform retailers about winning tickets (over \$599) sold by them.

- **Game plan and Highlights**

- ✓ **Upcoming New Games:**

<u>Game #</u>	<u>Price Point</u>	<u>Game Name</u>	<u>Start Date</u>
1068	\$20	\$1,000,000 Gold Rush	2/1/10
1199	\$3	Match & Win (8" ticket)	2/8/10
1215	\$5	\$50,000 Payout	2/8/10

- **Gamepoint, ITVM, SST and Check A Ticket**

- Make sure that everyone is using correct Install/Training report for all EPP installs, moves or removals. (It is a double sided document dated 11/17/09.)
- Make sure all self serve equipment is functional EVERY visit.
- Make sure Manuals are inside all GamePoint terminals

- **District promotions and Inventory**

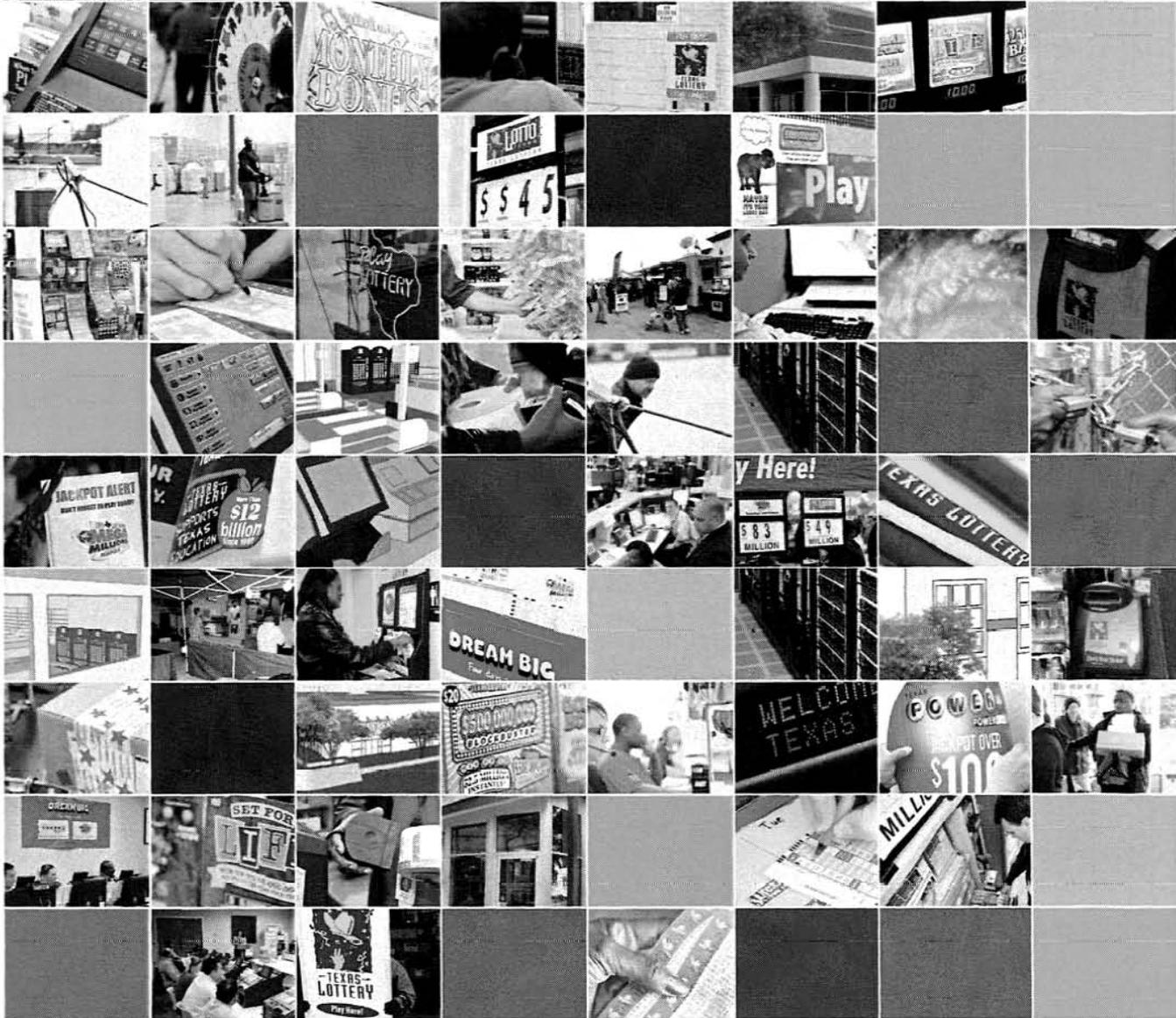
- **Paperwork Due**

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# 8.3

Marketing



# 8.3

## Marketing

### Introduction

Our marketing team is structured to respond to the TLC's marketing needs, through the pairing of local and corporate marketing staff members and their regular sharing and transfer of information. Composed of professionals with decades of lottery marketing experience and expertise, this team welcomes the opportunity to continue to perform marketing activities for the Texas Lottery. They also look forward to providing you with many enhanced services and actively participating in, and contributing to, your planning and review meetings, particularly with regard to your Instant and On-Line Games.

### The Data Behind Our Proposal

With increased competition challenging lotteries, we make sure that we consistently provide access to expert analysis for sound marketplace evaluation. Using timely, insightful research techniques for initiative and product development, GTECH will help you keep your game portfolio fresh and exciting. Our 360° Marketing Program (fully described later in this section) will ensure that proper attention is allocated to your games in the retail environment. This will in turn enable the Lottery to reach retailers and players through a range of merchandising strategies and promotional contests aligned to the TLC's objectives.

### Table 81 Marketing Response Requirements

#### 81.1 Roles, Responsibilities and Detail Requirements

GTECH acknowledges and accepts the roles, responsibilities, and detail requirements indicated in this section.

## 81.2

### Proposed Marketing Staff

Following, we identify marketing staff members who will help the TLC identify new product and marketing strategies.

### Full Time Texas Marketing Staff

The GTECH Texas team is located in Austin. In this way, this team is on the front lines with you, readily available to attend as many meetings as possible while having quick access to the field for engaging retailers and supporting the sales organization.

The Texas team will provide the first tier of support to the TLC and will work closely with the Lottery and our corporate marketing teams to ensure necessary resources assist you with identifying and executing marketing projects. Additional resources will be available on site as needed.

#### Tom Stanek, Director of Sales, Marketing, and Business Development



Tom oversees the local marketing team that supports the TLC. He strategically aligns resources to marketing initiatives, including projects such as the placement of more than 1.5 million TLC Point-Of-Sale (POS) pieces on an annual basis. Tom also maintains a direct link to GTECH's Corporate Marketing Group.

#### Shannon Plum, Marketing Manager



Shannon brings industry expertise in retail sales and POS placement to GTECH and the TLC. She previously worked for Phillip Morris out of its New York City home office as lead brand and marketing designer at territory, regional, and nationwide levels. Today, Shannon works closely with the TLC to identify marketing strategies and new products. She also collaborates with the Lottery on developing marketing execution plans, ensuring that the Lottery receives the information needed to advance the sale of its products. In addition, she makes sure TLC initiatives are clearly communicated to the sales force so that they effectively market Lottery products to retailers, who turn around and actively promote the products to their customers.

**Gina Dill,  
Research Associate**



Gina supervises research activities, analyzing and interpreting data, formulating reports, and making recommendations based upon findings. She also manages the development and analysis of sales force incentive pay matrices and was instrumental in the development and reporting related to the retailer cash incentive program. During the last 15 years, Gina has been responsible for the distribution of approximately \$20 million in sales force incentives to drive Texas Lottery sales.

**Dan Morales,  
Senior Market Research Analyst**



Dan administers market research support related to strategic lottery marketing including product and new business development. He also identifies Instant Game enhancement opportunities based on each retailer's environment, sales, and needs. For instance, in 2009, Dan analyzed sales performance and distribution of more than 8.6 million Instant Tickets.

**Robert McGovern,  
Market Research Analyst**



Robert assists the TLC with decision making regarding Instant Ticket inventory. He also fulfills open requests for promotional analysis and reports. In addition, Robert has experience with base level distribution plans, project development, and start-up retailer training in various states. He studies the sales performance of nearly 100 Instant products each year in order to optimize pack quantity allocation for initial distributions.

**Brian Finnigan,  
Sales Manager, South Region**



Brian is an industry leader in terms of his knowledge of Instant Game performance. He applies his expertise to managing the entire TLC Instant Ticket life cycle – warehousing, distributions, merchandising, and sales – helping to generate more than \$2.7 billion in Texas Instant Game sales on an annual basis.

**George Sanchez,  
Sales Manager, North Region**



George directs a sales organization of more than 60 individuals responsible for providing service to almost 8,000 retailers. With 18 years of retail marketing experience, George works with local and corporate teams to develop initiatives focused on increasing On-Line Game sales, including developing customized POS.

**Chuck Faulkner,  
Distribution Manager**



Chuck leads a staff of 13 ProCall representatives whose responsibilities include retailer-by-retailer analysis of more than 16,500 retailers on a biweekly basis, which equates to more than 429,000 analyses per year. These analyses result in the annual distribution of more than 5.7 million Instant Ticket packs.

**Dwayne Tatum,  
Warehouse Manager**



Dwayne supervises a staff of 20 individuals whose responsibilities encompass the packing and distribution of more than 1 million packages and some 8.5 million Instant Ticket packs each year. Dwayne and his team ensure that no disruption occurs to Texas Instant Ticket processing and shipping.

**Mandy Carter,  
Corporate/Chain Account Manager**



Mandy directs the GTECH Texas corporate accounts team, identifying opportunities that appeal to key, corporate, and chain accounts. Through Mandy's leadership, the corporate accounts team sells in innovative initiatives to support sales efforts. For instance, Mandy and her team recently sold in an initiative to double-face the \$500 million *Blockbuster*™ Instant Game, generating an estimated \$2,050,000 in incremental sales.

**TBH,  
Promotions Manager/Coordinator**



The Promotions Manager/Coordinator will organize and ensure the delivery of more than \$10 million in Instant Ticket packs to TLC retailers as incentives for meeting and exceeding sales initiatives. From promotional material distribution to promotion evaluations, this individual will make sure that your promotions are conducted appropriately and effectively.

**Jane Penalver,  
Trainer**



Jane produces training materials and trains Lottery Sales Representatives (LSRs), District Sales Managers (DSRs), and other staff on sales techniques and Texas Lottery rules and regulations. Jane has trained approximately 900 retailers at the San Antonio district sales office. In addition, she has trained 38 sales staff personnel through the LSR training program, which began in August 2008.

**Corporate Marketing Staff**

**Connie Laverty O'Connor,  
Senior Vice President and Chief Marketing Officer**



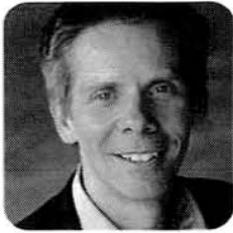
Connie leads our Corporate Marketing Group. Recognized as the industry leader in advertising development, Connie spearheads our worldwide advertising and marketing campaigns. Prior to working for GTECH, Connie managed the distribution of the New York Lottery's annual advertising budget of nearly \$100 million. She will continue to foster her direct relationship with the TLC's leadership team.

**Michelle Carney,  
Vice President of Marketing and Game Portfolio**



Michelle is a worldwide content development expert. She and her team have combined On-Line and Instant lottery products with interactive, social space, and gaming solutions to form one of the world's largest gaming content libraries. In addition, Michelle and her team provide services for game portfolio management, promotion planning, retailer network development, best practice execution, and player and retailer analyses to lotteries around the world. She will work directly with the Lottery on TLC marketing and sales initiatives including game development.

**Nat Worley,  
Regional Marketing Director**



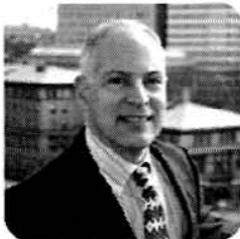
Nat advises GTECH's East and Midwest regional lottery customers on marketing tactics for optimizing and growing their combined total annual sales of almost \$30 billion. Nat will work with the TLC and local account and corporate marketing teams to develop and implement marketing and sales initiatives.

**Walter Gaddy,  
Senior Sales Manager**



Walter brings 16 years of lottery industry experience to his work. Fourteen of those years were spent at the Florida Lottery in Instant product management. Walter's expertise in product development, game design, prize structures, portfolio management, and promotion strategies will benefit the TLC as he works with the Lottery on developing its Instant Game plan and future game concepts.

**Gerard Caro,  
Senior Director, Market Research**



Gerard stands as a worldwide industry leader in lottery gaming research, managing and conducting more than 35 studies in 139 locations in 2009 alone. Gerard leverages his industry contacts to supply our customers with the latest in market research findings. He will continue to share industry research results with TLC management in support of the Lottery's marketing and business plans.

**Audrey Pate,  
Senior Market Research Manager**



Audrey is an expert in using more than 30 primary and secondary research methodologies. She has managed and executed a long list of product and service research projects for retail and consumer constituents. Bringing experience with best practices and numerous research techniques to our lottery customers, Audrey manages strategic relationships with global research partners and supports game development efforts for GTECH worldwide.

**Amir Sadri,  
Senior Director, Content Design and Market Analytics**



Amir serves as an industry leader in On-Line Game development and game mathematics, having created more than 500 On-Line Game concepts and prize structures. He focuses on game and market analyses, sales forecasts, marketing databases, and game design and will continue to assist the TLC on game matters.

**Todd Bauman,  
Senior Market Research Manager**



Todd supervises numerous market research activities, such as focus groups and tracking and segmentation studies. He will assist with TLC Instant Game research and developing the Instant Game plan. Todd will also supply the Lottery with Instant printing industry updates and expert insight, using GTECH's and GTECH Printing Corporation's (GPC's) analytics programs.

**Sarah Simpkins,  
Senior Marketing Analyst**



Sarah has GTECH and industry expertise in sales and revenue forecasting. She and her team develop forecasts for more than 100 GTECH customers worldwide on an annual basis. Sarah will conduct retail optimization analysis and develop case studies to help the TLC make accurate sales forecasts.

**Kathy Lavigne,  
Senior Marketing Analyst**



Kathy is an expert in consumer-related market research, mapping more than 200 domestic based On-Line Games in terms of market penetration and propensity to play. She also works on sales forecasting, market segmentation, marketing planning, customer consultation, and new product and game primary research.

**Aaron Koll,  
Senior Manager, Portfolio Development**



Aaron is responsible for various analytical efforts, including sales forecasting, customer segmentation analysis, game design, and sales reporting system management. In addition, Aaron is recognized for devising an industry first pari-mutuel and fixed prize structure combination for the California Lottery, resulting in annual sales of more than \$175 million.

**Chris McVay,  
Market Research Analyst**



Chris joined GTECH Marketing in June 2008, after earning his bachelor's degree in finance. He is primarily responsible for developing sales forecasts for lottery business opportunities. Chris is also instrumental in the administration of the LMDB and is responsible for market analysis and regular sales reporting.

**The TLC, the GTECH Teams, and Your Continued Success**

A world-class enterprise, the TLC continues to be successful – even in some of the worst economic times. Since 1992, the Texas Lottery Commission has driven more than \$57 billion in Lottery sales, which has resulted in revenues of more than \$18 billion for the State and more than \$12 billion for the Foundation School Fund.

Continuing its record of success in FY 2009, the TLC achieved more than \$3.7 billion in sales – a remarkable \$48 million increase over FY 2008 – returning \$1 billion to the Fund in the midst of an economic downturn that has negatively impacted the gaming industry as a whole.

**Figure 8.3 – 1:**  
**Texas Lottery Press Release, September 2009**



Texas Lottery  
Commission

PO Box 16630  
Austin, Texas  
78761-6630

FAX:  
(512) 344-5490

# NEWS

*from the Texas Lottery Commission*

**FOR IMMEDIATE RELEASE:**

Tuesday, September 15, 2009

**CONTACT:**

Media Relations, 512-344-5131

## **TEXAS LOTTERY<sup>®</sup> SEES INCREASE IN SALES AND REVENUE IN FY 09**

(AUSTIN) –The Texas Lottery<sup>®</sup> finished out Fiscal Year 2009 by transferring a total of \$1.0 billion to the Foundation School Fund to support public education in Texas, an increase of over \$17 million from the previous fiscal year.

“Total sales in FY 09 increased by over \$48 million compared to last year for a grand total of \$3.72 billion in sales,” said Texas Lottery Deputy Executive Director Gary Grief. “This represents the fourth best year of sales for the Texas Lottery since we started selling tickets in 1992. We’re extremely grateful to our loyal players, hard working lottery retailers and dedicated agency staff, all of whom helped us generate this needed revenue for Texas education.”

Grief also cited the following sales highlights for Fiscal Year 2009:

- \$2.79 billion in instant scratch-off ticket sales, the third-highest level of scratch-off sales in the Texas Lottery’s history;
- \$262.8 million in Mega Millions and Megaplier sales, the best year in Texas for Mega Millions and Megaplier since Texas joined the multi-state game in 2003;
- \$51.5 million in *Texas Two Step*<sup>®</sup> sales, the best year for *Texas Two Step*<sup>®</sup> since 2003;
- \$2.29 billion in prizes paid to players, the third highest amount in the Texas Lottery’s history;
- \$187.6 million in commissions and bonuses paid to lottery retailers.

Overall, 95 percent of the Texas Lottery’s \$3.72 billion in sales was returned to the state and players in the form of prizes, contributions to the Foundation School Fund, retailer bonuses and commissions, and other state programs.

Sales of other games offered by the Texas Lottery in Fiscal Year 2009 included *Lotto Texas*<sup>®</sup> at \$200.5 million, *Pick 3*<sup>®</sup> and *Pick 3*<sup>®</sup> *Sum It Up* at \$290.7 million, *Cash 5*<sup>®</sup> at \$70.7 million, and *Daily 4*<sup>®</sup> and *Daily 4*<sup>®</sup> *Sum It Up* at \$52.2 million.

For more information about the Texas Lottery, please visit the official Texas Lottery Commission Web site at <http://www.txlottery.org>.

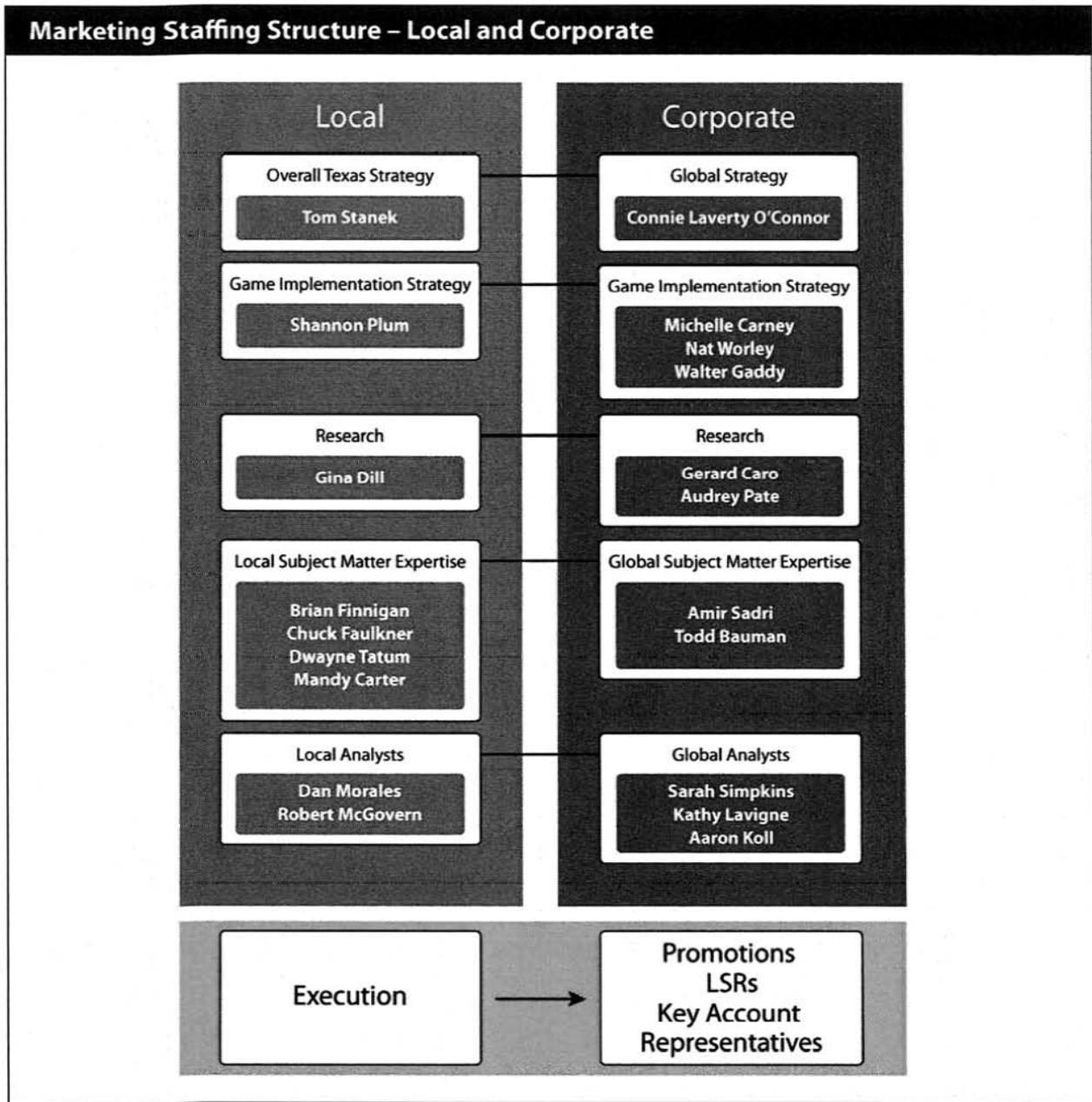
**In the News:** The Texas Lottery’s record achievement is worth sharing.

We are proud to have assisted the TLC in returning \$1 billion to Texas education funding last year, but we know we cannot simply rest on our incumbency and past performance. We will use our years of Texas experience and the many lessons we’ve learned to further advance the TLC. We will continue to carefully design products for you, using processes that take into consideration the legislative climate and Texans’ tastes and attitudes toward the Lottery and its products.

### 81.3 Marketing Organization Structure

The foundation of our marketing organization structure, supporting and optimizing Texas Lottery sales, is 18 years of Texas experience integrated with the industry expertise of our corporate marketing group and access to GTECH's global strategic view.

**Figure 8.3 – 2:**



**Unified Marketing Support on Two Levels:** GTECH Texas and GTECH Corporate join forces to bring comprehensive, integrated, and customized marketing support to the TLC.

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## **Confidentiality Claimed Not released**

### **Portfolio Development Philosophy – Analyzing Your Portfolio and Market**

Under our portfolio development process, the Texas team continually looks for opportunities to close gaps in the portfolio. To do so, we analyze local market conditions and needs for new games and conduct trend analysis. For instance, over the past three years, we have worked with you to execute our portfolio development process and apply industry best practices to managing your Instant Ticket program. Sample results of our collaborative efforts follow:

- Validation codes are now positioned outside play areas on tickets.
- Validation codes are established for all prizes payable at retail.
- All tickets display top prizes.
- All prize symbols use available-to-win symbols.
- Prize symbols indicating prize values below corresponding ticket price points are now kept to a minimum (they are only used when incorporating prize multipliers) and are not used on nonwinning tickets.
- The number of wins on tickets is controlled by available prize symbols and play styles.
- Void If Removed Numbers (VIRNs) are positioned under latex coatings to avoid damage, possible player confusion, and/or player dissatisfaction.
- Pack sizes are standardized for accounting ease.

- The odds of winning breakeven prizes are now greater than winning the next highest prize amount (second-tier prize amount). The \$5 and \$10 price points have performed best.
- An average prize payout of 68 percent was implemented.
- Ten base games were established. Multiple price points, varied graphic colors, and game pulses were implemented on these games.
- The *Blockbuster* megagame was implemented with a larger print run and a 75 percent payout.
- The Jumbo Bucks and Set for Life series was expanded.
- A \$50 game was launched at a 72.5 percent payout.
- Payout was increased to 78.5 percent on a \$50 game.

In addition, our corporate marketing team has an important role to play in performing analyses. Often using our Lottery Marketing Database (LMDB) (described later in this section), the corporate team examines global market trends to identify new games that may fit into the Texas portfolio. Corporate Marketing will always keep the local team apprised of their findings for sharing with the TLC.

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### Portfolio Development Philosophy – Field Execution

Field execution, one of the most important elements within the portfolio development process, starts with proper communication for understanding the Lottery's goals with regard to each game launch. Once we and the Lottery are certain that we are on the same page, we leverage our retailer relationships and selling skills to merchandise and market TLC products appropriately and manage Instant Ticket inventory optimally. For example, our successful initiatives include the highly strategic placement of *Powerball*® POS materials. Additionally, proper plan-o-gram execution, playstation utilization, and provisioning of other marketing materials to retailers are among the many tactics we use to increase sales. Training retailers and engaging players via promotions and events at retail are also in the mix as part of our 360° approach to marketing, as described further on in this section.

## **Weekly Sales Reports and Other Data**

As one of the largest lottery marketing groups dedicated to a specific U.S. jurisdiction, the GTECH Texas team is positioned to provide you with service levels that allow for rapid responses to your inquiries and data requests. We will provide weekly sales reports and other sales data as required by the Texas Lottery. Weekly sales reports will include accurate and thorough sales data evaluation, trend analysis development, and any recommended actions in response to the data.

## **GTECH's LMDB**

To further support our lottery customers' ability to analyze and use industry trends, we've developed the GTECH Lottery Marketing Database. With more than 20 years of stored data, the LMDB is the industry's most comprehensive database. This GTECH-proprietary database contains sales and jackpot trend data and game parameter and histories of our domestic customers and a majority of our international clients. The LMDB also incorporates population and terminal numbers and other imperative tracking values. Sales are classified in different categories – by week, draw, day, jackpot, etc. Please refer to the following figure for an example of an LMDB screen and a typical report we might run.

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Our corporate and local analytics staff will ensure that your marketing, analysis, and database reporting needs are met in a timely manner. We will provide you with regular analyses from the LMDB, in combination with GTECH and PrimeLocation data as described in the following paragraphs and in Section 7.9, Reporting and Section 8.8, Research and Lottery Product Development.

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### PrimeLocation

PrimeLocation is Nielsen Claritas software that allows exceptional sales, retailer location, and game and player market analyses. It includes a fully functional Geographic Information System (GIS) package, national and regional geodemographic research software, address matching software, and numerous licensed databases that include demographic, lifestyle, segmentation information, etc.

**Figure 8.3 – 7:  
PrimeLocation Features and Benefits**

Feature	Benefit to the TLC
<b>Superior Data Capture:</b> Includes accurate, extensive data such as shopping center, traffic count, segmentation, and demographic information	<b>System Confidence:</b> Enables precise, sound decision making
<b>Lifestyle Preferences:</b> Combines demographic data with player preferences by lifestyle	<b>Maximum Entertainment:</b> Facilitates precise promotion and game development for appealing to individual player groups

Feature	Benefit to the TLC
<b>Demographic and Propensity-to-Play Information Combining:</b> Gives a statistical basis for game distribution decisions	<b>Retail Mix Optimization:</b> Provides a Texas-specific retailer mix for maximizing sales opportunities by geography
<b>Data Exporting Functionality:</b> Allows data use in other analysis packages through multiple data exporting formats	<b>Portability:</b> Expands current and future possibilities for new types of analysis
<b>Mapping Capability:</b> Gives complete control over the maps you create and share with others	<b>Visualization:</b> Maps out all the market data you need for retailer analysis
<b>Consumer Segmentation:</b> Supplies 66 specific consumer segment profiles to enable understanding of preferences, lifestyles, and purchase behavior	<b>Delivery of What Your Players Want:</b> Increases your ability to find the most enthusiastic lottery players for all game types and position their favorite products where they can find them

For more information on our analyses and PrimeLocation, please refer to Section 8.8, Research and Lottery Product Development.

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Under our 360° Marketing Program, GTECH Texas develops marketing initiative implementation strategies while incorporating the concept of trade marketing. Trade marketing focuses on sales fundamentals, such as distribution, display, promotion, and price, to align market strategy with brand strategy. To deliver sales volume and value, trade marketing supports sales teams with well-designed fundamental enhancement plans.

We will use the elements of our 360° approach to market the TLC brand, games, and promotions. Our coordinated marketing efforts will drive sales growth, enhance retailer and player experiences, further players' and retailers' positive perceptions of lottery, and deliver consistent, highly visible promotional messages to players.

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### Retailer Facing Optimization

Optimizing facings benefits both retailers and players. Facing optimization increases the likelihood that players can find and purchase their favorite games, which enhances player satisfaction and thus drives sales for retailers.

When facings are not at full capacity, fewer games are visible. This results in lower sales and a less favorable perception of the Lottery. Our solutions for managing facings more optimally include increasing sales call frequency for certain retailers (often high-potential but underperforming retailers such as those in the Double Blue program) and leveraging technological solutions like our \_\_\_\_\_ and \_\_\_\_\_ to ensure facings are always filled.

LSRs also will help retailers optimize retailer facings in each store according to industry-proven best practices – making sure that retailers have the right number of well-stocked, ideally placed bins that cut through busy POS and attract shoppers. Bin enhancements, such as the fluorescent *Blockbuster* frame attachments supplied by GTECH Texas, help spotlight games and draw consumers to Lottery product offerings.

#### **Bin Enhancements Increase Sales**

LSR Maurice Reynolds suggested to the owner of KP Super Market in South Houston that he (the owner) increase his Instant Ticket dispensers from 8 to 12 and move them from the back of the store to the front counter. KP's sales increased from \$1,400 per month to more than \$2,100 per month in just two months.

The La Porte Shell station owners were very motivated to increase Instant Ticket sales, so LSR Charlotte Friedrichs recommended that they try increasing their 16 ticket bins to 40, which they did. La Porte's sales went from \$4,000 to more than \$6,700 per month in only three months. Having a variety of games made a big difference to their customers – and to their overall sales.

Charlotte also advised a Pasadena retailer to double his 20 bin dispensers. Having 40 bins enabled the retailer to carry a wider variety of games for his customers. As a direct result of Charlotte's effective LSR merchandising support, the retailer's sales more than doubled, increasing from an average of \$2,600 to \$5,980 per month in just six months.

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While reducing time and effort needed for inventory management at the store level, utilization will facilitate improved facing optimization and prevent lost sales opportunities by helping to lower the occurrence of unsold stock and stock-outs.

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### Promotion Concept Development and Launch

As part of our overall strategy for retailer contests and player promotions, we will help the Lottery deploy innovative promotions that are tied seamlessly to other marketing initiatives and POS materials to achieve the greatest positive sales impact. We will assist you in continuing and expanding the use of promotions that have been successful in Texas and develop new player, co-op, and retailer promotions for your consideration.

**We are invested in seeing the TLC succeed, and we are committed to deploying your promotions effectively.**

Promotions will keep players engaged and excited about the Lottery and encourage more participation by giving them opportunities to win game plays, merchandise, and cash. And our ideas for your retailer and clerk promotions will provide retailers with incentives to actively sell more tickets and participate in the fun of the Lottery. We are invested in seeing the TLC succeed, and we are committed to deploying your promotions effectively.

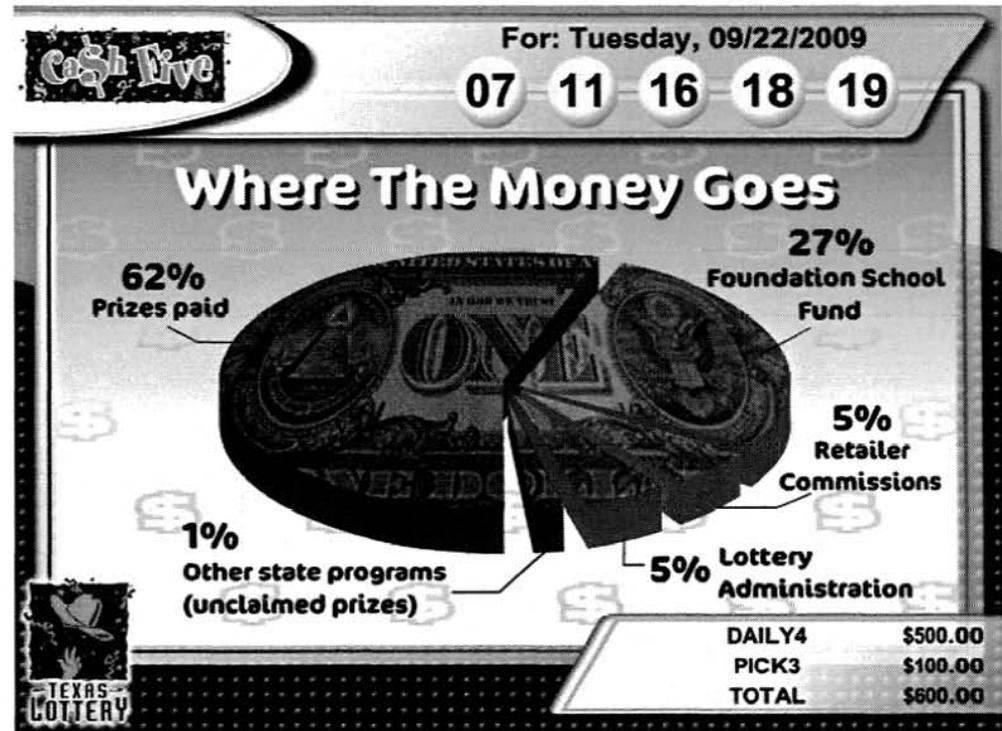
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Our marketing teams will implement communications best practices to support the effective execution of new messaging. Among our communication tools is \_\_\_\_\_ which advertises Lottery products, provides consumer information, increases winner awareness, and drives sales at retailer locations. \_\_\_\_\_ monitors will also display communications about responsible gaming and the Lottery's support for Texas education, further enhancing public opinion of the Lottery.

In addition, as a high-tech upgrade of print POS materials, \_\_\_\_\_ will modernize the TLC's image and brand. With unmatched capability for capturing player attention at points of sale, \_\_\_\_\_ consumer-focused, direct messaging provides a new way for the TLC to communicate with players. What's more, \_\_\_\_\_ messages can be updated quickly and inexpensively from a central location, reducing retailer and LSR labor demands. And, whereas updating print POS materials across Texas can take as long as two weeks, with \_\_\_\_\_ updating and delivering approved content can be done almost instantly. For additional information on \_\_\_\_\_ please refer to Section 7.12, Sales Terminals and Related System Sales Equipment.

**Figure 8.3 – 12:**  
**An \_\_\_\_\_ Display**



**Consumer-Focused and Compelling:** \_\_\_\_\_ electronic graphics promote the Lottery to Texas players right at the point of sale.

\_\_\_\_\_ electronic graphics promote the Lottery

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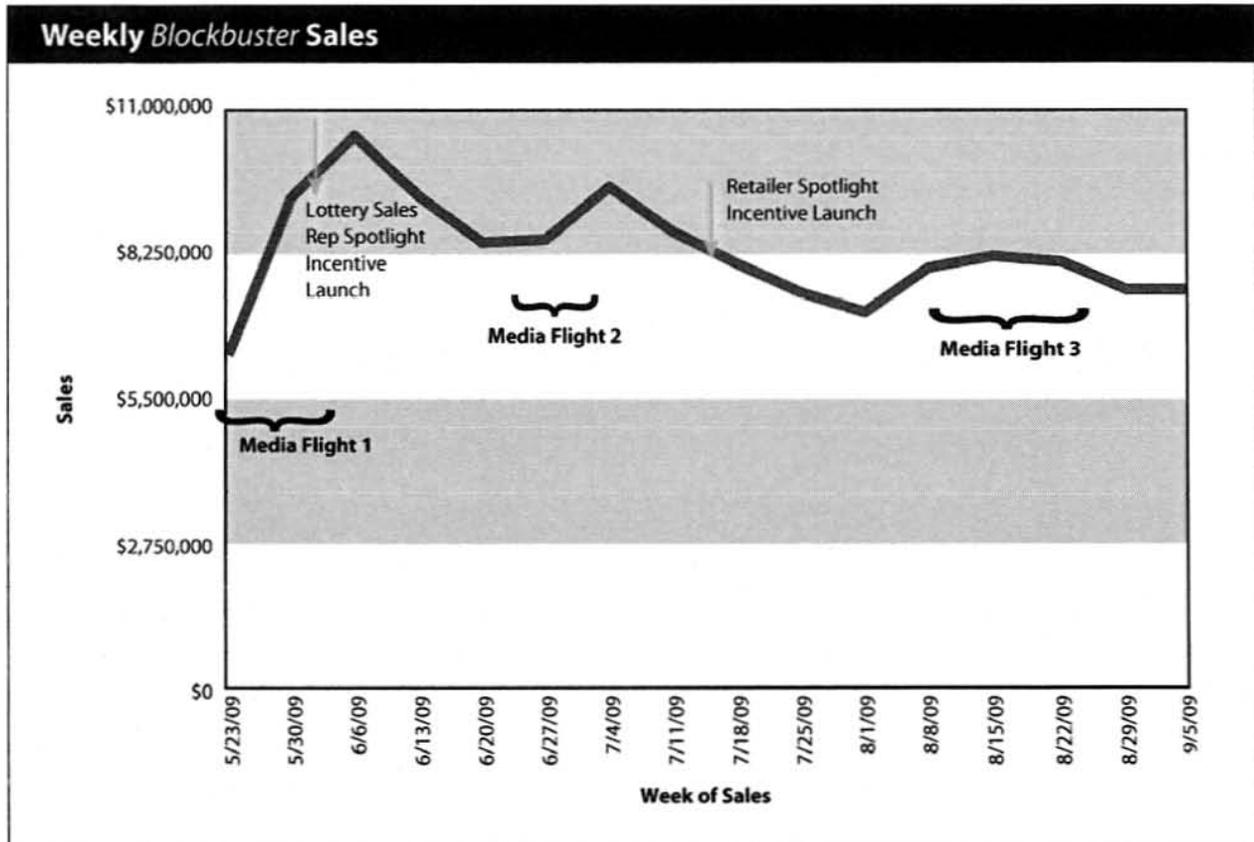
### Pulling It All Together – Spotlight on the *Blockbuster* Game

The following case study on your *Blockbuster* Instant Game illustrates how well our portfolio development philosophy integrated with our 360° Marketing Program's components works.

#### *The Challenge*

Launched in 2009 as a spotlight game, the \$500 million *Blockbuster* Instant Game shows what thorough, creative planning and enthusiastic, collaborative support can do for a game's sales – and the TLC's bottom line. Among the factors that have contributed to the game's success are prize structure optimization, a robust advertising campaign that included TV and radio advertisements, a *Blockbuster* microsite, focused in-store POS materials with refreshed winner awareness messaging, and retailer and LSR incentive programs. In addition, LSRs quickly got *Blockbuster* into active distribution and later increased its distribution to more than 90 percent penetration. These activities exemplify a true 360° marketing approach for the right product at the right time.

Figure 8.3 – 13:



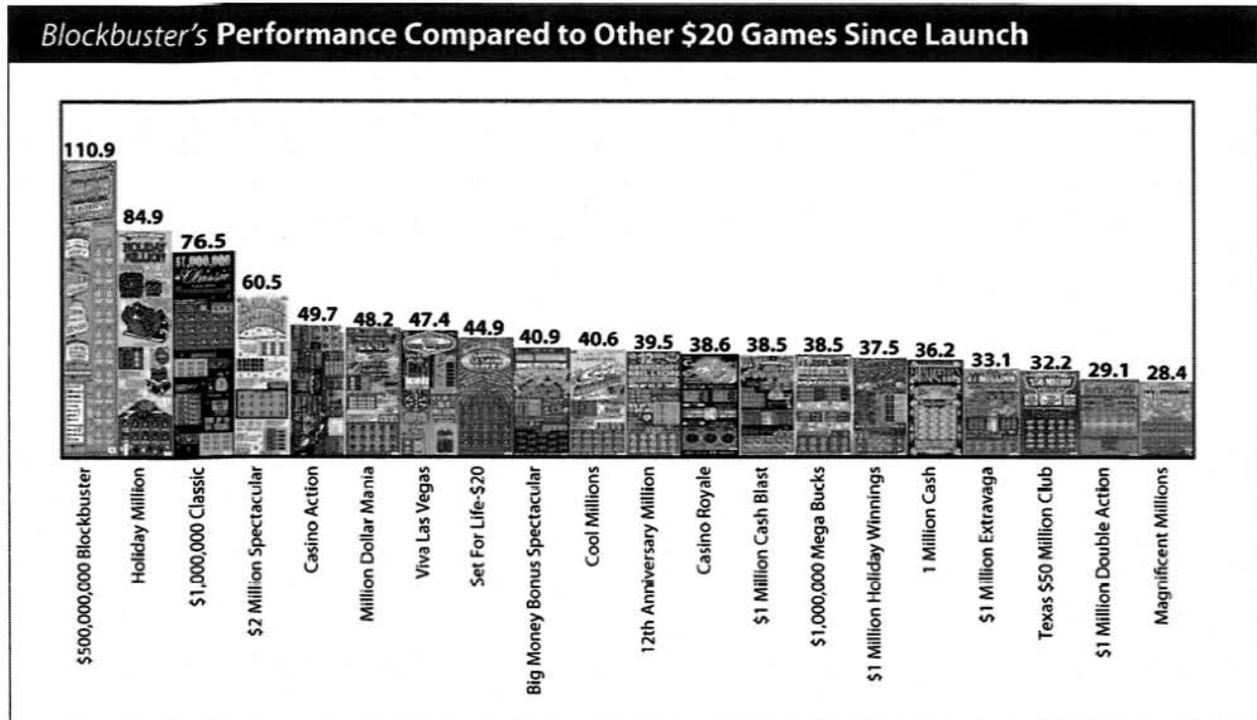
**Our 360° Marketing Program at Work:** Consistent, comprehensive support across time makes a positive difference.

A new spotlight game POS kit, designed to focus on winner awareness, was sent to the field in August 2009. Next, we used GTECH sales data to select stores with the highest Instant Game sales and then enhanced in-store visibility of the game through increased POS at these locations. With assistance from the GTECH Texas marketing analytics team, the TLC also selected stores to participate in a store domination program to receive additional spotlight POS, ranging from icebox wraps and ceiling dangles to floor graphics. These efforts were aligned with media flights and incentives for comprehensive support.

### The Results

Shining a sales and marketing spotlight on the *Blockbuster* game turned it into a star player. When comparing sales of the last three \$20 Instant Games launched, it's clear that the Lottery's extra investment in POS has paid off.

Figure 8.3 – 14:



**Creative Planning and Enthusiastic, Collaborative Support:** The \$500 million *Blockbuster* Instant Game's strong performance shows what focus, teamwork, and an effective 360° marketing strategy can do for a game's sales.

Today, LSRs continue to focus on *Blockbuster*, working with retailers on double facing the game to keep it alive at retail. GTECH Texas ran another LSR incentive from January 17 through February 13, 2010, to extend focus on sales while investing in bin attraction frames for the game itself and spotlight T-shirts for LSRs and GTECH Texas staff members. Staff members wore the shirts for all promotional events, including at the State Fair, in the Texas lottery booth.

### Fiscal Year Instant Ticket Game Plan

On or before January 31st each year, we will use our proven portfolio development philosophy and its related processes to provide the TLC with a proposed fiscal year Instant Ticket Game Plan. We will perform rigorous analyses in creating our annual plans, which will include the recommended numbers of new Instant Games by price point. Plans will also contain game introduction schedules, introductory price points, print quantities, themes, and additional recommendations. In addition, we will provide proposed Instant Ticket game product strategy modifications with corresponding three-year sales projections and feedback on game closings as required.

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Not released**

For more information on \_\_\_\_\_ please refer to Section 7.13, Call Center Support.

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### **Texas Lottery On-Line Games Annual Analysis**

We also employed our portfolio development philosophy process to identify potential On-Line Game modifications. Annually, we will provide a TLC On-Line Games analysis that will include three-year sales projections for each game and possible game modifications for maximizing sales with corresponding sales projections for said modifications.

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Unlike other bidders who may feel that they know what the Texas Lottery wants in terms of game plans over the next three years, we prefer to work with you directly on your plans to be absolutely sure that we provide concepts that are fully aligned with your Instant and On-Line Game plan objectives. We look forward to continuing to work with the Lottery in this way on these plans and your many other marketing initiatives.



# 8.4

## Lottery Sales Representatives



# 8.4

## Lottery Sales Representatives

### Introduction

Over the past 18 years, GTECH has supported approximately 70,000 unique TLC retailers, while focusing on increasing revenue to the state and ensuring the integrity of the Lottery. Our long-term experience in the ever-changing Texas market has enabled us to create a sales force organizational plan that is customized to the TLC's retail environments. This plan will guide us as we optimize services based on retailers' needs and growth potential. It will also help us to increase retailer penetration through recruiting across Texas' 269,000 square miles. Given your market's distinctiveness and the in-depth knowledge required to serve your vast retailer network, a dedicated and focused sales force like ours is mandatory.

### The Sales Force

Because they carry out more than 450,000 retailer visits annually, your vendor's Lottery Sales Representatives (LSRs) and sales support teams become the face of the Texas Lottery to retailers and consumers. Our professional sales teams will continue to build strong working relationships with retailers while providing them with attentive service and up-to-the-minute communications.

In addition, GTECH will continue to invest in its people by supplying them with the right combination of training, incentives, and tools for delivering optimum sales support to the Texas Lottery today and into the future. The team's preparedness and capabilities will be readily apparent, whether they are recruiting new retailers, developing tailored promotional plans, promoting the latest Lottery products, or helping to enhance retailer and player experiences.

## Organization Foundation

Our sales and LSR organization structure is based on the following building blocks.

- **Strong Values:** Our sales force team members incorporate integrity, quality, determination, accountability, and teamwork into every aspect of their daily work.
- **Customized Service Solutions:** A new organizational structure and individualized account tactics will let us bring more effective, market-need-based support to your retailers.
- **Optimized Sales Force Management:** Innovative communication tools, strategy development, sales performance management, and training techniques enhance our sales force's capabilities.
- **Performance-Based Compensation and Incentives:** To drive On-Line and Instant product sales and maximize retailer recruitment efforts, we offer incentives that motivate LSRs to exceed expectations.
- **Flexibility for Continued TLC Advancement:** Our new retailer service models and proposed route alterations will contribute to the Lottery's future successes.

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## **Table 83**

### **LSR Services Response Requirements**

#### **83.1**

##### **Roles, Responsibilities and Detail Requirements**

GTECH acknowledges and accepts the roles, responsibilities, and detail requirements indicated in this section.

#### **83.2**

##### **LSR Organization Structure**

To help the Lottery meet its goals, we will provide the TLC with an expanded sales organization that includes new positions with additional responsibilities. The organization will strategize with the Lottery and its retailers on increasing revenues for the Foundation School Fund.

To support Lottery retailers across the entire state and increase the organization's workday efficiency, we propose the following for the new contract:

- Texas retailer service work will be divided by region (North and South). Each region will have seven sales districts:
  - **North:** Dallas North, Dallas South, Fort Worth, Tyler, Lubbock, Waco, and El Paso (covering approximately 7,800 retailers).
  - **South:** Austin, Houston East, Houston Southwest, Houston Northwest, McAllen, San Antonio, Victoria (covering approximately 8,900 retailers).

The sales team members in the following table will perform sales and marketing work for the TLC according to the structure outlined in the table.

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Please refer to Section 8.2, Sales Management and Business Development, for additional information on individual Sales, Merchandising, and Business Development position responsibilities and Section 8.4.1, Retailer Visit, for related details and strategic execution plans.

### **Integrity, Transparency, and Respect**

Maintaining the public trust and the security of TLC gaming through efficient field operations, honest communication, conscientious accountability, and flexible collaboration is GTECH's goal. We, and the Lottery, expect nothing less than open communication from our employees, and this expectation includes full disclosure of all appropriate GTECH organization information to the Texas Lottery. For more than 1,173 years combined, our LSRs have accepted responsibility for their actions and extended a willingness to collaborate on achieving winning results. This has contributed to the many successful years of our operations.

**Figure 8.4 – 5:  
LSRs and Retailers Working Together**



**GTECH's Talented People:** Our hard-working employees deliver exciting products to your players while always following our policies, which include treating retailers, coworkers, and Lottery staff with fairness and respect.

### **Transitioning and Route Management**

With our Texas market knowledge and advanced planning, we are positioned so that upon contract award, we can begin transitioning to our new staffing plan and its route management components.

To support your current and future retailer needs, our route management plans will distribute LSR service across Texas in the most efficient manner possible. We developed our district boundaries and territory and route execution plans, with future retailer and population growth and player and consumer behavior in mind. We also utilized our knowledge gained from our 18 years of Texas experience: we know the best routes, the drive times to retail locations, the special access requirements, and the expected retailer service levels that are unique to the Texas retail environment.

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### On the Move for the Texas Lottery

During calendar year 2009, our sales force managers, LSRs, and swing LSRs drove 3,479,708 miles in support of the Texas Lottery. This considerable mobility allowed us to build trusting and profitable business relationships with retailers that furthered their assistance in generating returns for the Foundation School Fund.

**Figure 8.4 – 9:  
LSRs and Their Territories**



**GTECH's Sales Force Is on the Move:** In 2009 alone, our sales force drove nearly 3.5 million miles in support of the Texas Lottery.

We will continually evaluate the territory plan, based on the changing Texas environment and increases to the retailer base, and recommend modifications as appropriate. We will, of course, always provide the TLC with the latest territory plan information and engage the Lottery for input and approval before making adjustments.

### Customized Service for Your Retailers

Since Texas retailers are a diverse group, we provide them with customized selling strategies instead of applying a "one-size-fits-all" plan. For instance, in the retail environment shown in the following figure, the retailer is doing a great job showcasing Lottery products. In this kind of store, LSRs focus on providing service well beyond the basics with customized approaches that reinforce what the retailer is already doing right.

**Figure 8.4 – 10:  
Customizing Retailer Service**



**Not a One-Size-Fits-All Plan:** Some retailers sell anything just to sell it, including Lottery products; others use Lottery products to drive business. LSRs adapt offered services to each kind of retailer to get them to see that the latter approach, such as is shown here, is best.

### **Staff-to-Retailer Ratio for LSR Activities**

To generate retailer satisfaction, we are responsive to the needs of every single retailer throughout the retailer life cycle. Our field sales staff-to-retailer ratio allows our LSRs to do the little things that matter to retailers. We will provide a monthly report of all LSR assignments at the retailer level and by sales district, closely monitoring resources to make sure our expert staff has ample time to supply top-quality service.

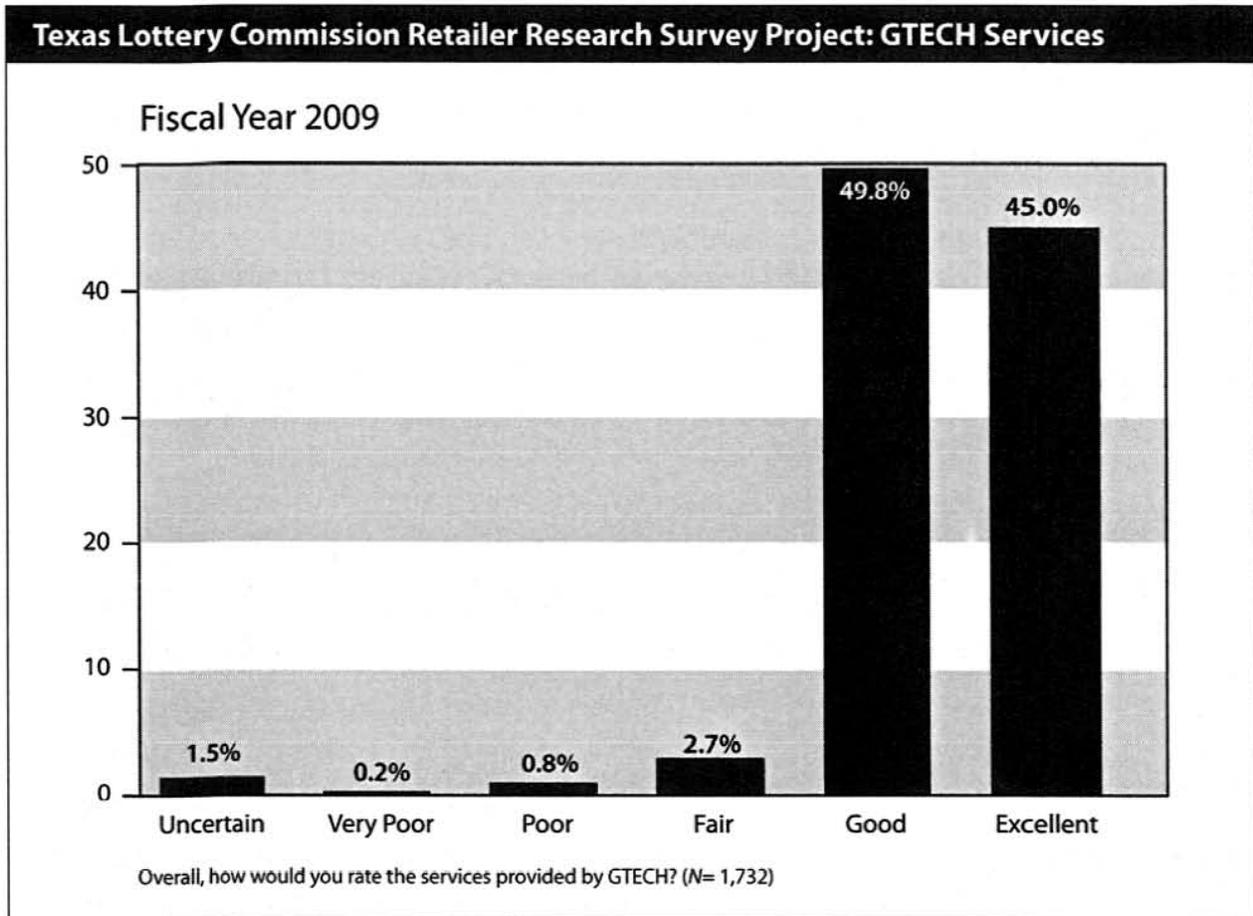
The following table shows our proposed field sales staff-to-retailer ratio as compared to other states with 10,000 or more retail locations.

**Confidentiality Claimed**  
**Not released**

### Fiscal Year 2009 Texas Lottery Commission Retailer Research Survey Project: GTECH Services

GTECH received strong overall retailer satisfaction ratings according to the Fiscal Year 2009 Texas Lottery Commission Retailer Research Survey Project. As shown in the following figure, approximately 95 percent of the TLC retailers surveyed rated our services as "Good" or "Excellent." Less than three percent rated GTECH services as "Fair" and one percent gave a rating of "Poor" or "Very Poor."

**Figure 8.4 – 12:**



Source: Texas Lottery Commission Retailer Research Survey Project, Fiscal Year 2009, Biannual Report, March 2009 – August 2009

## **Building Relationships to Last the Retailer Life Cycle**

The lasting business relationships that LSRs and other sales force members create with Texas retailers is one of the most important elements in sustaining and enhancing the success of the Lottery – the stronger the relationship, the better the all around retailer performance. The retailer/sales force relationship building process often starts during retailer recruitment. Please refer to the **Retailer Life Cycle Overview** found in Section 8.2, Sales Management and Business Development.

### **The GTECH Sales Force Is Committed to Assisting TLC Retailers**

Our sales force goes beyond expectations to ensure Texas Lottery retailers' success. For example, the sales force provided special services to Stripes Convenience Stores, a key Lottery account. During a change of ownership, the sales force worked over a weekend to ensure proper store-level inventory management and a seamless transfer of licenses and operations. By the following week, it was business as usual for 26 retailers. Our sales force is dedicated to seeing TLC retailers succeed and will continue to utilize all appropriate resources – from personalized merchandising plans to state-of-the-art technology – to optimize and expand the Lottery's retailer base.

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**Not released**

### **83.3**

#### **LSR Incentive Plan**

GTECH maintains a comprehensive annual incentive plan for its entire Sales, Marketing, and Business Development teams, including LSRs. We will provide this plan yearly, on or before May 31, and update it quarterly based on Texas Lottery product emphasis guidelines. Before implementing the plan and any proposed modifications, we will obtain the Lottery's approval.

We align our incentive programs with the Texas Lottery's product, promotion, and advertising initiatives to ensure that our team is always positioned to assist in maximizing returns to the Foundation School Fund. Once we establish service goals and communicate performance measurements to sales teams, we reinforce selling activities with appropriate compensation levels and incentives.

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To enhance performance further, we have supplemental incentive plans that reward staff members who perform work beyond their traditional job duties. In 2009, we issued 2,084 GTECH Building Excellence Gold and Silver Awards and 1,500 spot awards, totaling more than \$2 million in spending on additional employee recognition.

**83.4**  
**Sales Services to Optimize Performance**

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Not released**

**Figure 8.4 – 22:  
Effective Merchandising**



**Effective Merchandising Execution for Maximum Returns:** Assisting retailers with optimal placing of Instant Games will increase revenue returns to the state.

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**Confidentiality Claimed**  
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**Confidentiality Claimed**  
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## Customization Strategies and Instant Ticket Distribution

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Another example of our customization strategy at work is demonstrated by our executing on Instant Ticket distribution opportunities. le and our ), a new, state-of-the art Instant Ticket inventory management system (detailed in Section 8.4.1, Retailer Visit, and throughout Part 9, Warehouse and Distribution) are part of our automated process for ensuring proper customization to the client and transparent merchandising execution.

**Confidentiality Claimed  
Not released**

## Our 360° Marketing Program

Our 360° Marketing Program, as described in Section 8.3, Marketing, includes techniques, fitted to each retailer's environment, for optimizing the number and management of retailer facings. Optimizing retailer facings increases the likelihood that players find and purchase their favorite games, which benefits both retailers and players by driving sales and enhancing player satisfaction.

When facings are not at full capacity and optimally placed, fewer games are visible. This results in lower sales and a less favorable perception of the Lottery. Solutions for comprehensively managing facings include advanced inventory management systems and increasing sales calls frequency for certain retailers. [REDACTED] will play a part in managing facings for increasing sales through preventing lost sales opportunities due to stock-outs, minimizing the occurrence of unsold stock, and reducing time and effort spent on managing store inventory.

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**Not released**

**Figure 8.4 – 26:  
Optimized Retailer Facings**



**Keeping Retailers and Players Happy:**  
Texas Lottery retailers succeed when they have in stock the Lottery products customers want to buy.

Bin alterations and enhancements, such as the fluorescent frames we developed and supplied for the Blockbuster game, can help to highlight specific games and attract shoppers' attention to the suite of TLC product offerings.

**The Difference That Helpful LSRs Can Make**

To whom it may concern:

Anita Faggett and I (Becky Cooper) are supervisors of 24 convenience stores. We are called Food Fast, which has 69 stores in total. Tanja Wright is our Lottery Sales Representative, and she has helped us out so much. She has come to a couple of our manager meetings and gone over how important it is to keep the dispensers filled, and she has also tried to get the managers to change how the tickets are in the dispensers to help sales. She helps us out every time when we have problems with stolen tickets and with any questions we have. Tanja is a very good representative for the Lottery and for us. She helps the managers get their ticket sales up and works with them on a daily basis. We appreciate everything she does for us.

Thank you,  
Anita & Becky

A well-merchandised store creates an appealing, informative, and compelling atmosphere for consumers to make convenient and impulse Lottery ticket purchases. For retailers, properly merchandised stores create foot traffic and drive Lottery product sales, which in turn leads to retailers becoming Lottery advocates. Our 360° Marketing Program utilizes superior sales execution techniques to create an environment where players will easily find the games they want to play. Our goal is to have each retail outlet reflect the best practices of the 360° approach, creating a welcoming destination for Lottery players.

**Confidentiality Claimed**  
**Not released**

#### **Stripes Trade Show Sales Contest**

District Sales Manager Felipe Elizondo and his team provide service to more than 450 Stripes convenience stores. His team has consistently been "online, on time" with all Stripes store openings. In February 2009, we sponsored a retailer contest in Stripes stores where Stripes Area Managers received a drawing entry for 15 GTECH-purchased prizes, including flat-screen TVs and iPods, for every \$100 increase in each store's eight-week total Lottery sales average. Stripes stores earned a combined 1,107 contest entries, which resulted in great returns to Stripes and the Texas Lottery. Incremental sales dollars generated from the contest totaled \$476,262 with estimated return to the state equaling \$125,300.

## Customized Equipment and Merchandising

Because of the complexity of your retailer base, equipment deployment differs from retailer to retailer, depending on retailers' needs, environments, and trade styles. Our sales force will implement the most appropriate merchandising best practices and tailor equipment solutions for each retailer, delivering the right combination of marketing execution support and POS equipment for enhancing player and retailer experiences.

**Figure 8.4 – 27:  
The Right Equipment**



### **Custom Merchandising Solutions:**

Because strong merchandising drives Lottery revenues, the GTECH sales force works to provide equipment and POS solutions that meet each retailer's unique needs.

**Confidentiality Claimed  
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**Not released**

GTECH will also use new retailer recruiting methods, including having sales representatives' actively generate leads, capitalizing on established relationships with retailers. Our detailed plan to customize retailer services and strategically optimize sales through recruiting retailers from national chains to independent retailers is fully described in Section 8.2, Sales Management and Business Development.

### **Superior Communications**

We will strengthen communication with retailers on multiple fronts to enhance our professional relationships with retailers and optimize sales efforts. Proposed communication strategies include using:

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- 
- Targeted messaging and communications.
- Varied language capabilities.

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Please refer to Section 8.4.1, Retailer Visit, for more information or enhanced communications functionality.

## Targeted Messaging and Communication

Although the Lottery provides comprehensive communications and marketing solutions to retailers, ultimately the retailers (with support from sales service teams) are responsible for marketing Lottery products effectively. To aid them, GTECH and its sales force will ensure retailers continue to receive training on sales relationships, merchandising techniques, game types, promotions, incentives, communications, and distribution systems, so they thoroughly understand and efficiently promote the Lottery and its products. Proper emphasis for training (often recurring training) will be customized based upon our assessment of each retailer's needs.

The following figure illustrates a type of merchandising best practice LSRs share with retailers.

**Figure 8.4 – 30:**  
**Double-Facing Texas Lottery Set for Life Tickets**



**Training on Specific, Enhanced Merchandising Techniques:** Double-facing Instant products, a customized strategy, was part of the Set for Life promotion, which provided 3,011 retailers with a free pack of tickets and resulted in an incremental \$1.6 million in returns to the state.

## *Language Skills – Versatile Fluency and the Texas Marketing Landscape*

Our sales force can, and does, manage the kind of language multiplicity found in Texas. GTECH is already responding to retailer and player language needs by building a diverse sales force. At this time, 32 percent of our sales force is bilingual. In particular, many staff members are fluent in Spanish, Indian, Arabic, and/or Asian languages.

**32 percent of our sales force is bilingual.**

On regional levels, the north has the greatest number of Asian and Arabic speakers. South Texas has the most Spanish-speaking business owners, and the Southeast, which is the most diverse region, has the highest concentration of Indian-speaking business owners.

### **Figure 8.4 – 31: GTECH LSRs and Language Capabilities**

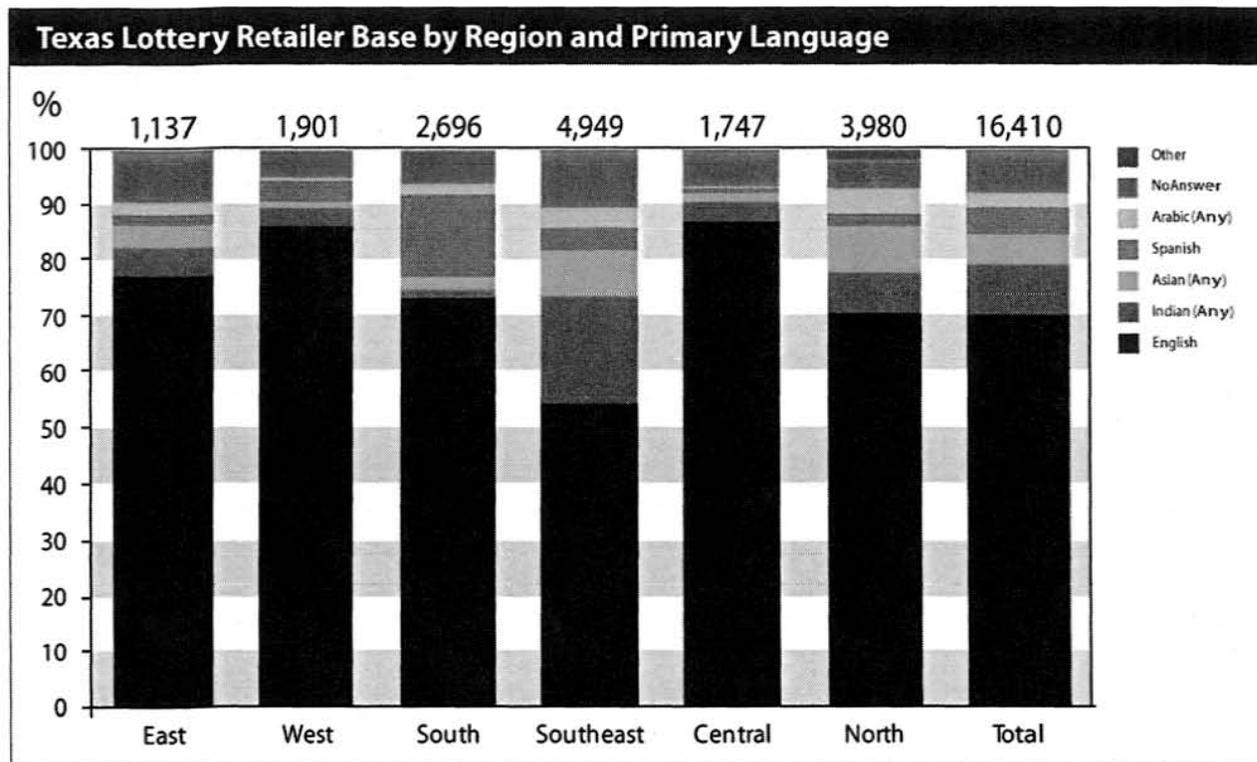


**Ensuring Optimal Sales:** Retailers succeed when they receive customized services such as assistance from multilingual LSRs.

### **Multilingual Service for Retailers**

Approximately 70 percent of the TLC's retailers speak English as their primary language. Approximately 10 percent speak Indian languages, and the remaining 20 percent speak other languages, including Arabic, Spanish, and various Asian languages. To address this kind of diversity, GTECH works hard to recruit and train LSRs who will provide the best in tailored support to your retailers and will continue to do so in the next contract.

**Figure 8.4 – 32:**



**Diverse Language Needs and Sales Success:** We will improve sales success through providing staff members with broad language skills.

**Multilingual Service for Players**

Since many retailers have non-English-speaking customers, Lottery sales and service staff who can communicate in preferred languages will provide appropriate multilingual support, including supplying multilingual POS materials. While only 5 percent of the TLC’s retailers indicate that Spanish is their primary language, approximately 26 percent of Texas’ citizens indicate that Spanish is their primary language. This high incidence of Spanish language fluency among Texans represents a need to connect with many players through bilingual messaging.

The Lottery and GTECH will help retailers communicate with their multi-lingual customers by improving multilingual messaging in POS materials and delivering language-specific POS materials that match retailers’ trade area demographics. In addition to using broad advertising capabilities, we can also program displays in different languages easily and inexpensively. By increasing bilingual messaging in POS materials, the Lottery will promote greater purchase frequency among its diverse player base.

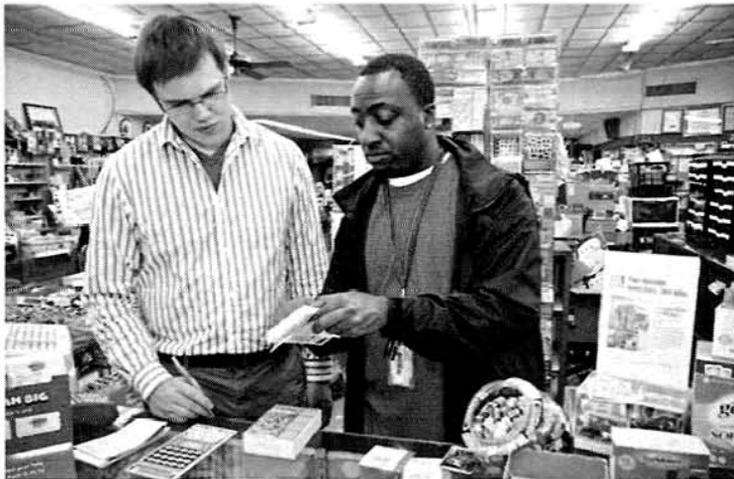
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Displaying messages, including multilingual messaging through will provide a vital link between the Lottery and consumers. can also convey specific game launch and winner awareness news according to region and consumer preferences within trade areas. offers the double advantage of requiring less of retailers in terms of marketing tasks while effectively targeting Lottery messaging to players.

### **Retailer Relationship Building**

The sales force will provide detail-oriented service using open, honest, consistent communications with retailers about their sales potential.

#### **Figure 8.4 – 33: Integrity in Our Retailer Interactions**



**GTECH's New Roles and Service Level Responsibilities:** We will further the TLC's goals by enhancing the Lottery's integrity with every retailer interaction, driving recruitment of eligible retailers and increasing sales volume across the board.

Leveraging relationships built with retailers by every GTECH team member, many of them in place since the TLC opened its doors in 1992, will help solidify the Lottery's position as an industry leader. In this regard, GTECH will consistently:

- Develop trust with retailers by doing business according to the company's core values and following through on commitments in every interaction.
- Foster relationships at multiple levels with retailer and chain accounts to customize marketing approaches to individual retailers.
- Close communication gaps at every stage of retailer operations and the leadership chain.

Our overarching goal – driving the decisions we make every day – is to facilitate successful selling experiences for retailers while offering the best quality entertainment experiences for Texas Lottery players. GTECH fosters an environment of dedication to one’s work and an attitude of optimism and open-mindedness toward business.

**GTECH LSR Dedication**

Hurricane Ike struck in September 2008, badly damaging or destroying many retailer locations. In the aftermath, District Sales Manager, Houston Northwest, Suhail Sharief showed the “above and beyond” dedication that is the hallmark of the GTECH Texas sales force. On weekdays and weekends, including early mornings and late evenings, Suhail met his retailers at their residences or other agreed-upon locations in Sugarland, League City, Texas City, and Galveston, helping with inquiries, inventory, temporary closures, and terminations. In some cases, he even provided basic provisions such as water and food. Like all of our sales team members, Suhail went the extra mile to meet his retailers’ special needs during and after the storm.

**Figure 8.4 – 34:  
Damage to a TLC Retailer Caused by  
Hurricane Ike**



**Meeting Retailers’ Needs in Extreme Circumstances:** When necessary, as it was following Hurricane Ike, GTECH LSRs go the distance to meet retailers’ needs.

Collaborative planning within our organization and with the Texas Lottery defines consistent and achievable goals and encourages creative thinking. Building and developing ideas through effective leadership, open communication, and full utilization of our staff members’ unique talents are established practices that continually bring success to our company, our employees, and, most important, to the TLC.

## **8.4.1 Retailer Visit**

### **Introduction**

Your vendor's sales team, specifically its Lottery Sales Representatives, represents the TLC to its retailers, players, and the Texas public more than 450,000 times per year. To represent the Lottery with trust and integrity, support the TLC's business plans, and increase revenue for Texas education, we offer new services, solutions, and technologies that underpin our retailer visit approach. We also offer Texas-proven retail optimization and marketing execution strategies – tactics that have assisted the Texas Lottery in returning more than \$1 billion to the Foundation School Fund in fiscal year 2009, notwithstanding tough economic times and the devastation caused by Hurricane Ike.

### **Retailer Relationship Building and TLC Retailer Environments**

We continually train our sales force in relationship building (as described in Section 6.8, Training) and arm them with strategic approaches and advanced technology to ensure optimal marketing execution. Because of this, GTECH LSRs are able to counter several factors unique to the Texas Lottery retailer environment.

Your products are sold in locations where multiple goods compete for consumers' discretionary dollars. In addition, vendors typically pay for merchandising space, whereas for the Lottery, this type of expenditure is not possible. Under these circumstances, relationship building really pays off.

Your retailers trust us: we have been building relationships with them for 18 years. These associations have allowed us to make the most of merchandising opportunities – opportunities that traditionally come at an expense for most companies. Through focused relationship building and innovative technology – as well as in-store sales, marketing, and merchandising-execution strategies and skills – our LSRs will ensure capture of consumer attention to increase Lottery sales in multiple settings within TLC retail environments.

## **and Retailer Visits**

Once strong retailer relationships are established, LSRs focus on driving Lottery sales. They do this by:

- Conveying information on policies, procedures, processes, and events.
- Delivering specialized training on sales techniques.
- Increasing retailers' footprint via effective merchandising and equipment placement.
- Distributing comprehensive product messaging to consumers.

**Confidentiality Claimed  
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### **Table 85 Retailer Visit Response Requirements**

#### **85.1 Roles, Responsibilities and Detail Requirements**

GTECH acknowledges and accepts the roles, responsibilities, and detail requirements indicated in this section.

## **85.2 Retailer Visits and Support**

Evaluated quarterly to ensure constant alignment with TLC objectives, our data-driven retailer visit plan spans from the Lottery level all the way through to the store level. The plan begins with organization leaders. Tom Stanek, Director of Sales, Marketing, and Business Development, will work with the Lottery to develop an overall sales and marketing strategy and identify expected growth projections. From there, GTECH Texas sales organization employees will build their territory, district, or regional plans to support the agreed-upon overall strategy. Each year, the plan will be adjusted to address any new goals.

Sales organization members will be evaluated annually on their performance with regard to alignment with the overall plan. In addition, we will provide an automated tracking and reporting system for tracking LSR visits to retail locations via the GTECH

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## **Retailer Visits and Sales Cycles**

Our sales force members will visit each TLC retailer, regardless of sales level or geographic region, at least once during each two-week sales cycle. As the retailer network increases, we will increase staffing to maintain our visitation and support responsibilities. We will submit the sales cycle schedule to the Lottery on an annual basis for each State fiscal year no later than August 1 each year and provide a plan, for the Lottery's approval, to supplement the staffing, visitation, and support requirements to drive enhanced retailer sales levels.

## **Retailer Visits and the In-Store Mission**

Retailer visits accounted for more than 350,000 service hours in support of the Texas Lottery in 2009. Because these sales calls are so important to increasing returns to the TLC and contributions to the Foundation School Fund, we will maximize future retailer support by providing fine-tuned assistance levels as part of our in-store mission.

## Procedures

Our in-store mission ensures that LSRs consistently deliver high-quality service to retailers while building necessary relationships and efficiently managing time. We train LSRs to take into account the “5 Ps of marketing,” which form the basis of our in-store mission:

- Product.
- Price.
- Promotion.
- Placement.
- People.

### **Figure 8.4 – 35: GTECH’s In-Store Mission**



**Product Knowledge:** Understanding which products sell best in each location lets LSRs customize product placement and build strong professional relationships with retailers.

To ensure proper attention to the 5 Ps of marketing, LSRs and sales team members follow five steps during two-week sales cycles (or supplemented visits):

1. Plan.
2. Survey.
3. Meet.
4. Execute.
5. Report.

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*Step 2: Survey*

Upon arriving at retailers, LSRs will survey retailer exterior and interior surroundings to identify opportunities or issues. They will ensure that all equipment is in working order and all POS is appropriately placed, and replace any damaged materials.

**Figure 8.4 – 37:  
LSR Inspection**



**Searching for Opportunities for Improvement:** LSRs look for ways to enhance retailer environments and verify that all equipment and peripherals are functioning well.

**Confidentiality Claimed  
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LSRs will conduct inventories during special retailer visits, such as changes of ownership or retailer terminations. At the request of the Texas Lottery, they will also visit retailers on an emergency basis to assist in retrieving information, equipment, inventory, etc., from the retailer. They will report back to the Lottery on the status of this type of visit as required.

***Step 3: Meet***

LSRs will meet with retailers face-to-face to understand their concerns and address them immediately. They will share customized retailer performance enhancement plans, selling-in the Texas Lottery's initiatives and specific merchandising plan goals and providing retailers with actionable information to drive sales. In addition, LSRs will discuss training opportunities, introduce new games, and announce upcoming sales promotions.

#### *Step 4: Execute*

LSRs will execute marketing activities: they will deliver POS materials, increase Instant Ticket facings, implement promotions, etc. Unless otherwise authorized by the Texas Lottery, LSRs will deliver sell-in, advertising, and other materials to all retailers in their territories within designated sales cycle schedules. Advertising materials will be delivered two weeks prior to the start of a new Lottery product.

LSRs will also develop and administer promotional programs with retailers in their territories. They will train retailers on policies, procedures, regulatory requirements, terminal operations, Lottery products, and promotions, and ensure optimum product display and merchandising of interiors and exteriors according to best practices and Lottery standards.

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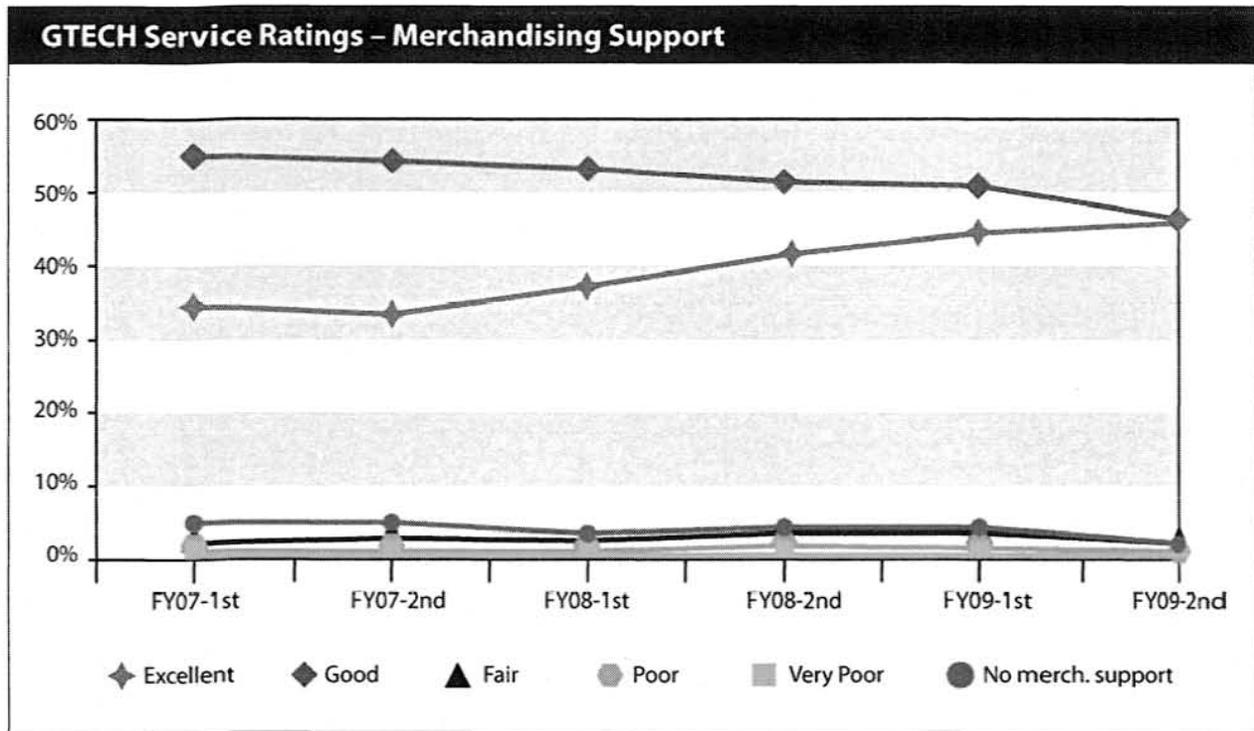
#### **GTECH Service Ratings – Merchandising**

LSRs will meet or exceed retailer satisfaction targets as set by the Texas Lottery (annual retailer satisfaction levels with LSR performance, as measured via statewide sampling, will be equal to or greater than 90 percent). For example, according to the Texas Lottery's Retailer Research Survey Project FY2009 Bi-Annual Report March 2009 – August 2009, 95.1 percent of retailers surveyed rated the merchandising support received from GTECH LSRs as "Good" or "Excellent." Roughly two percent rated merchandising support as "Fair," and 1.2 percent gave a rating of "Poor" or "Very Poor." Less than two percent had not received merchandising support.

Results from the second half of fiscal year 2009 represent a positive change over those from the first half of fiscal year 2007, when 91.1 percent of retailers rated LSRs' merchandising support as "Good" or "Excellent." Within that category, "Excellent" responses trended upward, moving from 34.6 percent to 47.2 percent. The percentage of retailers that had not received merchandising support decreased from 4 percent to 1.5 percent, and "Fair" responses declined from 4.2 percent to 2.2 percent; "Poor" and "Very Poor" responses remained stable at just over 1 percent.

We will provide corrective action plans to the Lottery for addressing missed retailer satisfaction targets.

Figure 8.4 – 38:



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### **LSRs and the Licensing Process**

On a continuing basis, LSRs will inform the Texas Lottery about any regulatory issues, ownership changes, or other conditions that might impact a retailer's license. Furthermore, when a retailer's license to sell Texas Lottery tickets is terminated or suspended, LSRs will recover the license and all materials provided to the retailer by GTECH and the Lottery, with the understanding that these types of visits are high priority and may require a same-day visit. LSRs will coordinate with all parties to recover and return property.

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### **LSR Performance Management**

We monitor and manage LSR performance to ensure that all LSR visit standards are being met through:

- Professional management and thorough training.
- In-depth field audits
- Effective use of .

### **Professional Management and Thorough Training**

Having two Regional Sales Managers; two Senior Sales, Merchandising, and Business Development Managers; and 14 District Sales Managers means GTECH's team has an average 1:7 manager-to-LSR ratio. This favorable ratio allows our managers to spend quality time in the field with sales team members.

The management team will certify that our field staff is:

- Properly executing marketing activities and reporting on sales cycles.
- Comprehensively educating retailers and players on products and promotions.
- Effectively selling and merchandising Texas Lottery products.
- Consistently providing retailers with adequate supplies.
- Regularly offering retailers opportunities to grow their businesses through promotions.

In addition, our management team will continually train LSRs and sales team members on building relationships, identifying proper merchandising and selling opportunities, and ensuring alignment with TLC policies and procedures. Having management in the field also allows them to receive direct feedback from retailers. This feedback and managers' activities will be tracked via

For additional information on our management team, please refer to Section 8.2, Sales Management and Business Development.

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## **In-Depth Field Audits**

To ensure that our almost 200 sales force members represent the Texas Lottery professionally and execute initiatives according to Lottery standards, we will invest in internal audits of LSR and sales team performance. In support of this commitment, we will create the new position of Field Audits Analyst. The Field Audits Analyst will coordinate with you to ensure sales force compliance with your requirements and business processes; develop operational, sales, field service, and security audit projects with steps for ensuring audit effectiveness; and design audit automation programs for measuring the efficiency of controls related to the use of

will be used for our mandatory, random compliance audits. The Field Audits Analyst will select an LSR for random auditing during his or her next retailer visit. The audit will be run through and the LSR will not be able to close the call until all of the audit actions are complete. A sample random compliance audit is outlined below.

**Confidentiality Claimed  
Not released**

In addition, the Field Audits Analyst will work with GTECH corporate, Texas-based security, and audit team members to conduct ad hoc and preventive audits of field operations throughout the year.

## Additional Performance Management Measures

We also have designed a customized performance management system to:

- Facilitate ongoing communication between employees and managers.
- Support the development of clear, consistent, and measurable goals linked directly to core values and competencies.
- Help articulate and support training needs and career development.
- Establish criteria for making reward and recognition decisions.

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## **8.4.2 LSR Ticket Retrieval, Transfers and Returns**

### **Table 88 LSR Ticket Retrieval, Transfers and Returns Response Requirements**

#### **88.1 Roles, Responsibilities and Detail Requirements**

GTECH acknowledges and accepts the roles, responsibilities, and detail requirements indicated in this section.

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## Confidentiality Claimed Not released

### *Returns, Transfers, and Retrievals*

Our Instant Ticket Management System will be configured to allow LSRs to process returns of both full and partial packs at retailer terminals according to the Texas Lottery's business rules. In addition, by supporting the use of transfers, our system enables LSRs to reissue full packs in their possession to retailers with an immediate need for additional inventory. With , returns and transfers are easy to execute; no manual forms are necessary when an LSR performs either function. Furthermore, returned or transferred packs and tickets are secure. While in the possession of an LSR, en route to the warehouse, and in the warehouse, Instant Tickets are not eligible for validation even if they were from a formerly "Active" pack.

To execute a return on the retailer terminal, the LSR simply logs onto the retailer terminal and accesses the application. The LSR then scans the inventory/validation bar code from one of the tickets in each pack to be returned, thereby indicating to the system that the packs are being returned. Should the bar code be unreadable, the LSR can enter the necessary data (game and pack number) manually using the terminal's touch screen. Following processing, the terminal prints two receipts: one for the retailer and the other for the LSR. Each receipt contains two signature lines.

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A partial pack can be returned in the same manner as a full pack, except that the LSR will also enter the starting and ending ticket numbers of the portion of the pack being returned. allows multiple portions or “ranges” from the same pack to be returned. As with full pack returns, the terminal prints two receipts. A sample LSR Partial Pack Return screen is shown in the following figure.

**Figure 8.4 – 63:**  
**Sample LSR Partial Pack Return Screen**

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**Special Feature: One-Step Process for Partial Pack Returns**

With partial packs can be processed as “Returned – Partial” without first manually settling the pack! will automatically settle the pack and credit the retailer’s account for the tickets being returned. This saves considerable time when compared to systems that require a two-step approach. Of course, if a pack was previously settled (such as by a chain), the situation is reversed and the retailer’s account is credited for the tickets being returned less the associated commission the retailer has already takes care of the accounting automatically, according to the Texas Lottery’s business rules.

**Figure 8.4 – 64:  
Another Way to Process Returns**

We have enhanced the Return function on so that up to ten packs or partial pack segments can be returned on a single receipt, significantly reducing the time required to return multiple packs of tickets. If additional full or partial packs need to be returned, additional return transactions may be performed in groups of 10.

## Field Management

LSRs review each retailer's Instant Game inventory for replenishment distribution cyclically, on a one- or two-week rotation. They evaluate sales performances of all distributable games to establish their priority in replenishment distribution. For more information, please see Section 7.13, Call Center Support.

**Confidentiality Claimed**  
**Not released**

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**Confidentiality Claimed**  
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### Determining the Need for Returns

For each scheduled retailer visit, LSRs will be able to quickly determine if a Return transaction is warranted. In the game inventory report, a *required* Return transaction, and slow-selling game inventory, will be a *suggested* Return transaction. Both are performed during the sales call. Upon further inventory review, LSRs will be able to select additional games they wish to return. The inventory review process can occur just prior to the scheduled retailer visit or during the scheduled retailer visit.

**Confidentiality Claimed  
Not released**

#### Processing Damaged Packs

Upon retailer request, natural disasters, etc., LSRs follow a step-by-step process to return damaged packs following TLC regulations.

**Confidentiality Claimed**  
**Not released**

When partial packs are returned from a retailer and in an LSR's possession, they must be shipped to the central warehouse for final processing. Full, non-damaged packs returned from a retailer and in an LSR's possession can be used as trunk stock and transferred to another retailer, if warranted, upon their inventory review. This process is described in Section 88.3, Retailer-to-Retailer Pack Transfers.

*Packing and Transferring Returns to the Warehouse*

**Confidentiality Claimed  
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**Confidentiality Claimed  
Not released**

Once processed, the LSR will pack the inventory as described previously and return it to the district office for transfer to our warehouse in Austin. Upon receipt at the warehouse, GTECH will verify the contents of the returns. Full packs of tickets from Active games will be available for reassignment to orders from other retailers; partial packs will be held in the Returned Goods cage of the warehouse pending reconciliation of the game after it is closed.

## *LSR Transaction Inquiries*

**Confidentiality Claimed  
Not released**

### *Processing Returns at the GTECH Warehouse*

GTECH recognizes that its current procedure for processing returns at the warehouse has not been optimal. Specifically, processing returns in the current manner means that good inventory is not always readily available to fill orders for retailers that may need it. In addition, we recognize that the current process doesn't provide the TLC with precise information as to the inventory that is potentially "at risk" in the field.

### *Recording Arrival at the Warehouse*

**Confidentiality Claimed  
Not released**

GTECH has re-evaluated its warehouse operation to improve overall performance. When it comes to ability and consistency in processing Initial Distribution and Replenishment orders, we will stack Dwayne Tatum and his team against any other lottery warehouse in existence. In short, their accuracy and on-time performance is second to none.

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#### **Retailer-to-Retailer Pack Transfers**

As stated previously, will reduce the necessity for transferring inventory to locations due to a retailer's supply shortage, supply overage, or incorrect game mix. But LSRs can utilize transfers as a tool to build selling relationships with retailers by suggesting and immediately introducing a new or enhanced Instant Game mix in order to increase sales.

Historically, there are situations in which retailers have needed a pack (or a couple of packs) of Instant Tickets to last them until they can receive a shipment from the warehouse one or two days later. The system will allow LSRs to transfer full packs of tickets in their possession to a retailer in one of two ways:

1. Through the retailer's sales terminal.
2. Through the handheld device.

To transfer full packs of tickets to a retailer, the LSR will sign on to the retailer's terminal and select the "Transfer Inventory" button from the special menu. The LSR will then scan the inventory/validation bar code from any one of the tickets in the pack being transferred. Like processing a return, the LSR can also enter the required data (game and pack number) using the terminal's touch screen. Retailers who receive a pack or packs of tickets that were transferred by the LSR will see an increase in the number of packs in their on-hand inventory count.

### **Determining the Need for Transfers**

If warranted upon inventory review, LSRs can transfer returned Instant Tickets to another retailer.

**Confidentiality Claimed**  
**Not released**

## Processing Transfers

We will configure the new system to allow retailers to transfer full packs of Instant Tickets to another retailer. The system will allow such transfers under two scenarios:

- The retailer needing the additional packs visits a retailer to pick up the packs.
- The retailer transferring the packs visits the retailer needing the packs.

In both cases, the system will record the retailer transferring the packs and the retailer receiving the packs. As with an LSR transfer, the system will print two receipts so that each retailer will have one. To perform a transfer, the retailer, who will be giving the inventory to the other retailer, will access a new "Transfer Instant Tickets" button on the Instant Services menu of the retailer terminal. Next, the retailer will enter their retailer number and password. This will confirm their identity and authorization to make the transfer. The retailer will be presented with a screen similar to the one in the following figure.

### **Figure 8.4 – 70: Sample Instant Ticket Transfer Screen**

The screen will also include a field (like the box to manually enter the game and pack number shown in the previous figure) so that the retailer identification number of the retailer receiving the packs can be entered.

To transfer a pack, the retailer will scan the inventory/validation bar code from one of the tickets in the pack to be transferred. In the unlikely event that the bar code cannot be scanned, the game and pack number can be entered using the keypad on the terminal. The system will produce two receipts with two signature lines for each retailer's records.

**will update each retailer's inventory as each pack is transferred in real time.**

will update each retailer's inventory as each pack is transferred in real time. Any necessary accounting adjustments will occur automatically, also in real time. If the retailer who transferred the pack had previously settled the pack manually, the system will credit the retailer's account accordingly, including automatically reversing the commission. The pack will be assigned a "Confirmed" status and be counted as on-hand inventory for the retailer who receives the pack.

## Security, Control and Inventory Optimization

As described previously, retailer-to-retailer transfers will require appropriate sign-on controls in order to ensure the integrity of the process. Because these transactions will occur using the \_\_\_\_\_, there will be a permanent record of each transfer, including who performed it, in the \_\_\_\_\_. In addition, we will be able to perform appropriate status and ownership checks as part of the transfer process.

**The \_\_\_\_\_ will enable us to identify any recurring issues associated with retailer-to-retailer transfers.**

Throughout our proposal, we have indicated the steps we will take to improve the inventory optimization of Instant Tickets for retailers. On the surface, the need for a retailer-to-retailer transfer potentially identifies a deficiency in our operation. Therefore, we will use the capabilities of our \_\_\_\_\_

package to report all such transfers. Both Chuck Faulkner and our District Sales Managers will use this report to identify recurring issues with the goal of correcting the underlying reasons for retailer-to-retailer transfers. In particular, we will review these situations to see if they involve a particular retailer, a particular LSR, and/or a particular Instant Ticket Specialist.

## LSR Transactions by Authorized Staff

is typically configured to allow authorized staff to transfer inventory to and from an LSR electronically. The system also allows authorized staff to transfer inventory between two LSRs (typically in response to a phone call). In these situations, the system allows staff to transfer either individual packs of tickets or full cartons (as received from your Instant Ticket vendors). This feature can be especially helpful if a large quantity of packs from a single game is to be transferred. Though rarely needed, it serves as an example of how GTECH has equipped Enterprise Series with the flexibility to deal with unusual situations with full security and accountability right from the start.

One of the themes inherent throughout your RFP is the Texas Lottery's requirement to increase the flexibility of the system while maintaining the integrity of the TLC's operations. The additional flexibility will optimize inventory availability and utilization. Our system was originally designed to provide flexibility in many areas. We can easily support the requested functionality so that retailers will be able to transfer Instant Tickets and rolls of On-Line Ticket stock to another retailer.

## Retailer-to-Retailer On-Line Roll Stock Transfers

We will configure our system to allow retailers to transfer individual rolls of On-Line Ticket stock to another retailer. The process we propose will be very similar to that for retailer-to-retailer transfers of Instant Ticket packs. As with retailer-to-retailer transfers, we will support the same two scenarios for the transfer of On-Line Ticket rolls:

- The retailer needing the additional packs visits a retailer to pick up the packs.
- The retailer transferring the packs visits the retailer needing the packs.

To initiate the transfer, the retailer who will be providing the rolls to the receiving retailer will select the "Transfer On-Line Rolls" button on the Special Services menu. Then the retailer will enter his or her retailer identification number and password as described earlier. At this point, the retailer will be presented with a screen for entering the identification information about the roll. Entry of the required data will initially occur using either the keypad or by scanning a bar code attached to each roll. As with Instant Ticket transfers, the system will produce two receipts with two signature lines for the retailers.

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While we hope the need for a retailer to approach another retailer for a roll (or rolls) of On-Line Ticket stock is rare, we recognize that this functionality can be useful. Because these transactions will be recorded in the \_\_\_\_\_ we will use the \_\_\_\_\_ to provide reports on these transfers so that we can determine if there are any issues that need to be addressed within the GTECH team. Because of the nature of On-Line Ticket roll stock, any reports for our staff will only partially identify the particular roll (for example, the last three or four digits of the identification number). Of course, we envision that the TLC's Security Department will be able to view the full identification number should they need to investigate any issues regarding these transfers or rolls.

### **8.4.3 Instant Ticket Game Close**

#### **Table 91 Instant Ticket Game Close Response Requirements**

##### **91.1 Roles, Responsibilities and Detail Requirements**

GTECH acknowledges and accepts the roles and responsibilities and detail requirements indicated in this section.

##### **91.2 Instant Ticket Game Close**

Upon official notification from the TLC of an Instant Ticket game closing, GTECH will initiate its process for closing the game. To ensure prompt response to this notice, we ask that it continue to be made to our on-duty computer operations manager by email. Our process is designed to work efficiently no matter what the criterion on which TLC bases its decision to close a game.

## The Game-Closing Process

There are four stages (or periods of time) in the TLC's game-closing process. Each stage has its own rules and regulations regarding a game's ticket retrieval. Upon notice of game closing from the TLC, our operations department will set date parameters for each period. The ES Mobile, ADIS, and business processes implemented in the terminal returns process will use these date parameters to ensure our LSRs' complete compliance with all rules and regulations during each period.

Following are descriptions of each period and a summary of rules and regulations with which LSRs must comply.

- **Pre-Call Period:** This is a notification period to retailers and LSRs that a game is nearing one of the criteria for a close game decision to be made. There is no mandatory action to be taken by retailers or LSRs during this period. This period lasts for 30 days.
- **Call Period:** When a game is in a Called status, LSRs are allowed to begin returning partial and full pack inventories of the game. Sales of the game are still permitted (unless there is a problem with the game or if a game's last top prize has been claimed). LSRs must have *all* inventory of the Called game in their possession by the end of this period. This period lasts for 45 days.
- **Close Period:** Before a game is in a Closed status, LSRs must have returned all full and partial inventories. Validations of outstanding winners and returns of "missed" inventory (due to inventory in a Settled status during the Call period) are allowed during this period; game sales are not. This period lasts for 180 days.
- **End of Validation:** This is the final stage in the TLC's closing game process. No transactions of a game are allowed after the End of Validation date. Sales, validations, system returns, and manual returns are all discontinued.

Games closed by the TLC due to the claim of its last top prize or due to a problem that warrants immediate removal from retailers will not have a Pre-Call period. In order to expedite the retrieval of field inventories for such games, the Pre-Call period is bypassed; a Call period can be set for the current day, allowing LSRs to immediately begin processing partial and full pack return pack transactions. This will be a designation made by our operations department at the time of date parameter confirmation and data entry, based upon the instructions received from the TLC.

The following figure shows an example of the screen used to implement the closing of a game.

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The return bags are collected at our district offices. At the offices, the individual bags are placed into a larger transport bag that is locked before being given to our truck driver. Returns are collected from our district offices each week and driven to our warehouse in Austin. Because El Paso and McAllen are so far from Austin, the returns are sealed in cartons and shipped via a carrier to the warehouse. Using this approach, our LSRs will be able to collect "called games" from retailers well within the 45-day period required by the TLC. Of course, we recognize that the TLC may require the collection of a game faster than 45 days.

## Processing Returns at the Warehouse

Upon arrival at the warehouse, the returns will be processed as discussed in Section 8.4.2, LSR Ticket Retrieval, Transfers and Returns, Subsection 88.2, Ticket Retrieval, Transfers and Returns, and Section 9.2, New Instant Ticket Delivery and Storage, Subsection 103.2, Managing, Fulfilling, and Storing Orders.

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Authorized TLC staff in the auditing and accounting groups will be able to track the progress of the collection of the closed game from the retailers, the arrival of the returns at the warehouse, and the processing of the returns. The Inventory Summary report, which shows the inventory in each status for a game, is the easiest way to view this information.

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Once the packs have been verified, they are assigned to cartons to facilitate the TLC's end-of-game reconciliation process. The cartons are arranged and secured on skids in numerical sequence to await reconciliation. Our warehouse team will assist your staff in performing the reconciliation checks as necessary.

### **Ticket Destruction**

Upon receipt of official notification from the TLC, our warehouse staff will arrange for and schedule the secure destruction of the tickets in the game. The ticket destruction process is described in Section 9.4, Instant Ticket and On-Line Ticket Stock Destruction, Subsection 114.3, Destruction of Instant and On-Line Ticket Stock.

### **Faster and More Visible Game Closings**

GTECH has the technology and processes in place to close Instant Games quickly, eliminating any additional potential liability or negative public relations situations. In addition, we have the technology to provide the TLC with visibility into the progress of the process. Once the returns arrive at the warehouse, our team will quickly verify them so that the TLC will be able to begin the reconciliation process sooner than it can today.



# 8.5

## Retailer Contests and Retailer-Based Player Promotions



# 8.5

## Retailer Contests and Retailer-Based Player Promotions

### Introduction

Promotions are one of the most important tools used to enhance the lottery experience for both players and retailers. Our 18 years of experience in Texas provides us with the perspective to recommend enhancements to various player and retailer promotional strategies. The Texas Lottery has demonstrated creative retail contests and player promotions while operating under fairly strict rule limitations. From retailer pack incentive contests to recent initiatives, such as retailer cash incentives and exclusive corporate co-op promotions, the TLC has been proactive in trying new programs to boost sales.

Your products and retail service team's tangible investments and strategic planning focus, combined with our support, will ensure sales growth today and in the future. And our proposed staffing plan allocates the appropriate resources to support simultaneous product initiatives and campaigns to build excitement and a positive brand image at the retail location, where it matters most. In addition, our advanced technology and tools will provide more visibility into our analytic research, prize distribution, and promotion execution. We are also better equipped to provide auditable activity reporting to the TLC, and foster a more efficient information flow between the TLC, Texas Lottery retailers, and GTECH.

We will also provide promotion development sessions, in the form of group discussions of past, present, and future promotional opportunities. We will analyze promotions done in Texas as well as other jurisdictions to identify concepts that should be a part of your future promotional plans. We will also identify other promotions that interest the TLC and help execute them, no matter where the idea comes from, to our fullest capabilities. With a portfolio of promotional success stories from our lottery experience in Texas, throughout the U.S., and around the world, we will work with the TLC to determine which promotions will be effective in Texas and how they should be implemented.

We can deploy these promotions instantaneously, through multiple channels, with our \_\_\_\_\_ system, as described in detail in Section 7.6.3, Sales and Marketing System General Requirements. \_\_\_\_\_ has a proven track record of supporting multiple promotions simultaneously and ultimately increasing revenue in many other jurisdictions. Combining experienced and knowledgeable GTECH sales and marketing teams with a flexible \_\_\_\_\_ system, the Texas Lottery will be positioned to deploy exciting, effective, and newsworthy promotions for many years to come.

### **Table 93**

## **Retailer Contests and Retailer-Based Player Promotions Response Requirements**

### **93.1**

#### **Roles, Responsibilities and Detail Requirements**

GTECH acknowledges and accepts the roles, responsibilities, and detail requirements indicated in this section.

### **93.2**

#### **Contests and Promotions**

As part of our proposed 360° Marketing Program, which is highlighted in Section 8.3, Marketing, we will work with the TLC to identify and effectively deploy innovative promotions to drive Lottery sales and ensure they are strategically tied to overall product initiatives and Point-Of-Sale (POS) materials. This synergy will maximize the impact of your promotional campaigns. Developing effective, revenue-generating promotion plans requires robust marketing analytics, best practices gained through real-time field intelligence, collaborative execution plans, an appropriately staffed organization, and a comprehensive review and evaluation process.

There are multiple levels of communication each time the Texas Lottery executes a retailer contest or player promotion. We are committed to providing the TLC with all relevant information to plan and develop promotions, as well as create execution guides, which are essential in explaining the promotional programs to our sales organization. We will also continue to provide feedback on sell-in materials developed for retailers and, as appropriate, participate in the development of player-based marketing and communication materials.

The TLC and its successful proposer will each own responsibilities for different parts of the promotion process. This requires open communication to identify potential road blocks and align efforts to execute promotions that reward players and retailers in a timely and efficient manner. The newly-enhanced GTECH sales organization has been strategically designed to execute promotions more effectively based on what we've learned in Texas over the past years. Everyone with direct responsibility for growing the retailer base, through either same-store sales increases or retailer expansion, will be responsible for effectively executing retailer promotions. Our Corporate Accounts Team will be actively engaged in negotiating the sell-in of exclusive co-op promotions, strategically planning these events, and executing them to increase corporate account Instant and On-Line Ticket sales.

### **Promotions Fitting into Overall Strategy**

Our strategy to utilize retailer and player contests and promotions includes:

- Preserving current players' interest.
- Generating interest among potential new players.
- Rewarding and motivating current retailers.
- Attracting new retailers.

A robust marketing approach engages multiple business departments and media channels. These successful marketing and promotional campaigns go beyond the marketing department and include sales, software, technology, and field service (from GTECH as well as TLC retailer services, advertising, and products teams). In addition, the customized and converted system, with its point-and-click functionality, is ready to execute promotions quicker and easier than the TLC's previous system.

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Aligning promotional activities with overall strategic planning, product introductions, and brand awareness is essential to increasing Instant and On-Line Game sales. Unique in-store player promotions keep players engaged by offering opportunities or rewards to increase purchases. Promotions also provide a continuous stream of new events, which helps keep the Lottery top-of-mind among its player base. Promotions are a major part of the overall marketing planning calendar that is driven by product news.

By coordinating across all products, channels, and media outlets, we will improve retailer and player experiences and thus increase sales while capturing new players and selling opportunities. Capturing new players also allows the TLC to grow revenue in a socially responsible way. Revenue from new players greatly limits any potential problem gaming hazards that may arise if revenue growth is stimulated by attracting significant additional business from your current players. When the TLC and GTECH identify key initiatives, we will invest the time and resources necessary to support each program.

A best practice strategy for executing promotions may follow this type of sequence:

1. Lead with a Lottery Sales Representative (LSR) incentive based on factors such as distribution or sales increase.
2. Offer a clerk or retailer promotion. This will encourage retailers to ask for the sale of a particular game or product and provide LSRs the opportunity to train on the features and benefits of the product.
3. Once the store has had its promotion, follow it up with a player promotion (direct mail or specific offering).

### **Promotional Support Infrastructure**

Making the entire promotions strategy possible is a support infrastructure that carries the promotion from concept and development to execution and then analysis. These are woven into this integrated plan to optimize retailer and player experiences. This support infrastructure will facilitate and reinforce the marketing and merchandising plan to yield the full impact the Lottery aims to have on consumers.

## Promotional Planning

A complete and in-depth promotional plan is crucial to the success of your promotion. We will work with you to provide a comprehensive planning calendar to ensure your promotions are optimized to work in concert with:

- Events, special occasions, and holidays.
- Public relations campaigns.
- Product approaches.
- Advertising strategies.
- Marketing and communications tactics.
- Corporate communications tactics.
- Research and development objectives.

While a system capable of processing promotions is crucial, without a comprehensive and synergistic planning approach, it's nearly impossible to maximize the success of your promotions.

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### *Sales Analysis and GTECH's Lottery Marketing Database*

Another tool that can help the TLC plan promotions, through industry trend analysis, is the GTECH Lottery Marketing Database (LMDB). With more than 20 years of stored data, the LMDB is the industry's most comprehensive database. For more information about the LMDB, please see Section 8.8, Research and Lottery Product Development.

When it comes to promotional planning, the TLC can tap into the database to see how a similar promotion may have performed in another jurisdiction, which types of promotions have been used in neighboring jurisdictions, or other information about the promotion performance of other lotteries.

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## *PRIZM*

Our PRIZM demographic information software, described further in Section 8.8, Research and Lottery Product Development, is also able to help in the promotion planning process. By mapping demographics using the 66 demographic and behavior types that PRIZM classifies, promotions can be focused to better match the characteristics of particular demographics present in a particular geographic area.

## Creativity and Flawless Execution

Among the core values we instill in our sales force are creativity and flawless execution. These values are especially important when it comes to promotions. We plan collaboratively within our organization, and with the Texas Lottery, to define consistent and achievable goals while encouraging everyone to challenge convention. We also build and develop ideas through collaborative leadership and fully utilizing the unique talents within our company. To establish clear accountabilities and produce superior results for the Texas Lottery, we have identified five key areas of focus for promotional success.

1. **Planning:** We work to collaboratively plan and organize projects to ensure deliverables are on time and meet the Texas Lottery's expectations. It is our objective to continuously utilize current information about trends that impact the business and clearly communicate this information to all parties involved.
2. **Goal Setting:** We set high standards for quality and expectations for how an assignment should be executed, and then measure our success against these goals. Evaluating past performance and sharing the results with key stakeholders is important to improving results for the future.
3. **Innovation:** GTECH leadership is committed to engaging all levels of the organization and the Texas Lottery to positively challenge the current way of thinking and gain new insights into our business practices. We acknowledge that our employees and the Texas Lottery may see things from different perspectives and it is our job to capture this brainpower to generate ideas.

4. **Resource Utilization:** In today's environment, resources are not to be wasted. We appreciate all of the tools the Texas Lottery has provided to our sales organization to assist with growing the business, and we hold our teams accountable for full and responsible utilization, not only of their own talents but also the material resources made available to them to do their jobs.
5. **Execution:** To properly execute promotions, we encourage our employees to ask for help when necessary, measure progress against our plans, and document business processes and results. We also hold each other accountable for results and engage all levels of the organization to deliver the best service possible to the Texas Lottery, its retailers, and its players. Communication is vital as we strive to make sure all levels of the sales organization and all departments are aware of current initiatives and actions. To achieve this, we distribute execution guides monthly throughout the sales organization, Field Service Technician (FST) team, National Response Center (NRC), and Operations team.

We will also provide a standalone, automated Random Number Generator (RNG), plus one backup RNG, certified by a third party to support player and/or retailer incentives or promotions.

### *Sales Force*

Sales force support for retailers will be critical to maximizing revenue growth from promotions. The sales force will implement the promotional best practices that are most appropriate for each retailer to achieve its maximum sales growth by:

- Training retailers to familiarize them with all game types, promotions, and incentives.
- Customizing in-store promotional sales and merchandising strategies for each independent and corporate retailer interaction.
- Providing customized, store-level recommendations to corporate retailers.
- Advising retailers on promotions to maximize sales.
- Providing the appropriate merchandising tools to effectively communicate promotions to their players.

As competition for consumers' discretionary dollars continues to expand, the relationship between the sales force and retailers is one of the most important elements in the success of the Lottery. The sales force serves as the primary interface with retailers and players, becoming the "face" of the Texas Lottery. As this face, working with retailers to create and implement successful promotional strategies is critical to the relationship.

We have refined our sales force management strategies to closer align with the Texas Lottery's objectives. This includes a compensation and incentive plan that has been reworked and modified through the years to appropriately allocate incentive resources and objectives to drive sales of both On-Line and Instant products. Promotions play a big part in driving this sales growth and we expect our sales organization to develop these programs with the independent retailers and corporate accounts they service.

Our experience and the retailer relationships we have developed in Texas allow us to implement effective promotions in an efficient manner. Our 18 years in Texas means we know what will work where and how to get it done. Our long-standing relationships with Texas retailers also instill trust that the promotions we implement are a valuable use of their time in terms of growing sales.

While we do use predictive sales models, which are helpful to developing promotional strategies, it's important to note that further information is necessary to execute a promotion to its fullest potential. The predictive sales model assumes that best practices for retailer product promotions are executed. It does not consider variables impossible to determine, such as store manager/owner/clerk support and changes in car or foot traffic. The sales force will have to assess intangible retailer characteristics which cannot be accounted for in the predictive sales modeling but could have a considerable effect on Texas Lottery sales such as retailer participation and foot traffic. With this knowledge, our LSRs are well-equipped to help retailers meet their potential by helping them plan and execute long-term promotional events that are tailored to the retailer.

Promotional planning will be the manifestation of the tailored marketing plans devised for Key Accounts. The promotions will be targeted and designed specifically to gain sales of Texas Lottery products from existing players while garnering new players simultaneously.

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The GTECH \_\_\_\_\_), used by the sales force, will also be a critical tool in ensuring promotional success. LSRs will be able to set up promotions via \_\_\_\_\_ Mobile, track inventory, and schedule FSTs. It also can track retailer performance in real time. Thus, on sales visits, LSRs can provide immediate feedback as to how a player promotion is performing or how close the retailer is to a goal.

### Promotion Tracking and Assessments

All of the data generated from your hard work developing and executing promotions will be retained within the new, converted system. In addition to supporting promotional planning, we will also support your post-promotion analysis process, which examines the effectiveness of promotions. This valuable procedure assesses customer responsiveness to various techniques and will provide you with information for adjusting your strategies accordingly.

Our Promotions Manager/Coordinator will provide the reports necessary for TLC promotion tracking and post-promotion analysis. Additional Promotions Manager/Coordinator responsibilities will include:

- Participating in the promotional planning process with the TLC and GTECH Field Marketing Manager.
- Working with our Corporate Marketing Group to propose product and promotional initiatives.
- Facilitating the development of any supporting graphic POS materials needed to run an effective promotion.
- Ensuring correct promotion setup on the system, including developing new \_\_\_\_\_ communications for approval by TLC.
- Providing reports with promotion results (e.g., promotional count by region by day for free tickets, submission of clerk vouchers, sales lift analysis, etc.).
- Providing quarterly and yearly promotion summary reports.

## Traditional Player Promotions

Promotions are an essential part of any game program because they increase players' propensity to purchase certain products, enhance players' experience, encourage trial among potential new players, and increase awareness of the Lottery and its specific games. Successful player promotions keep players engaged and excited about the Lottery by giving them opportunities to win free Instant Games or merchandise.

**Figure 8.5 – 4:  
Player Promotion Examples**

Promotion and Features	Benefit	Best Time to Offer It
<p><b>Second Chance to Win</b>            Players get the opportunity to use non-winning Lottery tickets to enter a weekly in-store drawing for store and Lottery merchandise</p>	<ul style="list-style-type: none"> <li>• Creates winners out of non-winners</li> <li>• Creates news at retailer outside a major marketing initiative or product launch</li> <li>• Rewards players</li> <li>• Provides a venue for retailers to differentiate themselves in the marketplace</li> </ul>	Any time is a good time for Second Chance to Win promotions
<p><b>Buy Five, Get 1 Free</b>            With a \$5 purchase of <i>Mega Millions</i>® tickets, customers get a Free \$1 <i>Lotto Texas</i>® Quick Pick</p>	<ul style="list-style-type: none"> <li>• Encourages higher dollar transactions</li> <li>• Creates news at retailer outside a major marketing initiative or product launch</li> <li>• Rewards players</li> <li>• Encourages trial of new games</li> </ul>	To boost overall transactions when needed in the market place. During times of the year to bring awareness to a game that has limited player interest by "partnering" with a more popular game
<p><b>Direct Mail</b>            Free tickets tied to a specific game purchase are distributed and funded by the Lottery; this is designed to draw traffic into retail locations. Texas has historically experienced very high response rates (5 percent) from its direct mail campaigns</p>	<ul style="list-style-type: none"> <li>• Reaches new players</li> <li>• Creates news</li> <li>• Rewards players</li> <li>• Encourages trial among existing and new players</li> </ul>	Supporting a new game or product launch initiative. Or delivering an overall message from the brand to the public

The Lottery can increase player enthusiasm and participation by continually keeping promotions exciting and fresh. Potential new player promotions include:

- **Bonus Payout On-Line Game Offers:** These are incremental prize payouts funded by the Lottery and used to encourage players to increase their purchases during the promotion period. An example would be an incremental prize payout of 20 percent for one week for winning daily draw tickets. Based on the New York Lottery's experience, these offers can generate 5 to 10 percent incremental sales over base for the weeks of and following the offer.
- **Lottery Website:** This will provide opportunities to expand the player base through customer service and reward programs, contemporary "play for fun" entertainment, and the eventual introduction of "play for money" interactive Lottery games. The key to making the Website work for sales is to encourage players to register (provide their ages and addresses) for the immediate benefits of getting discount coupons, subscriptions for current games, etc.

## Coupons

The TLC will be able to employ coupons with bar-coded serial numbers produced by third-party sources for sales promotions, using our ES Promotions application, which permits the use of coupon promotions. The new converted system will also be able to use the coupons the TLC uses today. (Please note: Third-party coupons should be created with *traceable* bar codes containing *unique* serial numbers.)

**Figure 8.5 – 5:  
Sample External Coupon**



**Draw Players In:** Offering added value through pre-printed coupons is a great way to attract new players to Lottery games.

Just a few ideas for using pre-printed, bar-coded coupons include employing them with direct mail, newspaper supplements, player clubs, etc. to run general promotions, offer game discounts, and/or distribute free tickets. As an example of a successful coupon promotion, the New York Lottery direct-mailed four-color, tri-folded coupon flyers featuring the new Instant Game, *Money, Money, Money*, from May 11, 2008, through June 30, 2008.

Players could present coupons and receive one free \$1 Instant Game, \$1 off any game priced at more than \$2, or buy one, get one of a Take Five, *Mega Millions*®, or Lotto game. The redemption rates were exceptional (at least 40 percent for each game).

### Corporation-Specific Promotions

We also recommend that the Lottery concentrate on corporation-specific promotions as another method of enhancing the retailer and player experiences. Different forms of corporate promotions include:

- **Retail Chain Co-Promotions:** Participating chains are able to promote their businesses, store openings, new products, and services within the store and conduct promotions in conjunction with other chain sales events, such as:
  - A coupon for certain promotional items. This type of coupon gives players something free (e.g., a deli sandwich or cup of coffee) when players buy a preset quantity of On-Line Tickets.
  - A coupon for a discount or free sample at a new store.
- **Brand Co-Promotions:** Companies can design promotions that offer consumers incentives for trying new lottery games or making a package purchase (e.g., buy two Lotto tickets, get a discount on new Doritos). In this way, the company extends its marketing reach to new consumers, and retailers maximize brands to drive sales of both products.
- **Major Entertainment Co-Promotions:** Nationwide, lotteries have run many successful promotions with major retailers such as Blockbuster, Jiffy Lube, and several professional sports teams. GTECH recently helped the TLC facilitate this type of co-promotion of the new Dallas Cowboys and Houston Texans Instant Tickets. To support the new games, the TLC offered free tickets to Cowboys and Texans games for top-selling retailers, and GTECH purchased parking vouchers for the Cowboys games to make the prize even more enticing.

## Co-Op Promotions

Co-op promotions are a powerful approach to motivating retailers to take more ownership of Lottery marketing in their stores, which in turn improves sales. We help the TLC design store-brand-item co-op promotions that provide a free store-brand item with the purchase of a Texas Lottery product. These promotions market the Lottery in a new way that resonates with customers by tying the Lottery and retailer brand together.

**Figure 8.5 – 6:**  
**Co-Op Cross-Promotion Example**

**MILLIONAIRE MONDAYS**

**FREE**  
TEXAS LOTTERY  
**MEGA MILLIONS**  
with MEGA MULTIPLIER

**\$1 Lottery Ticket**

**Coffee**  
(Mrs. Baird's 8ct. Donuts—Powdered Sugar, Chocolate or Cinnamon)

**Donuts**

For a limited time only, starting each Monday beginning January 4, 2010. Promotion subject to and without liability, other valid exclusions at Texas Lottery Commission's (TLC) discretion. Retailers of any size offering MEGA Millions. Retailer's 8 count donuts required to receive a FREE Texas Lottery Mega Millions \$1 Lottery Ticket. Must be 20 years of age or older to participate in purchase of Texas Lottery Mega Millions. If purchase made after 11:59 PM, 11/11/10, online sales end at 11:59 AM. For Texas Lottery rules go to [www.texaslottery.com](http://www.texaslottery.com).

**MILLIONAIRE MONDAYS**

**FREE**  
TEXAS LOTTERY  
**MEGA MILLIONS**  
with MEGA MULTIPLIER

**\$1 Lottery Ticket**  
When you purchase any size coffee  
and Mrs. Baird's Donuts  
(Mrs. Baird's 8ct. Donuts—Powdered Sugar, Chocolate or Cinnamon)

For a limited time only, starting each Monday beginning January 4, 2010. Promotion subject to and without liability, other valid exclusions at Texas Lottery Commission's (TLC) discretion. Retailers of any size offering MEGA Millions. Retailer's 8 count donuts required to receive a FREE Texas Lottery Mega Millions \$1 Lottery Ticket. Must be 20 years of age or older to participate in purchase of Texas Lottery Mega Millions. If purchase made after 11:59 PM, 11/11/10, online sales end at 11:59 AM. For Texas Lottery rules go to [www.texaslottery.com](http://www.texaslottery.com).

**Buy Something, Get Something:** This promotion saw a 7 percent lift in coffee sales, an 84 percent increase in donut sales, and a 26 percent increase in *Mega Millions* sales.

Cefco, the Millionaire Monday corporate account, is also planning to run a *Powerball*® promotion, whereby customers can get a free *Powerball* ticket when they buy a Powerade and a Powerbar.

Co-op promotions are a win-win proposition for retailers and the Lottery. Retailers are eager to participate in co-op promotions because they provide an exclusive offer, which drives player foot traffic to their stores and increases sales. These promotions also foster good will among participating retailers who in turn pay more attention to the Lottery category and begin to make changes to enhance its overall performance. Co-op promotions can also be product-specific to drive sales of a particular product in conjunction with Lottery products. This generates new player interest.

Our corporate account team has worked with the TLC to place greater emphasis on these promotions during the past year. Our team has engaged corporate accounts in Texas to run co-op promotions, developed relationships, and built trust with the corporate accounts in this area, and continues to streamline its approach to co-op promotion execution.

A co-op promotion may offer a free \$1 *Mega Millions* Quick Pick with a \$5 or more purchase of *Lotto Texas* games at certain retailers during a specified period of time. In these promotions, the Lottery pays the cost of the free ticket, and the retailers pay for the promotion marketing.

**Figure 8.5 – 7:  
Sample Co-Op Promotion Advertisement**



**FREE**  
**\$1 Mega Millions®**  
**Quick Pick**  
with a \$5 or more purchase of  
**Lotto Texas®** on one ticket.

Offer good 9/01/09 – 10/05/09. Exclusively at: 

**TEXAS LOTTERY**  
A Texas Game. The Official Game for Drawing every Wednesday & Saturday.

**TEXAS LOTTERY**  
**MEGA MILLIONS**  
MEGAPLIER  
Total biggest prize of all Drawings every Tuesday & Friday!

**MAYBE IT'S YOUR LUCKY DAY.**

**- TEXAS LOTTERY -**

**Added Value:** We will work with the TLC's corporate accounts to develop these co-branded promotions, which could have the retailer offer a free coffee with purchase of \$5 worth of Lottery games or a free \$1 Lottery game with the purchase of a car wash, for example.

GTECH will also provide creative design support and facilitation of marketing material approval by the TLC.

**Case Study: Valero Co-Op Promotion**

In September 2009, GTECH and the TLC worked with the Valero Corporation on an exclusive, month-long promotion to substantially drive sales of Texas Lottery On-Line Games. It was the first time Valero had run this type of promotion. All players who bought a \$5 *Lotto* ticket got a free \$1 *Mega Millions* Quick Pick ticket in 640 Valero locations across Texas. The POS support for the promotion, created and produced by Valero, totaled more than 5,024 individual pieces. Valero’s marketing investment was nearly \$135,000 (or about \$210 per store) for this promotion.

**Figure 8.5 – 8:  
Valero Exclusive Promotional POS in the Field**



**Big Results:** This Valero-exclusive promotion helped facilitate big gains in *Lotto Texas* transactions of \$5 or more at Valero stores.

We sold in the promotion, facilitated the approval of the promotion with the TLC, and designed and printed supplemental POS to support the promotion. Our LSRs worked with the individual stores to educate retailers on the promotion and help them merchandise according to the Plan-O-Gram. We also monitored sales performance and provided sales analysis at the end of the promotion.

During the promotion, the TLC funded 332,096 free \$1 *Mega Millions* tickets. The promotion helped increase *Lotto Texas* transactions of \$5 or more at Valero locations by 84 percent, with more than \$2.6 million of total *Lotto Texas* sales during the month-long promotion.

Currently, the Lottery only offers co-op promotions to key corporate accounts. However, we are working on packages that could potentially be used by large consortiums of retailers, such as the Texas-based Greater Austin Merchants Association (GAMA), which is comprised of 275 independent retailers.

**Case Study: Brookshire Brothers Co-Op Promotion**

Brookshire Brothers participated in an exclusive On-Line promotion that ran from June 28, 2009, through July 11, 2009. This promotion improved sales significantly and increased retailer participation in the Lottery. About 115 locations participated in the promotion, which offered customers a free \$1 *Lotto Texas* Quick Pick with a \$5 or more purchase of *Mega Millions*. Brookshire Brothers retailers took on greater ownership of the promotion by placing a front-page ad on a direct mail brochure to 850,000 households, inserting 1,000 flyers (per store) into grocery bags at checkout, posting oversized posters at store entrances, and advertising the Lottery on their in-store radios. The promotion was a tremendous success; it resulted in a 166 percent increase in *Mega Millions* transactions compared to the previous year and a 38 percent increase in On-Line sales compared to the two weeks prior to the promotion.

*"GTECH put together some great promotions last year that really helped grow our overall lottery business. We saw close to a 40% increase in sales during those promotions you put together."*

- Phil Metzinger, Vice President Specialty Beverage and Tobacco Operations, Brookshire Brothers

**Figure 8.5 – 9:  
2009 and Early 2010 Corporate Account Promotions**

Corporate Account and Timeframe	Promotion	Sales Increase
H-E-B, 4/5/09-4/18/09	<ul style="list-style-type: none"> <li>• Free \$1 <i>Lotto Texas</i> tickets</li> <li>• 30,351 generated</li> </ul>	49% increase in On-Line sales
H-E-B, 8/16/09-8/29/09	<ul style="list-style-type: none"> <li>• Free \$1 <i>Lotto Texas</i> tickets</li> <li>• 87,638 generated</li> </ul>	66% increase in On-Line sales
Brookshire Brothers, 6/28/09-7/11/09	<ul style="list-style-type: none"> <li>• Free \$1 <i>Lotto Texas</i> tickets</li> <li>• 4,756 generated</li> </ul>	27% increase in On-Line sales
Valero, 9/1/09-10/5/09	<ul style="list-style-type: none"> <li>• Free <i>Mega Millions</i> tickets</li> <li>• 332,096 generated</li> </ul>	84% increase of <i>Lotto Texas</i> transactions greater than \$5
Brookshire Brothers, 10/28/09-11/7/09	<ul style="list-style-type: none"> <li>• Free \$1 <i>Lotto Texas</i> tickets</li> <li>• 3,043 generated</li> </ul>	55% increase in average weekly <i>Mega Millions</i> sales
Timewise, 1/11/10-1/24/10	<ul style="list-style-type: none"> <li>• Free \$1 <i>Lotto Texas</i> tickets</li> <li>• 16,568 generated</li> </ul>	44% increase in <i>Mega Millions</i> sales

We also have plans for co-op promotions at Fiesta, Murphy, and Kroger.

### *Selling-In the Promotion*

The relationships we've developed with corporate accounts in Texas have allowed us many opportunities to sell-in co-op promotions. During the past year, we've created a more systematic approach, determining what corporate accounts will offer in return for running a promotion. In collaboration with the Texas Lottery, we've begun to develop packaged requirements based on the trade class of the Corporate Account. This will allow us to be more consistent, gain the right visibility for the promotion, calculate the proper value of marketing support from the retailer, and execute an even smoother sell-in process.

Figure 8.5 – 10:

**Sample Corporate Account Promotion POS Guide**



3.5x5.5 Ad



8x10 Sign



3" Sticker



11x8.5 Sign



28x44 Poster

**FREE**

**Maybe It's Your Lucky Day**

Offer good October 25 - November 7, 2009.  
Exclusively at:

**PLACE LOGO HERE**



**MAYBE IT'S YOUR LUCKY DAY**

-TEXAS LOTTERY-



-TEXAS LOTTERY



**FREE**

**Maybe It's Your Lucky Day**

Offer good October 25 - November 7, 2009.  
Exclusively at:

**PLACE LOGO HERE**



**MAYBE IT'S YOUR LUCKY DAY**

-TEXAS LOTTERY-

Lotto (only award odds are 7 to 77. Mega Millions award odds are 1 in 40. Only one (1) FREE Lotto Texas Quick Pick will be generated for each Mega Millions purchase of \$20 or more. The Texas Lottery reserves the right to discontinue this promotion at any time. Must be 18 years of age or older to purchase a Texas Lottery ticket. Play Responsibly.

**One Size Does Not Fit All:** With different “packaged” plans for different types of corporate accounts, we can help maximize promotional resources by ensuring each corporate account gets what it needs.

We can provide the TLC with co-op media and promotional sponsorship tools that will drive sales of Texas Lottery products and provide new opportunities for TLC Key Accounts. These include:

- Retailer-run “selling events” where retailers encourage players to purchase the promotional item but also educate them on how to play the games and utilize the Texas Lottery’s self-service equipment.
- Creation and utilization of nontraditional POS pieces/placement, such as security monitor ad placement as customers enter the store and cash register electronic messaging as customers are checking out.
- Design of store-brand-item co-op promotions that provides a free item with the purchase of Texas Lottery products.

### Cross-Product Promotions

Cross-product promotions are a very effective tool for encouraging those players who prefer to play Instant Games to try the On-Line suite of products. These promotions leverage the popularity of Instant Games to increase player awareness and participation in On-Line Games. The promotions typically provide game discounts (e.g., a player buys “X” amount of Game A, and receives “Y” amount of Game B free), wherein the first game (the “trigger”) is an Instant Game, and the bonus is an On-Line Game. Cross-product promotions can also offer a free On-Line Game as the prize on an Instant Ticket, giving players a free chance to try out the On-Line portfolio.

**Case Study: Boot Scootin' Bucks and Instant Cash Five**

The Texas Lottery has already experienced success with two cross-promotions. *Boot Scootin' Bucks* and *Instant Cash Five*. These are two Instant Games where \$1 Quick Picks of On-Line Games *Texas Two Step*® and *Cash Five*®, respectively, are among the prizes offered. Not only did these Instant Games boost sales of their companion On-Line Games, but they also generated incremental revenue on their own (\$7.9 million for *Instant Cash Five* and \$7.4 million for *Boot Scootin' Bucks*).

**Figure 8.5 – 11:**  
**Instant Cash Five and Boot Scootin' Bucks Tickets**

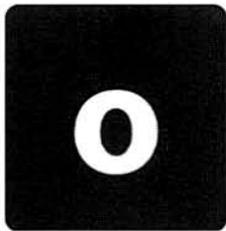


**Big Bucks:** These two cross-promotion games brought in more than \$15 million in incremental revenue for the TLC.



## Promotional Game Design and Execution from IGI Europrint

GTECH's subsidiary, IGI Europrint, is a game content provider with more than 30 years of worldwide promotional and lottery game production experience. It specializes in promotional games used for newspaper inserts, direct mail campaigns, and food product cross-promotions (which rely on game play printed on food wrappers and bottle caps). Clients include blue chip companies like Coca Cola, Pepsi, McDonalds, Burger King, Masterfoods, Camelot, Britvic, Barclays Bank, and Tesco. The promotions enable purchasers of these products to enter their unique codes into mobile phones or Websites for a chance to win prizes.

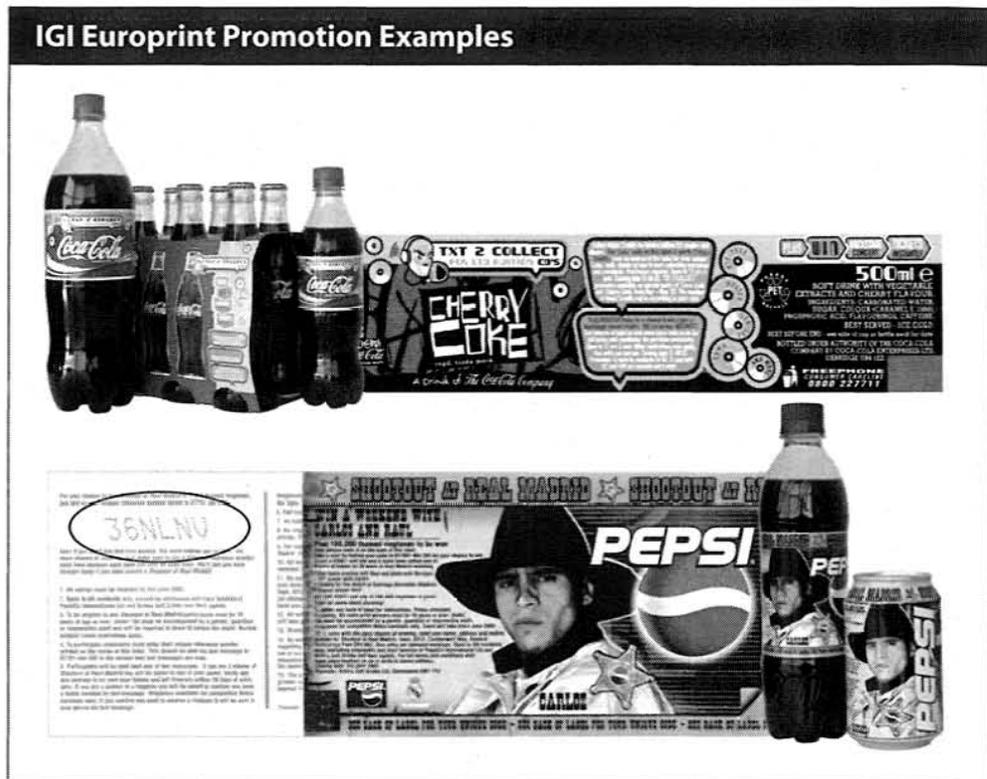


This type of promotional experience can drive players to your Website and provide access to a wide range of products for cross-promotion with the Lottery's products. (IGI's service aspects, such as promotion ideation and design, are included in the base offering. Printing, distribution, etc. would be provided as an **Offered Option**.)

IGI's expertise lies in innovative game and promotion creation, sophisticated software development, advanced mathematics, and state-of-the-art printing. IGI also developed BingoVision, a lottery TV bingo game that has created more than \$1 billion in revenue for more than 10 different lotteries.

From concept development to prize fulfillment, IGI provides a full range of game and promotion services using numerous creative methods. IGI products drive lottery and game awareness to expand audience reach and increase new and traditional lottery game sales. In addition to our own comprehensive game and promotion portfolio, IGI offers an extensive promotional game suite that can be used to advertise lottery games in Texas – in many ways. Whether promoting bingo in newspapers, Instant Tickets on Pepsi bottles, or sports-themed games on TV, IGI has the creativity and experience for promoting today's and tomorrow's lottery games.

Figure 8.5 – 12:



**Cross-Promote Your Products in a Brand New Way:** Often using tie-ins with popular brands, IGI Europrint offers creative promotion design, products, and services.

No other lottery vendor offers you an entire subsidiary dedicated to promotions. IGI's expertise is based on a combination of game development expertise, creativity, sophisticated computer software, advanced mathematics, and state-of-the-art printing knowledge. It provides promotional products for the lottery industry and can help create awareness and sales for new and traditional lottery games.

**Confidentiality Claimed**  
**Not released**

**Confidentiality Claimed  
Not released**

**Confidentiality Claimed**  
**Not released**

**Confidentiality Claimed  
Not released**

## Retailer Promotions and Contests

In the last few years, the Lottery has had success with several retailer incentive promotions and should continue to use them in the future. Since 2003, we have worked with the TLC to conduct 32 retailer contests. These retailer promotions have typically included free Instant Game packs, themed prize packages, or premium seats to sporting events as prizes. Most frequently, retailers qualify for chances to win these prizes based on the performance criteria for the particular contest and usually have multiple chances to win as their performance increases.

### Stripes February 2009 Trade Show Sales Contest

This is an example of a GTECH-sponsored sales contest. For every \$100 increase in each store's current 8-week total lottery sales average, they received an entry into a drawing for up to 15 prizes including 50-inch flat screen TVs and IPODs. In all, 1,107 contest entries were earned by individual Stripes stores. The contest generated more than \$475,000 in incremental sales, and returned more than \$125,000 to the State of Texas, and Stripes was pleased with it as well. According to Jill Johnson, Stripes category manager, "As a result of interest and increase in sales (in 2009), we have implemented the contest again in 2010."

We have also worked with the TLC to run retailer contests that are not based on entries for a drawing, but rather any retailer who meets a certain criteria wins the prize for that contest. These are shown in the following figure.

**Figure 8.5 – 13:  
TLC Retailer Contests, June 2003 through January 2010**

Contest Date	Contest Name
June 1 - 28, 2003	\$5 Harley Davidson Retailer Contest
June 15 - July 12, 2003	\$2 Fast Tracks Retailer Contest
June 29 - July 26, 2003	\$5 Harley Davidson Retailer Contest
October 26, 2003 - January 3, 2004	\$20 Retailer Contest
June 13 - July 10, 2004	\$5 Corvette Cash Retailer Contest
June 27 - August 7, 2004	\$25 Retailer Contest
October 24 - December 4, 2004	\$30 Retailer Contest
January 23 - February 26, 2005	\$20 Retailer Contest

Contest Date	Contest Name
February 20 - April 2, 2005	\$5 Retailer Contest
June 12 - 25, 2005	<i>Mega Million's Megaplier</i> ® Retailer Contest
July 10 - 23, 2005	<i>Mega Million's Megaplier</i> Retailer Contest
July 10 - 23, 2005	<i>Mega Million's Megaplier</i> Retailer Contest
September 25 - October 22, 2005	\$10 <i>Texas Hold'Em</i> ™ Retailer Contest
May 28 - June 24, 2006	\$2 PacMan Retailer Contest
August 13 - September 9, 2006	\$10 World Poker Tour Retailer Contest
September 17 - October 15, 2006	\$2 Betty Boop Retailer Contest
October 16 - November 11, 2006	\$2 Rocky Retailer Contest
November 26 - December 30, 2006	Holiday Retailer Contest
January 7 - 27, 2007	\$2 Price is Right Retailer Contest
February 11 - March 10, 2007	\$30 Retailer Contest
May 7 - June 17, 2007	\$50 Retailer Contest
November 25 - December 2007	Holiday Retailer Contest
February 10 - March 2008	\$50 Retailer Contest
March 30 - May 10, 2008	\$10 and \$20 Retailer Contest
November 24 - December 27, 2008	Holiday Retailer Contest
January 25 - March 7, 2009	\$20 Retailer Contest
July 12 - August 22, 2009	\$20 <i>Blockbuster</i> ® Retailer Contest
August 17 - September 12, 2009	Dallas Cowboys Retailer Contest
August 17 - October 24, 2009	Houston Texans Retailer Contest
September 13 - October 3, 2009	Dallas Cowboys Retailer Contest
October 4 - October 24, 2009	Dallas Cowboys Retailer Contest
December 6, 2009 - January 2, 2010	Holiday Retailer Contest

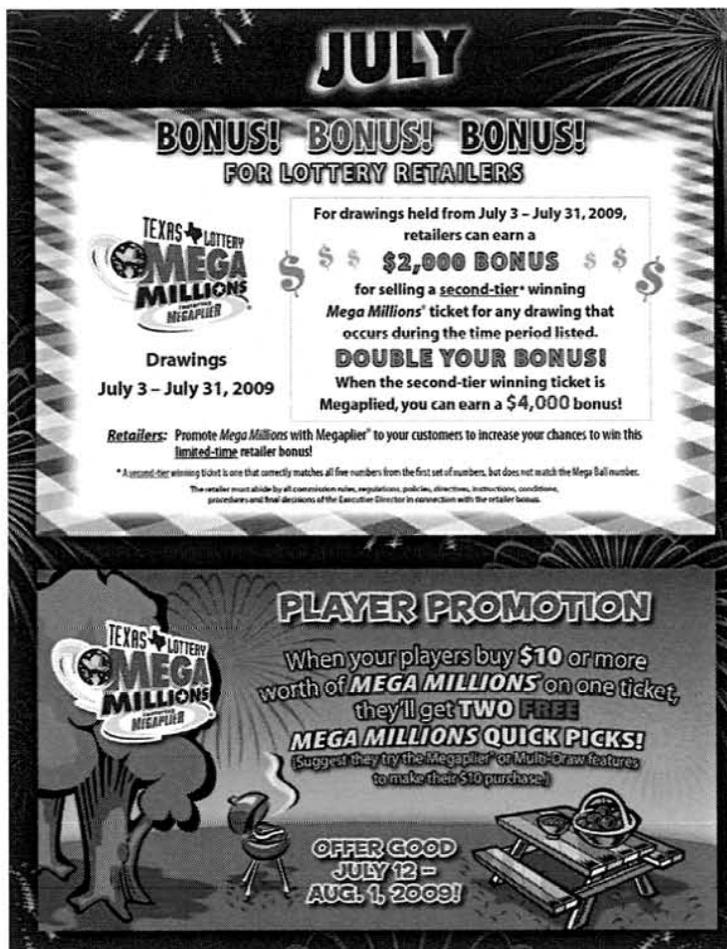
The Texas Lottery has typically utilized three main types of retailer contests and promotions.

**Figure 8.5 – 14:  
TLC Retailer Contests and Promotion Examples**

Contest/Features	Benefits	When to Use
<p><b>Retailer Pack Incentives:</b> Rewards retailers who meet and exceed set sales thresholds for a specific game or suite of games with free packs</p>	<ul style="list-style-type: none"> <li>• Drives or maintains sales momentum of specific games/game themes</li> <li>• Promotes retailer investment in driving Texas Lottery product sales</li> <li>• Encourages retailers to provide game awareness and benefits among existing and new players</li> <li>• Gives any retailer a chance to earn free packs</li> <li>• Involves limited financial liability</li> <li>• Easy sell-in and simplicity for retailers to execute and measure performance</li> </ul>	<p>Within 4 to 6 weeks after launch of initial distributions or when specific game sales start to slump or need a push to close</p>
<p><b>Clerk Voucher Promotions:</b> Rewards clerks for promoting and selling a designated number of Texas Lottery product purchases with a voucher for a free promotional item, e.g., free t-shirts, tool kits, etc.</p>	<ul style="list-style-type: none"> <li>• Drives or maintains sales momentum of TLC products</li> <li>• Promotes clerk investment in driving Texas Lottery product sales</li> <li>• Motivates clerks to provide game awareness and benefits among existing and new players</li> <li>• Creates excitement about the TLC and encourages a positive public attitude toward the Lottery and its mission</li> </ul>	<p>Prior to a planned player promotion so the practice of asking for the sales will continue into the player promotion</p>
<p><b>Ask for the Sale:</b> Rewards retailers with 50 free Instant Tickets if they consistently ask all customers if they'd like to purchase a Texas Lottery product</p>	<ul style="list-style-type: none"> <li>• Drives or maintains TLC product sales</li> <li>• Promotes retailer investment in driving Lottery product sales</li> <li>• Initiates game awareness among existing and new players</li> <li>• Encourages existing and new players to try new games</li> <li>• Creates excitement about the TLC and encourages a positive public attitude toward the Lottery and its mission</li> <li>• Preserves current players' interest</li> <li>• Motivates current retailers with rewards</li> <li>• Rewards current players and attracts potential new players</li> <li>• Limits investment liability to enforce recommended behavior</li> <li>• Gains extra POS footprint in retail locations</li> </ul>	<p>On regular intervals to prompt clerks to ask for the sale of Texas Lottery products until it becomes standard practice</p>

As we have implemented these promotions, we have executed a complex business process to ensure that everything that needs to happen for a retailer does happen. This process starts more than two weeks prior to the contest from when the flyer is distributed at our district sales meetings and when we deliver the list of winning retailers within five working days of the conclusion of the contest, to more than two months after the contest when we receive all signature sheets and packing sheets for winning packs and tickets, and compile and review the forms before forwarding them to the TLC.

**Figure 8.5 – 15:**  
**Retailer Incentive Brochure Example**



**Generating Excitement:** Brochures informing TLC retailers about upcoming incentive promotions were very well-received.

Once the Texas Lottery approves the list, we will deliver prizes to the winning retailers within 30 working days and provide signed receipts from the winning retailers to the Texas Lottery.

**Confidentiality Claimed**  
**Not released**

The moving parts to these promotions have previously been handled primarily through manual paperwork. However, our new handheld LSR solution will automate most of this process, making it easier to execute and increasing the reliability of the information. The process is also made more secure overall as [redacted] can capture signatures, thus eliminating paperwork.

Retailer contests increase retailer aptitude to focus on certain products, enhance their Lottery experience, and increase retailer awareness of the Lottery and its specific games. Retailer promotions provide retailers with incentives to sell more actively and participate in the success of the Lottery.

The Super Set for Life retailer contest is an example of one incentive that has boosted Instant Game sales in Texas.

**Case Study: Super Set for Life Retailer Incentive**

A Super Set for Life incentive on \$20 tickets, which ran from January 25, 2009, through March 7, 2009, exemplifies a typical "instant pack settlement" retailer promotion. Retailers were offered a free pack of \$2 Weekly Grand if they activated seven Super Set for Life packs (with validations). A total of 1,171 retailers succeeded in activating seven Super Set for Life packs, qualifying for the free pack. This promotion generated strong results of more than \$2.3 million in additional sales and \$270,000 in incremental returns to the state over the six-week period.

Retailer incentives also played a role in the success of the Blockbuster game by offering retailers a free Blockbuster pack with the activation and validation of seven packs within a seven-week time frame.

Looking forward, we have outlined additional incentives that will enhance the player and retailer experience through performance-based rewards while driving additional sales for the Texas Lottery. These include partner play promotions, variable commission rates, and corporation-specific promotions. Besides being highlighted earlier in this section, corporation-specific promotions are outlined, in detail, in Section 8.2, Sales Management and Business Development.

### Partner Play Promotions

We recommend that the Lottery introduce partner play promotions. These incentives will allow retailers to join in the excitement of playing the Lottery (e.g., if a player purchases 5 retail games, the retailer can get one free). The Texas Lottery can implement this type of initiative to promote specific games within the Instant Game portfolio. As retailers get more involved with the product portfolio, they will transfer their excitement onto players and enhance the play experience.

### Variable Commission Rates

For certain terminal and instant products, allows commission rates to be set differently from the default value. For certain retailers or retailer subsets, also allows for commission rates to be temporarily or permanently set differently from the default.

**Figure 8.5 – 17:  
Variable Commission Rates in Wisconsin**

**MEGA MILLIONS**  
featuring MEGAPLIER

January 31 - February 20, 2010

**25¢ for every Megaplier!**

*Earn an Additional 19.5¢ for each Megaplier you sell. Regular commission is 5.5¢...for a total of 25¢*

For a limited time!

Remind your clerks to ask players for the Megaplier sale during a Mega Millions purchase! The more Megaplier tickets you sell, the more you earn!

**Ask for the Megaplier sale!**

By administrative rule the incentives for this program cannot exceed \$300,000. For detailed features and procedures, contact the Retailer Hotline at 1.800.242.7762.

with complete flexibility to configure commission rates, like this example from Wisconsin.

Information Redacted  
\$552.101/466.022/552.139

Because some On-Line and Instant Game commission rates may need to be set differently from the default value, and because the commission rates of certain retailers or retailer subsets may need to be temporarily or permanently set differently from the default, additional classes can be added to the system as required. Commission classes can be added for one or more days or any portion of a day.

For example, some lotteries have used temporary increases in retailer commission rates to build strong foundations for new game launches. Having the ability to perform rate adjustments so easily will give you a great way to focus retailer attention on new games.

### The Minnesota State Lottery's Print-N-Play

When the Minnesota State Lottery re-launched its Instant On-Line product as Print-N-Play in August 2008, retailers were offered double commissions on sales for the first four weeks of the game. Compared to the 13-week period before the promotion, Print-N-Play \$3 Crossword sales increased by 5.24 percent during the promotion and 5.44 percent in the 13 weeks after the promotion.

For the new contract, we are proposing a variety of advanced technologies, such as \_\_\_\_\_ that will enhance promotional awareness among players and retailers and enable the TLC to deploy promotions to the entire state of Texas with just a few keystrokes. It will also give the TLC the flexibility to deliver regionalized promotions for specific On-Line Games. For example, you could gear promotions toward the "double-blue" segment of the retailer base, or deploy chain-specific promotions with minimal POS production costs.

**Figure 8.5 – 18:**  
**and Promotions**

DAILY4	\$500.00
PICK3	\$100.00
TOTAL	\$600.00

**Get the Message Out Now:**  
technology will all but eliminate the trickle effect of a two-week sales cycle.

## Confidentiality Claimed Not released

### Improving on Success

Continuing to improve upon the already successful development, execution, and measurement of promotional execution and incentive plans is a key area in which the TLC can facilitate growth in the coming years. We will continue the collaborative working relationship with your products and retailer services team to develop interesting and fun incentives that create excitement and news around product launches and retailer initiatives. Similar to today, we will provide you with research on current initiatives in other lottery jurisdictions, recommend solutions for new programs, execute incentives at retail, follow up with reviews that will measure the effectiveness of each incentive investment, and explore opportunities to improve future initiatives.

Our unmatched experience makes us the most qualified proposer to provide you the promotional assistance, in every realm of the promotional process, that you need to run successful promotional campaigns. With new technologies such as \_\_\_\_\_, and future capabilities on the Internet, we are always looking ahead to make sure the TLC is prepared for the future. In addition to a system that can handle all of your needs, we offer industry knowledge, customer experiences, best practices, and all-inclusive marketing plans to make sure your promotional campaigns attain the most profitable results.

Information Redacted  
§552.101/466.022/552.139

## **93.3 Retailer Incentive Programs**

### **Retailer Cash Incentive Programs**

Retailer cash incentive programs are a slightly different type of retailer incentive program, as they award cash directly to retailers for driving product sales, as opposed to utilizing other merchandise prizes. By offering cash incentives to retailers, the TLC is able to build good will among retailers, attract new retailers who may be discouraged by the 5 percent commission structure, and reward and motivate current retailers.

It is best to consistently utilize cash incentives throughout the year, in 13-week intervals. Program parameters should vary slightly to avoid creating the expectation that the program is permanent. Retailer cash incentives can also be used to focus retailers on particular sales needs the TLC identifies throughout the fiscal year. Working with other jurisdictions, we have developed some additional best practice strategies for retailer cash incentive programs:

- Keep the incentive program's "action message" simple, define targeted objectives, and identify the activities involved with strict measurement and success criteria.
- Reward incentives often enough and to enough retailers to promote new winners. Advertise the program to retailers, and support these initiatives with an aggressive winner retailer awareness program.
- Develop incentives based on the annual calendar of events and quarterly product focus.
- When possible, break down enough to localize by LSR-territory, sales volume, region, chain account, etc.

We will also provide an annual incentive program plan for retailers, based on the State fiscal year and on or before May 31<sup>st</sup> each year, for approval by the Texas Lottery. Proposed changes to this plan will be submitted to the Texas Lottery for prior approval.

**Case Study: Massachusetts Lottery**

The Massachusetts Lottery is the leading instant per capita jurisdiction in the world. The Lottery started an instant incentive program in the 1980s to encourage retailers to carry more inventory and sell more product based on the best practice of “the more you show, the more you sell.” The cost is approximately \$15 million annually. The funding is not an appropriation of marketing dollars. Rather, it comes out of the prize structure. Retailers receive one entry into biweekly drawings for each Instant Ticket pack settled. The prizes for these drawings range between \$1,000 and \$10,000. Lower-tier prizes start at \$50, and there are approximately 800 winners during each of these drawings. A grand prize drawing is also held every other month from all entries during the previous two-month period. The top prize for this drawing is approximately \$250,000. This type of incentive encourages strong retail support of all Instant Tickets and is a major reason for the phenomenal success of the Massachusetts instant product category.

**Case Study: New York Lottery**

The New York Lottery has the third-highest instant per capita (over \$3.70). The Lottery utilizes periodic, performance-based, game-specific retailer incentives to drive sales in specific quarters throughout the year. The annual budget for these events is \$500,000 to \$600,000 and is taken out of their advertising budget. Example incentives have supported holiday Instant Games, higher-price-point Instant Games, merchandising best practices, On-Line promotional games such as raffles, and corporate chain account support of sales techniques. The Lottery rewards retailers with cash, trips, and/or merchandise.

**\$16 Million Retailer Cash Incentives in 2009**

In 2009, the Texas legislature authorized additional funds for promotions equal to 0.5 percent of the Lottery’s total revenue (approximately \$16 to \$18 million). The Retailer Cash Incentive Program will utilize these funds to drive sales of both Instant and On-Line Games. This incentive is designed to reward exemplary sales performance with a two-phased approach. In the first phase, retailers are offered cash rewards for achieving pre-determined sales goals. In the second phase, retailers who meet sales goals for Instant Games, On-Line Games, or both are automatically entered into a random drawing for additional incentive monies.

The GTECH Texas team helped the TLC launch this initial Retailer Incentive Program, in collaboration with the TLC products team and retailer services. The key was to include incentives for both On-Line and Instant Games while ensuring it was performance-based. It was also absolutely essential that the TLC be able to justify the additional funds with a true measure of the return on investment.

After the 13-week pilot, an additional \$3 million in net revenue was generated for the Foundation School Fund. More than 2,000 out of 9,200 retailers met their sales goals, as nearly one million dollars in incentive money was awarded. The program delivered \$16 in revenue for every \$1 spent on incentives, and netted \$3 for education for every \$1 spent on incentives. This is a clear indication that retailer cash incentives are a profitable enterprise and motivate retailers.

Working through the program with the TLC gave us the opportunity to learn what works and what doesn't. We learned how to communicate these types of programs to retailers and how to make sure our internal incentive programs are in synch with these initiatives in Texas. These programs should be altered from quarter to quarter or semester to semester so retailers don't get complacent with the program and expect to be rewarded for delivering the same results time after time.

When designing retailer incentives, we also need to take into consideration that we have retailers selling \$50 of Lottery each week and others selling more than \$20,000 per week. These programs should be designed to encourage participation at all levels of performance, trade class, and ownership.

Our efforts didn't stop at working through the initial calculations and providing different incentive concepts. We worked with the TLC to develop a list of frequently asked questions that were sent to the sales organization to support their sell in. Our analysis team also sent out a weekly report for each retailer. The reports were printed in the district offices and distributed to retailers. Each week, we provided a status update on performance. Toward the end of the promotion, we worked with retailers that were on the cusp of earning their incentive to make them aware and supplied a list of retailers that were on the cusp of eligibility to participate in the second program, which began in January.

We have also worked on developing a new software batch to allow retailers to see how they are performing through a terminal report. GTECH also designed, printed, and distributed the new sell-in brochure for this second incentive contest.

## Confidentiality Claimed Not released

As the TLC continues with these types of cash incentive programs, many corporate accounts and larger retailers, seeing the benefit of these types of programs, will latch onto the concept and create their own. Our LSRs and corporate account team will work with these retailers to make sure their incentive programs are set up in a way to ensure maximum sales growth.

*"We're going to have our own Personal Plus sales contest for the retailer cash incentive program. We here at Skinny's LLC think this is a great way to promote Lottery sales."*

- Kathryn Whisenhunt, Director of Training for Skinny's LLC

**Confidentiality Claimed  
Not released**

**Confidentiality Claimed**  
**Not released**

**Confidentiality Claimed**  
**Not released**

**Confidentiality Claimed  
Not released**

## **Retailer Incentive Analysis**

Another crucial part of a retailer incentive program is the analysis of results of a particular incentive. Moving forward, as the TLC undertakes more retailer incentives, it will be critical to deconstruct how well each particular program does so that it can be tweaked for future use or perhaps not used again. With the current retailer incentive program, GTECH has already established its ability to do this to help the TLC make more informed decisions regarding retailer incentives in the future.

**Confidentiality Claimed  
Not released**

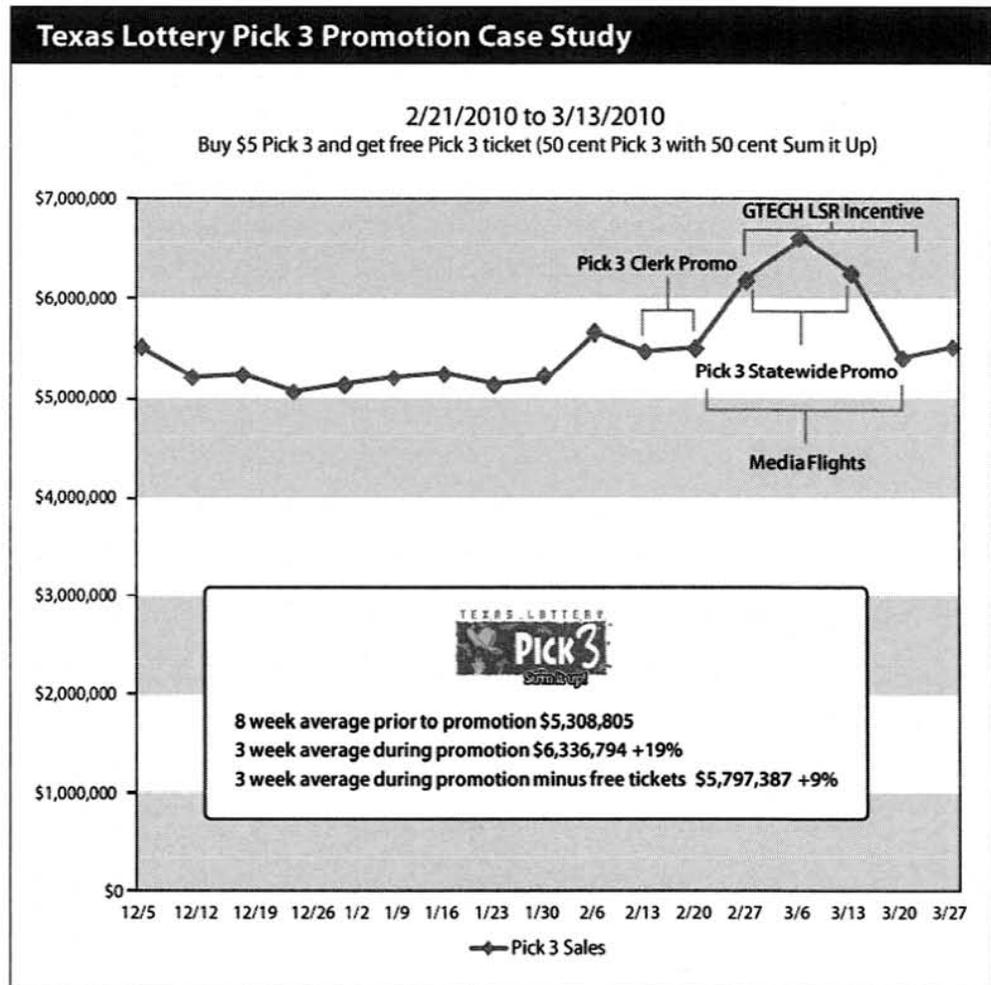
## Executing Change for the Better

Because of the relationships our sales force has with their retailers (in this case, corporate retailer chains) we are able to recommend and influence change that we know will have a positive impact on Lottery sales. With the credibility our LSRs and Key Account Representatives have in the field, there is trust that our suggestions have credence. One such example involves many corporate chain policies not letting clerks receive or redeem vouchers as part of retailer incentives.

We have worked to convince many corporate chains that allowing clerks to receive these prizes will motivate them to become more involved in selling Lottery products and lead to more Lottery sales. In 2009, three major Texas chains (Allsup's, Kroger, and Alberstons) began to change this policy based on our recommendations. This represents more than 550 stores.

Our relationships and the integrity we have earned with Texas retailers through the years allow us to facilitate these types of positive changes. Developing retailer incentive strategies is certainly vital to the health of your business. However, the ability to go into the field and make positive change happen, by leveraging the trust we have built, is how great ideas become great practice.

Figure 8.5 – 25:



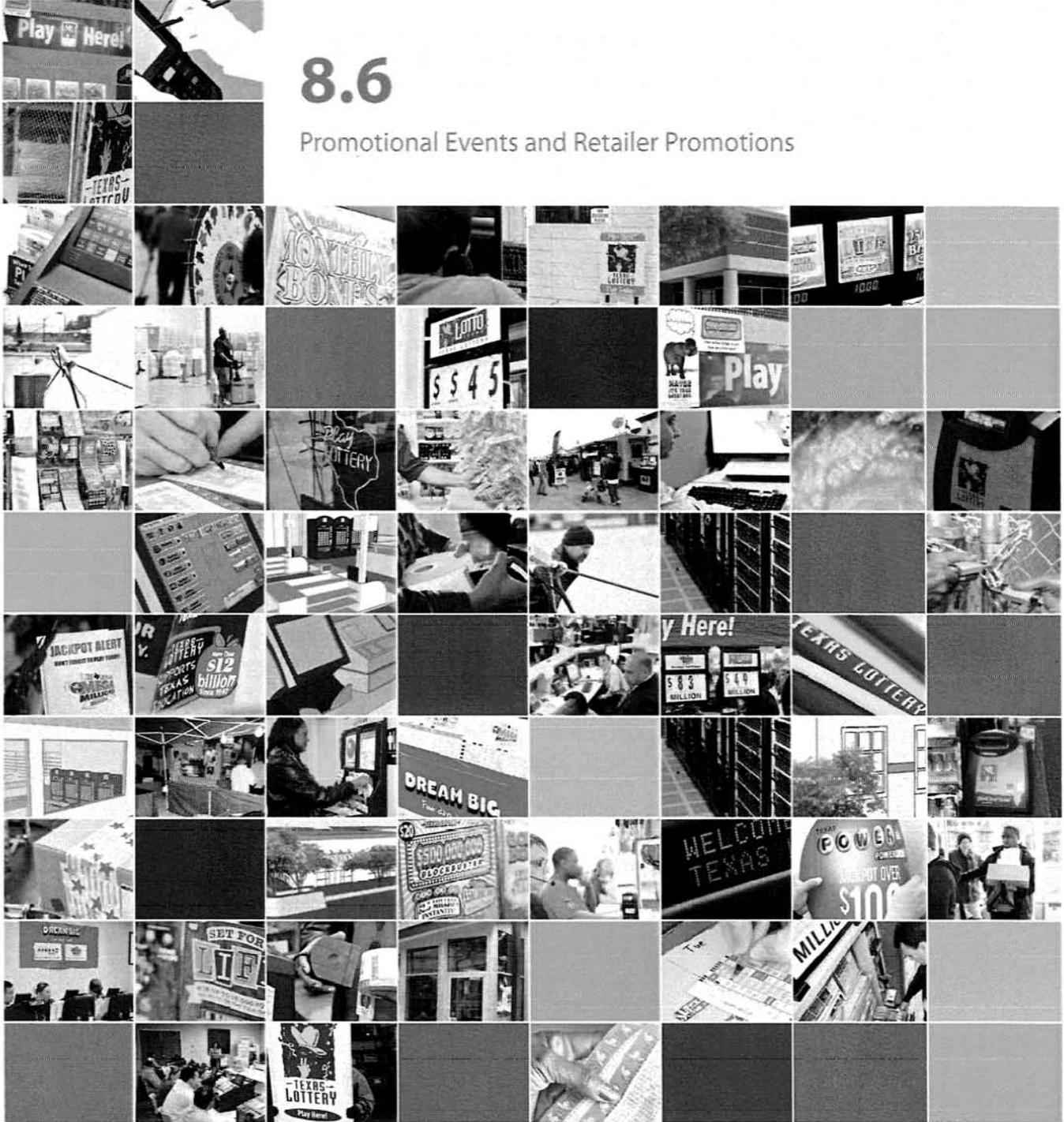
**Maximizing Results:** By helping to align clerk incentives, LSR incentives, promotion efforts, and media campaigns, we were able to help the Lottery spike its *Pick 3™* sales during a four-week span.

The goal to strive for with player promotions, retailer promotions/incentives, and even LSR incentives, as discussed further in Section 8.4, Lottery Sales Representatives, is to have them all align at the same time. We have worked with the TLC to align all of these initiatives, including media campaigns, to make the most of promotional efforts and incentives and help them work together to maximize returns to the Foundation School Fund.



# 8.6

## Promotional Events and Retailer Promotions



# 8.6

## Promotional Events and Retailer Promotions

### Introduction

When conducting selling events such as at the Texas State Fair or a Lone Star Spin at a designated retail location (like the 2009 launch of the NFL Instant Tickets or the January 2010 launch of *Powerball*®), it is your vendor’s responsibility to engage potential customers and educate them on the products and equipment. With more than 40 events and 3,600 special retailer promotions conducted in Texas in 2009, we are aware of the challenges connected to proper execution. From event planning and recruiting to setup and conclusion, our Texas-based staff has the experience and expertise to select the optimal promotional selling events and in-store retailer promotions and execute them.

**Figure 8.6 – 1:**  
**Lone Star Spin Wheel at an Event**



**Spin to Win:** A Texas Lottery player spins the Lone Star Wheel for a chance at prizes at a TLC promotional event.

**Table 95**  
**Promotional Events Response Requirements**

**95.1**  
**Roles, Responsibilities and Detail Requirements**

GTECH acknowledges and accepts the roles, responsibilities, and detail requirements indicated in this section.

**95.2**  
**Promotional Equipment and Capabilities**

The GTECH promotions and sales teams have spent thousands of hours preparing for, executing, and analyzing various types of promotional events on behalf of the Texas Lottery.

**Figure 8.6 – 2:**  
**TLC Promotional Event Performance Metrics Since 2002**

Year	Total Hours	Total Sales	Average Hourly Sales
2002	625.5	\$389,213.50	\$622.24
2003	763.8	\$469,190.00	\$614.28
2004	760.5	\$598,755.50	\$787.32
2005	746.5	\$696,308.00	\$932.76
2006	735.75	\$757,604.50	\$1,029.70
2007	765	\$682,730.50	\$892.46
2008	750.5	\$811,420.50	\$1,081.17
2009	749	\$953,809.00	\$1,273.44
2010 (To Date)	449	\$784,883.00	\$1,748.07

We have learned a great deal from these experiences and hope to have the opportunity to continue to work with the Texas Lottery in this capacity. When it comes to effectively executing promotional events in Texas, we have learned that four factors are crucial to our promotional event success:

1. Collaboration between the TLC and the GTECH promotions team and sales organization.
2. A strategic plan to identify the appropriate deployment of the trailers and teams throughout the state.
3. Attractive, approachable, and properly maintained equipment.
4. A well-trained, experienced, and properly staffed promotional sales team.

**Figure 8.6 – 3:  
BorderFest**



**Big Opportunity at Big Events:** We are able to introduce the Texas Lottery brand to potential new players and deliver a very powerful tool to retailers to help them grow sales.

Our GTECH Texas Promotions Team can also draw on experience from the work we do in other jurisdictions for ideas, best practices, and new innovations for Texas. One such team is in New York, where the GTECH team has outfitted two lottery-owned trailers with customized communication networks to conduct promotional events such as festivals, fairs, and car shows. Similar to Texas, the New York team does between three and five events per month. Some of the larger events include county fairs and the Great New York State Fair. These events have numerous setups throughout the fair grounds and offer a wide array of terminals, game points, and other peripheral equipment.

Having this resource at our disposal allows us an additional avenue to bring new and proven concepts into Texas and make sure we are using all possible tools and strategies to maximize the potential of TLC promotional events.

## Collaboration with the TLC

Through multiple weekly phone calls, planning meetings, report submissions, and event executions, our Promotions Coordinator, District Sales Managers, and Swing Lottery Sales Representatives (LSRs) work closely with Kaye Taylor, her team, and the products team. During the past 18 years, the Texas Lottery and GTECH have worked to develop yearly schedules, managed and administered prize inventories, conducted selling events, and evaluated detailed reports of each promotion to determine future implementation. With the enhancements of our sales teams' promotional staff, along with our advanced inventory and performance tracking tools and technologies, we are poised to support the Texas Lottery's promotional events and retailer promotions now and in the future.

**Collaboration between our group and the TLC will be faster, updated sooner, and even more reliable than the effective and efficient standard we have already established.**

During major product launches, our Texas-based marketing team works with the Texas Lottery products and advertising teams, as well as with their ad agencies (TracyLocke Partners and Latin Works) to identify retailer selling events that support campaign launches. Often, while the creative brief is still being finalized by the TLC, GTECH's marketing analysis team is already developing a list of potential retailers to participate in the program being reviewed. Product performance, location, traffic patterns, parking availability, and retailer attitude are just some of the factors we analyze prior to submitting a suggested list of promotional event retailers to the TLC. Upon review of the list and approval from the TLC to move forward, the GTECH sales organization sells in the event, completes the paperwork, and prepares the retailer promotion team for execution of the event.

Our goal is to fully utilize every selling resource at our disposal and make the most effective use of these promotional events. An investment of time and money is required to execute promotional events, and it is important to track and validate the Return on Investment (ROI) for each event. Today much of our reporting and tracking is done via emails, Excel spreadsheets, and other paper-generating reports. In the future, we will consolidate much of this planning, tracking, and reporting through our system and the GTECH ). Thus, the collaboration between our group and the TLC will be faster, updated sooner, and even more reliable than the effective and efficient standard we have already established.

Information Redacted  
§552.101/466.022/552.139

We also provide detailed written reports to the TLC evaluating each promotional event. These reports include recommendations for future participation in the event/promotion and modifications for enhancing future success. We file these reports according to the type of promotion, district, and date or as otherwise specified by the Texas Lottery.

### **Strategic Planning**

Our analytic capabilities allow us to assess pertinent factors and choose events that present more opportunity to maximize budgets at impactful events. We suggest continuing to include new selling events in the annual plan and enhancing our presence at high-performing events (in sales and attendance).

#### **New Events Mean New Opportunities**

Attending new events such as the Hunting Expo in McAllen (more than \$9,000 in sales and 30,000 people attending) in 2009 has been successful, and we recommend continued participation in these types of events.

This would include continuing to participate in major selling events throughout the year. However, we recommend a plan that would maximize the number of consumers these events reach by targeting events in higher-population districts and participating in events with the highest attendance in lower-population districts.

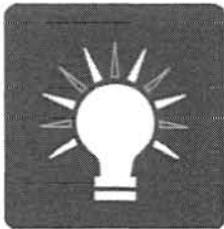
**Figure 8.6 – 4:  
 Proposed Promotional Event Schedule for Fiscal Year 2011**

TLC FY2011	Event Name	City	District	Proposed Attendance
September 4, 2010	Marfa Lights festival	Marfa	El Paso	5,000
September 5, 2010	Fiesta Patrias	San Antonio	San Antonio	30,000
September 12, 2010	La Feria De la Familia	El Paso	El Paso	10,000
September 17-18, 2010	Tri State Fair	Amarillo	Lubbock	35,000
September 17-18, 2010	OTT Rally	Nacogdoches	Tyler	5,000
September 24-25, 2010	Falls Fest	Wichita Falls	Abilene	15,000
September 24-25, 2010	South Plains Fair	Lubbock	Lubbock	170,000
Sept 24 - Oct 17,2010	State Fair of Texas	Dallas	Irving	3,000,000
October 2, 2010	Bayfest	Corpus Christi	Victoria	100,000
October 2-3, 2010	PalmFest	McAllen	McAllen	35,000
October 9, 2010	Peanut Festival	Floresville	San Antonio	15,000
February 2011	San Angelo Stock Show & Rodeo	San Angelo	Abilene	100,000
February 18-20, 2011	San Antonio Stock Show & Rodeo	San Antonio	San Antonio	1,800,000
February 19-20, 2011	Lunar New Year Houston	Houston	Houston	10,000
February 25-26, 2011	Sombrero Festival	Brownsville	McAllen	28,000
March 4-6, 2011	North Texas Irish Festival	Dallas	Irving	70,000
March 5-6, 2011	BorderFest	Hidalgo	McAllen	100,000
March 5, 2011	Mardi Gras Upriver	Jefferson	Tyler	35,000
March 17-19, 2011	SXSW	Austin	Austin	35,000
March 18-20, 2011	St. Patrick's Day Celebration	Shamrock	Lubbock	15,000
April 2, 2011	Buc Days	Corpus Christi	Victoria	20,000
April 8-10, 2011	Poteet Strawberry Festival	Poteet	San Antonio	130,000
April 15-16, 2011	Galveston County Fair	Galveston	Houston	75,000
April 15-17, 2011	Taste of New Orleans	San Antonio	San Antonio	50,000
May 6-7, 2011	Mex Tex Family Fiesta	Midland	Abilene	30,000
May 7-8, 2011	Old Pecan Street Festival	Austin	Austin	250,000
May 14-15, 2011	Pasadena Strawberry Festival	Pasadena	Houston	50,000
June 2011	BatFest	Luling	Austin	10,000
June 3-4, 2011	AlleyFest	Longview	Tyler	15,000
June 4-5, 2011	Fiesta West Texas	Odessa	Abilene	40,000
June 11, 2011	Billy The Kid Festival	El Paso	El Paso	20,000
June 11, 2011	Tomato Fest	Jacksonville	Tyler	11,000
June 11, 2011	Aransas Pass Shrimporee	Aransas Pass	Victoria	12,000
July 2011	Spring Ho	Lampasas	Austin	15,000
July 2-3, 2011	El Paso Downtown Street Fest	El Paso	El Paso	40,000
July 23-24, 2011	Texas Hunters & Sportsman's Expo	McAllen	McAllen	35,000
July 30, 2011	Great Texas Mosquito Festival	Clute	Victoria	18,000
August 2010	Visions Woman's Expo	Dallas	Irving	10,000
August 6-7, 2011	Houston Jazz Festival	Houston	Houston	7,000
August 19-21,2011	Hunters Extravaganza	Dallas	Irving	20,000
August 20, 2011	Polk Street Party	Amarillo	Lubbock	15,000

**40 Events for Fiscal Year 2011:** TLC-recruited events are highlighted in yellow. This plan lays out four events per district, following the TLC's current guidelines for scheduling events in the state.

We will continue to submit an annual plan of recommended promotional events and retailer promotions to the TLC by April 30th every year. This plan will include recommendations for Lottery Product kick-off events and annual promotional events (e.g., State Fair of Texas, South by Southwest Music and Film Festival, etc.). It will be robust, detailed and contain suggested promotional events and programs that take into account the full scope of the Texas Lottery's advertising and marketing efforts to support Lottery products across the state. The plan will also contain projected staffing requirements, promotional item and ticket quantity distribution, projection, Point-of-Sale (POS) signage needs, and related equipment plans.

### Special Planning for Large Traffic Events



In addition to traditional selling events, we suggest developing special promotional events for retail locations that are located within traffic patterns for larger events. For example, all retailers located within a 15-mile radius of a NASCAR event, and on a specific traffic route, would be eligible to participate in a special promotion at their retail location before and during the event. This has the potential to promote the Texas Lottery and reach players who may not have time to stop by our booth at the event, but with whom we may be able to interact on their way in or out of the event.

**Confidentiality Claimed**  
**Not released**

## Multiple Simultaneous Retailer Promotions

We are able to support multiple retailer promotions occurring at the same time in the state. With this capability, we can take advantage of high-traffic event opportunities simultaneously throughout Texas if necessary.

## Product Awareness Customer Appreciation Days (CADs)

Led by the Texas Lottery products team, we started to take a new approach to holding retailer events and enhanced Customer Appreciation Days (CADs) at select retail locations. Although promotional events outside the retail environment are necessary to expand brand awareness of the TLC, for many retailers, these events are not profitable and often cost them money. Retailers are thus often less motivated to attend events if they suspect these circumstances.

Store owners appreciate the extra investment made when events are held at their stores, and they experience substantial sales increases during these events.

### **Star Shop – Spin the Wheel Promotion**

*"My LSR decorated the entire store with balloons and created a festive mood even though it was cold and rainy outside. She alerted all my customers about Powerball, went over how easy it is to play, and sold \$344 in Powerball tickets during the two-hour Spin the Wheel promotion at my store. With her assistance, my Powerball sales average is about \$600 per month and is still increasing!"*

- Jesse Cassasco, Star Shop

Typically, store owners also do not have to pay clerks to work at and travel to events that may not be profitable. Player behavior is also usually easier to change in the retailer environment than at external events because when players are driven to a store for events, they often purchase other products. Retailers appreciate this, and it creates goodwill for the TLC

### **Mr. T's Market – Customer Appreciation Day Retailer Bonus**

*"The Customer Appreciation Day that was used to promote the Powerball game was a huge success for our store. We were able to have a fantastic event that helped generate additional revenue as well as a more keen awareness of our store in the community. It also brought more attention to the Powerball game, which more and more people are now playing because of the CAD event. This, in effect, has proved to be a long-term, revenue-generating scenario with the added benefit of producing a "Retailer Bonus" if we happen to sell the jackpot winner! All the customers enjoyed the prizes, pizza, and live radio! It was very much a party for our store that everyone enjoyed and had a blast in attending! Our customers talked for days afterwards about how much fun they had and wondered when the next CAD might take place!"*

- The Staff of Mr. T's Market

### **Rudy's Stop and Shop – Powerball Party**

*"I remember when the Texas Lottery was introducing the Powerball game in Texas for the first time. That was the time we decided to do the promotion party inside and outside of our store. Miss Anita (the LSR) made invitation cards for my customers, which made it easier and faster to make sure everyone knew that on February 3<sup>rd</sup> we were having a Powerball party. She did the decorations, hung Powerballs from the ceiling inside the store, and made signs for the door. She had a flyer we distributed to the entire town of Rosenberg. For all this work, we had success. The roads were packed, and the store was full. During the promotion, I could hear one person (our LSR) screaming and bringing enthusiasm to people and guiding people to the new game. We distributed a lot of prizes, had a spin wheel, and a second-chance Powerball drawing for a flat screen TV, digital camera, and stereo. I prefer to call Miss Anita (the LSR) the Powerhouse of Lottery."*

- Samir Prasla, Rudy's Stop and Shop

## **Powerball CADs**

Working with the TLC and TracyLocke, we helped the Texas Lottery plan and execute *Powerball* CADs and radio remotes throughout the state during the first three weeks *Powerball* was available in Texas. The objectives were to generate buzz around the *Powerball* launch, create exciting event opportunities for media coverage, and generate selling opportunities at retailers.

Through a collaborative approach between the advertising, promotions, and products team at the TLC and the GTECH sales, marketing, and Field Service Technician (FST) teams, we had the right retailers signed up, POS posted to their store front promoting the event, and staff ready to sell from the trailers within days.

**Figure 8.6 – 6:  
Powerball Customer Appreciation Days**



**Powerball Is Here!** On February 3, 2010, 144 hours of Powerball CADs and Lone Star Wheel Spins were held throughout Texas to support the first Powerball draw.

**Powerball in Texas Kicks Off at Rudy's in Rosenberg**

Customers were not letting the cloudy, cold, and muddy conditions stop them from going to Rudy's Stop N' Shop to celebrate the launch of the lottery game, Powerball, Wednesday.

The Texas Lottery Commission selected the Rosenberg store to launch the game because it had the most Instant Ticket winners in the state.

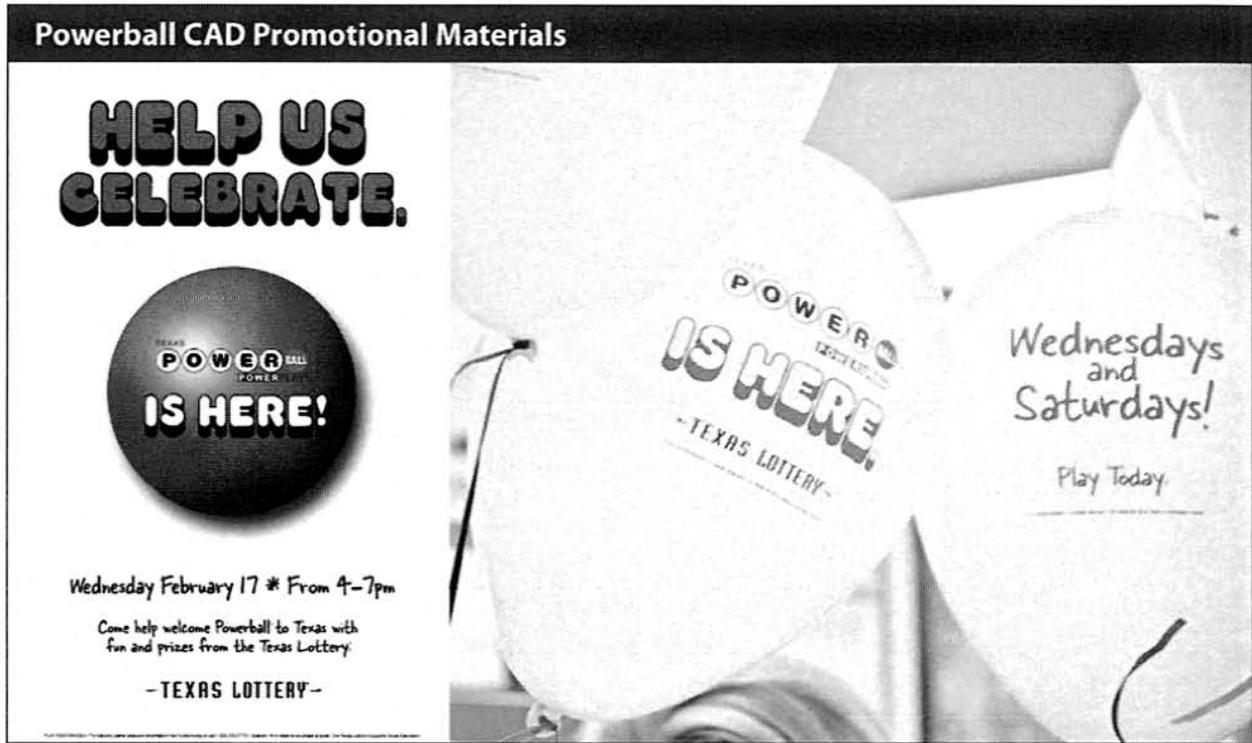
*"The customers don't care about what the weather is like outside," he (store manager Samir Prasla) said. "They will always come to our store. Now that we have Powerball, I'm sure we can expect a winner from Rosenberg soon..."*

Not only did customers have a chance to purchase Powerball tickets, they had a chance to win them as well.

For every \$5 spent on Lottery tickets, customers got a chance to spin a wheel to win prizes, including Texas Lottery mugs, caps, shirts, messenger bags, and a quick-pick Powerball ticket.

- Published 2/4/10 in Fort Bend Herald and Texas Coaster

**Figure 8.6 – 7:**



**Letting People Know:** Promotional items, such as posters and balloons, help make players aware of CADs and create a festive environment at the events themselves.

In addition to the work of the promotions team, the execution of these CADs pulled together various GTECH Texas teams to make them a success. With FSTs setting up satellite connections that allow online sales from trailers and our LSRs working with retailers and the TLC to make sure retailers have the proper temporary license documentation for the satellites, these CADs, and promotional events in general, truly require a full team effort to make them a success.

**Figure 8.6 – 8:**

<b>Powerball CAD Performance Metrics</b>									
<b>February 3, 2010</b>									
Ret #	Retailer Name	Address	City	District	Time	Radio Station	Provisional License	Agent Promo Ids	Sales
148558	RUDY'S STOP & SHOP	1018 DAMON ST	ROSENBERG	4	10am - 1pm	NONE	N/A	N/A	\$11,290.00
131414	HICKORY TREE MART	11900 ELAM RD	BALCH SPRINGS	5	4:30 pm- 7:30 pm	KHKS-FM	✓	153439, 153440	\$10,359.00
147753	CULLEN EXXON MOBIL	9421 CULLEN BLVD	HOUSTON	4	4pm - 7pm	KRBE-FM	✓	153435, 153436	\$2,915.00
487511	H-E-B FOOD STORE #466	108 N ROSILLO	SAN ANTONIO	8	4pm - 7pm	KZEP-FM	✓	505757, 505758	\$2,013.00
451516	TIGER TOTE #17	2701 ROY RICHARD DR	SCHERTZ	8	11am - 2pm	NONE	N/A	N/A	\$1,903.50
140327	ZIP 'N	7845 SHOAL CREEK BLVD	AUSTIN	2	4pm - 7pm	KHFI-FM	✓	153437, 153438	\$1,812.00
210535	FIESTA MART #25	3909 N IH 35 SERV RD N	AUSTIN	2	11am - 1pm	NONE	N/A	N/A	\$898.00
519414	C&R HOWDY'S - HONDO PASS	9052 DYER ST	EL PASO	3	5pm - 9pm	NONE	✓	519415, 519416	\$413.00
<b>February 10, 2010</b>									
Ret #	Retailer Name	Address	City	District	Time	Radio Station	Provisional License	Agent Promo Ids	Sales
452905	SNAPPY FOODS #8	7125 S STAPLES	CORPUS CHRISTI	10	4pm - 7pm	KNIN-FM	✓	452925, 452926	\$1,313.50
519426	C&R HOWDY'S - PRADO	8500 ALAMEDA	EL PASO	3	5pm - 9pm	KLAQ-FM	✓	519417, 519418	\$990.50
234408	KIDD JONES #6	12540 HWY 155 SOUTH	TYLER	9	4pm - 7pm	KTYL-FM	✓	234421, 234422	\$828.00
<b>February 17, 2010</b>									
Ret #	Retailer Name	Address	City	District	Time	Radio Station	Provisional License	Agent Promo Ids	Sales
131019	MR T'S MARKET	1100 N BIG SPRINGS ST	MIDLAND	1	4pm - 7pm	KBAT-FM	✓	153466, 153469	\$5,150.50
134220	TOWN AND COUNTRY	1621 N 10TH ST	MCALLEN	7	4pm - 7pm	KBPM-FM	✓	153503, 153504	\$4,002.00
150267	BUDDY'S CONVENIENCE STORE	518 South 50 <sup>th</sup> Street	LUSBOCK	6	4pm - 7pm	KMMX-FM	✓	153551, 153552	\$1,171.00

### *Cowboys and Texans NFL Instant Ticket CADs*

Select retailers participated in Product Awareness CAD campaigns to support the Cowboys and Texans NFL Instant Tickets. One retailer each in Dallas, San Antonio, Houston, and Austin participated in the NFL CAD the week before Christmas. We saw record-breaking sales during these events. Both the GTECH sales team and retailers appreciated the opportunity to participate in the select events.

As retailers have embraced our efforts to hold more events at their venues, our analytic capabilities become even more important as we determine what regions, media markets, and retailers have the most potential for hosting such an event.

We recommend continuing to implement CADs and will work with the TLC to determine when the deployment of promotional trailers would be most effective to support key product initiatives with the CAD events.

## Second Chance Drawings

Players like to win, and second chance drawings offer players one more chance to win on a ticket that was not an original winner. This gives every ticket an additional value to players, knowing that even if the ticket loses, an opportunity to win remains a possibility. Second chance drawings are very effective with Instant Tickets, and we encourage the TLC to continue to offer these programs. GTECH has worked with many TLC retailers to develop their own second chance drawing promotions within their stores.

Our LSRs work with their retailers to pass ideas along if they feel a good idea would work in another retailer environment. In addition to the successful CAD they held, Rudy's is also adept at second chance drawings. Rudy's LSR is also the LSR for All Season's Food. She talked to All Season's Food about the success Rudy's was having with monthly second chance drawings for \$100, \$75, and \$25 in cash. All Season's Foods wanted to compete with Rudy's so they soon began giving away \$100, \$75, and \$25 Visa cards with the help of their LSR. Our people in the field know the Texas retailer base, and this knowledge allows them to pass along viable best practice strategies to help spread them throughout the state, in situations where they know the ideas will work.

We have also worked with Texas retailers, such as Crawdads, to administer seasonal second chance drawings. In a second chance drawing that catered to specific Texas markets, Crawdads gave away deer feeders during hunting season as a prize. In 2009, some retailers also used the Cowboy tickets they won in the NFL Retailer Contest as the winning prize in their own in-store promotions.

**Figure 8.6 – 9:  
Second-Chance Drawing**



**Another Chance to Win:** A Texas Lottery player tries her luck in a second chance to win.

For more information on a Web-Based Second Chance Drawing Solution, please see Section 7.6.3, Sales and Marketing System General Requirements.

### Ask for the Sale

Ask for the Sale promotions encourage retailers to do something very simple to grow sales. That is to ask every customer if he or she wants to buy a lottery ticket. These events have been deployed in both independent and chain accounts through the years. Chain accounts have been very receptive to this type of promotion, as it encourages their store clerks to get involved and motivates them to engage each customer at the point-of-purchase. Edward Barron is a Key Account Representative for GTECH who has worked hard to help Murphy's Oil implement Ask for the Sale promotions. His work has created tremendous excitement and turned a great initiative into real profits. The first Ask for the Sale promotion we ran in March 2009 resulted in a 21 percent increase in sales versus the same period in 2008. These events remained a prime focus in 2009, as we ran nearly 2,100 of them during the year. This averages out to nearly six new Ask for the Sale promotions being added every day in 2009.

To further support retailers, GTECH has designed the artwork and facilitated its approval through TLC for some accounts to expand this promotion to their entire customer base.

**Figure 8.6 – 10:  
H-E-B Ask for the Sale Artwork**



**Reaching Players:** This is an example of an H-E-B weekly Ask for the Sale pre-print, which is mailed to thousands of Texas households.

*"GTECH has excelled in presenting to Kroger Southwest new promotional opportunities to grow sales."*

- Robert Snuske, Audit Supervisor for Kroger Texas L.P.

### Ambassador Programs

As more non-traditional retail chains and independent accounts are becoming new Texas Lottery retailers, these new recruits provide an opportunity to reach new players. GTECH has gone beyond basic retailer training to support these entries into the lottery business. With approval from the Texas Lottery, and a commitment from retailers, we have begun Ambassador programs in these locations. Ambassador programs allow our sales organization to introduce the TLC games to potential new players and teach them how to use the self-service equipment that is often deployed in these locations. The success of these programs is a valuable recruiting tool as well.

As new self-service equipment is deployed, both in established or newly recruited retailers, these Ambassador programs are a great way to help acquaint the players of Texas with this equipment and help them to embrace it.

**Confidentiality Claimed  
Not released**

### **Attractive, Approachable, and Well-Maintained Equipment**

Through nearly two decades working with the Texas Lottery, GTECH has been willing and able to provide the necessary promotional equipment to support the promotions plan and execute successful TLC events. Exactly as described in the RFP, this current equipment includes:

- Large Lone Star Spinning Wheels.
- Small Lone Star Spinning Wheels.
- Legends for Spinning Wheels.
- Promotional Trailers.
- PA Systems.

For the new contract, we will continue to provide these items as specified in RFP Table 94, Detailed Requirement 34, subject to Lottery approval.

It is our goal to maximize TLC's presence at promotional events. Prior to sending out trailers, the Promotions and Training LSR for each district is responsible for making sure all materials are loaded into the trailer and that those items are clean and in good working condition.

We will provide all items that are essential to conducting a promotional event or retailer promotion. This includes, but is not limited to, branded tents, banners, signage, generators, first aid kits, safety equipment, tables, portable booths, and other promotional equipment as determined and approved by the Texas Lottery.

**Figure 8.6 – 11:**

Sample Promotional Event Checklist		
<b>PROMOTIONAL AREA</b> <input type="checkbox"/> (2) Playstations <input type="checkbox"/> (2) 6' Tables <input type="checkbox"/> Canopy w/TLC Logos <input type="checkbox"/> (3) Canopy Sidewalls <input type="checkbox"/> String of Lights for Canopy <input type="checkbox"/> Sandbags for Canopy <input type="checkbox"/> (2) Feather Flags w/poles & hardware <input type="checkbox"/> (2) Blue Lottery Table Cloths <input type="checkbox"/> Wireless PA System w/Microphone <input type="checkbox"/> Megaphone & Batteries <input type="checkbox"/> (4) T-Stands <input type="checkbox"/> (4) 2nd Chance Drawing Boxes <input type="checkbox"/> 2nd Chance Entry Pads <input type="checkbox"/> Pencils or Pens <input type="checkbox"/> Promotional Item Allocation <input type="checkbox"/> Veritube <input type="checkbox"/> (2) Message Boards <input type="checkbox"/> Pre-stuffed Plastic Totebags <input type="checkbox"/> Coupons (if applicable)	<b>SELLING TRAILER</b> <input type="checkbox"/> (2) Isys Terminals <input type="checkbox"/> Check-A-Ticket Machine <input type="checkbox"/> Roll Stock & Ribbons <input type="checkbox"/> Playslips <input type="checkbox"/> Ticket Dispensers w/Keys <input type="checkbox"/> Ticket Dispensers Bases <input type="checkbox"/> Neon Sign (if available) <input type="checkbox"/> Flag Poles & Lottery Flags <input type="checkbox"/> Magnetic Jackpot Sign <input type="checkbox"/> (2) Results Holders <input type="checkbox"/> "MIYLD" Spin Vouchers <input type="checkbox"/> Cow Bells <input type="checkbox"/> Vehicle Registration <input type="checkbox"/> Fire Extinguisher <input type="checkbox"/> Spare Tire <input type="checkbox"/> Lottery DVD (BIG Trailer Only) <input type="checkbox"/> Retailer Provisional License (TLC) <input type="checkbox"/> (2) Isys Online Game Promotion Signs <input type="checkbox"/> Standing Mat	<b>RETAILER</b> <input type="checkbox"/> Beige Golf Shirts or Lottery approved Shirt <input type="checkbox"/> (2) Employees per shift (No Minors) <input type="checkbox"/> Cash Box or Register <input type="checkbox"/> Money  <b>MONEY MACHINE (if Available)</b> <input type="checkbox"/> Money Machine <input type="checkbox"/> Vouchers <input type="checkbox"/> Fun Money <input type="checkbox"/> Promotional Ticket Allocation <input type="checkbox"/> Ticket Log Book <input type="checkbox"/> (2) 2nd Chance Drawing Boxes <input type="checkbox"/> Yellow Tape for Platform Corners  <b>CLEANING SUPPLIES</b> <input type="checkbox"/> Multi-Purpose Cleaner <input type="checkbox"/> Paper Towels or Rags <input type="checkbox"/> Trash Can w/bags <input type="checkbox"/> Broom
<b>BANNERS &amp; POS</b> <input type="checkbox"/> "Spin To Win" Banner <input type="checkbox"/> Dual Jackpot Banner (changeable logos) <input type="checkbox"/> School Fund Banner <input type="checkbox"/> \$500,000,000 Blockbuster Banner <input type="checkbox"/> Curb Signs w/Spin Sign Sleeve <input type="checkbox"/> (2) Jackpot Window Sign <input type="checkbox"/> Point-of-Sale Material <input type="checkbox"/> (4) 8 1/2 x 11 "MIYLD" Free Spin w/\$10 purchase <input type="checkbox"/> (4) 19 x 29 Laminated "MIYLD" Free Spin w/\$10 purchase <input type="checkbox"/> (6) 8 1/2 X 11 "MIYLD" Prize Legend <input type="checkbox"/> (6) 11 x 17 "MIYLD" Prize Legend <input type="checkbox"/> Jackpot Stickers <input type="checkbox"/> Selling Retailer Flyers (TLC) <input type="checkbox"/> Starbursts or other impromptu signage	<b>SPINNING WHEEL</b> <input type="checkbox"/> (2) 36" Spinning Wheels <input type="checkbox"/> Spare Pins, Washers & Nuts <input type="checkbox"/> Wrench or Pliers <input type="checkbox"/> Spare Flapper w/Wheel Indicator <input type="checkbox"/> Plastic Legend Holder - Wheel Base <input type="checkbox"/> Plastic Legend Holder - Wheel Topper <input type="checkbox"/> Sandbags to Secure Wheel	<b>MISCELLANEOUS</b> <input type="checkbox"/> Bungee Cords <input type="checkbox"/> T-Clips <input type="checkbox"/> Zip Ties <input type="checkbox"/> Scissors <input type="checkbox"/> Duct Tape, Scotch Tape & Caution Tape <input type="checkbox"/> Markers <input type="checkbox"/> Power Strips <input type="checkbox"/> Extension Cords <input type="checkbox"/> Step Ladder <input type="checkbox"/> 9V Batteries for Microphone <input type="checkbox"/> Box Cutter <input type="checkbox"/> Dolly

**Do I Have Everything?** This checklist is reviewed and completed prior to heading off to each event.

We maintain and track all promotional equipment inventory. For a complete description of our inventory management capacities in this area, please see Sections 9.5, Promotional Item and Point of Sales (POS) Verification and Receiving, as well as Section 9.6, Promotional Merchandise Inventory.

We will provide two trailer sizes to conduct selling events for the TLC. The two largest markets, Dallas/Fort Worth and Houston, would each have two trailers, a 14-foot x 8.5-foot trailer and a 12-foot x 8-foot trailer, which are bigger than what the TLC currently uses. All other districts would have the 12-foot x 8-foot trailer. As many of the larger events occur in the metropolitan markets, we may encounter a situation where two events are occurring simultaneously; with these trailers, we will be able to accommodate those needs.

Trailers have compatible hookups for Lottery gaming equipment to operate multiple components simultaneously and a method for securing cash and Lottery tickets in the trailer. Each trailer has a minimum of four exterior adjustable flood lights, a minimum power requirement of 20 amps, and at least four internal and two external 110-volt outlets. Each trailer has a Compact Disc (CD) stereo system with speakers with a built-in rack to hold the equipment, a security system, ticket displays, and ample storage for promotional components.

When designing trailers, we consider customer flow, safety, equipment and electrical needs, security, lighting, signage, storage, and retailer, player, and staffing needs.

Each trailer is supplied with the following:

- Terminals (both non-self-service and self-service).
- Check-a-ticket machines.
- Roll stock.
- Ribbons (where necessary).
- Play slips.
- Ticket dispensers with keys.
- Neon or jackpot signs.
- Flag pole and Lottery flags.
- Results holders.
- "Maybe It's Your Lucky Day" (MIYLD) spin vouchers.
- Vehicle registrations.
- Cow bells.
- Fire extinguishers.
- Spare tires.
- Retailer Provisional License (provided by TLC).
- Standing mat.
- Lottery Digital Video Disc (DVD) (for flat screen TVs located on the exterior of the large trailers).

**Figure 8.6 – 12:  
A Texas Promotional Trailer**



**It Has It All:** We will work with the Texas Lottery to make sure all promotional vehicles are customized with the appropriate terminals, signage, and any other marketing materials that support current initiatives.

## **Our Capabilities and Execution**

### **San Antonio Stock Show and Rodeo**

In February 2010, the TLC participated in the San Antonio Stock Show and Rodeo. This two-day event was highlighted by more than \$20,000 in sales and a \$20,000 Veterans Cash game winner. The collaborative effort of the TLC; TracyLocke; the San Antonio District Sales and Promotions team; and the retailer, Mr. Lucky's, made this event a success.

**Confidentiality Claimed  
Not released**

**Confidentiality Claimed**  
**Not released**

## Confidentiality Claimed Not released

### **Successful Event Execution**

*"You (District Sales Manager) and your staff were amazing this year. From setup to breakdown, you guys were there with what was needed. When we needed to move trailers and rearrange the Gateway location, you and your staff were on time and pitched right in, helping us to get it done quickly and safely. Everyone on your team contributed without being asked! Your assistance was constant, from when the pins to the trailer windows were lost, to the need for extra play stations, to loading the drawing drum (and numerous other "emergencies"). You made sure things went smoothly. It was truly a pleasure to work with you this year."*

- Greg Pyles, TLC Staff Service Officer, emailing one of our District Sales Managers after the 2009 State Fair.

It is important to identify and participate in new events as well as maintain a presence in events such as the Texas State Fair and the San Antonio Stock Show and Rodeo, which are currently very successful. Besides generating nearly \$1 million in sales every year, these events also expose the Lottery to several hundreds of thousands of Texas citizens.

**Confidentiality Claimed**  
**Not released**



Information Redacted  
§552.101/466.022/552.139

**Figure 8.6 – 13:**  
**Texas Lottery Events – September 2009 Through August 2010**

TLC FY2010	Event Name	City	District	Total Sales
September 5, 2009	Marfa Lights festival	Marfa	El Paso	\$5,238.00
September 6, 2009	Red Dirt Round up	Fort Worth	Irving	\$1,260.00
September 6, 2009	Fiesta Patrias	San Antonio	San Antonio	\$7,236.00
September 13, 2009	La Feria De la Familia	El Paso	El Paso	\$2,147.00
Sept 18-20, 2009	2009 OTT Rally	Nacogdoches	Tyler	\$4,337.00
Sept 25-26, 2009	TriState Fair	Amarillo	Lubbock	\$6,268.00
Sept 25-Oct 18,2009	State Fair of Texas	Dallas	Irving	\$700,683.50
Sept 26-27, 2009	Falls Fest	Wichita Falls	Abilene	\$4,671.00
October 3-4, 2009	Palmfest	McAllen	McAllen	\$8,523.00
October 8, 2009	Floresville Peanut Festival	Floresville	San Antonio	\$8,144.00
October 9, 2009	Rockport Seafair	Rockport	Victoria	\$7,160.00
October 17, 2009	Yorktown Western Days	Yorktown	Victoria	\$5,206.50
Feb. 5-7, 2010	Mardi Gras Upriver	Jefferson	Tyler	\$3,936.00
Feb. 20-21, 2010	San Antonio Stock Show & Rodeo	San Antonio	San Antonio	\$20,073.00
Feb. 26-27, 2010	Sombrero Festival	Brownsville	McAllen	\$9,336.50
Feb. 27-28, 2010	Lunar New Year	Houston	Houston	\$6,308.50
March 5-7, 2010	North Texas Irish Festival	Dallas	Irving	\$10,429.00
March 6-7, 2010	Borderfest	Hidalgo	McAllen	\$16,978.50
March 12-14, 2010	Star of Texas Rodeo	Austin	Austin	\$6,654.50
March 19-20, 2010	South By Southwest Music Festival	Austin	Austin	\$4,275.00
March 27-28, 2010	Tomball German Heritage Festival	Tomball	Houston	\$5,332.00
April 9-11, 2010	Poteet Strawberry Festival	Poteet	San Antonio	\$42,291.00
April 16-18, 2010	Taste of New Orleans	San Antonio	San Antonio	\$10,384.00
April 23-24, 2010	Larry Joe Taylor	Stephenville	Abilene	\$4,463.00
April 24, 2010	Buccaneer Days BBQ & Rodeo	Corpus Christi	Victoria	\$4,090.00
May 1, 2010	Cinco de mayo	Lubbock	Lubbock	
May 1-2, 2010	Pecan Street Festival	Austin	Austin	
May 7-8, 2010	Fiesta West Texas	Odessa	Abilene	
May 15-16, 2010	Festival	Pasadena	Houston	
June 4-5, 2010	Alley Fest	Longview	Tyler	
June 11-12, 2010	Mex Tex Family Fiesta	Midland	Abilene	
June 12, 2010	Tomato Fest	Jacksonville	Tyler	
June 12, 2010	Aransas Pass Shrimporee	Aransas Pass	Victoria	
June 12, 2010	Billy The Kid Festival	El Paso	El Paso	
June 25 - 26, 2010	Luling Watermelon Thump	Luling	Austin	
July 3-4, 2010	El Paso Downtown Street Festival	El Paso	El Paso	
July 4, 2010	Freedom Over Texas	Houston	Houston	
July 10, 2010	Hockley County Fair	Levelland	Lubbock	
July 16 - 18, 2010	TX Hunters & Sportsman's Expo.	McAllen	McAllen	
August 7-8, 2010	Viva Dallas	Dallas	Dallas	
August 14, 2010	Polk Street Party	Amarillo	Lubbock	

**New Sales Records!** The events in the 2009-2010 Promotional Plan are intended to have a record-breaking year for generating sales. Events in yellow have been recruited by the TLC.

**Confidentiality Claimed**  
**Not released**

### **95.3 Promotions Team**

Effective promotional event execution is a major initiative for the entire GTECH Texas sales organization. We expect every level within the sales team to plan and participate at events held throughout Texas. The primary liaison between the TLC and our sales organization is the full-time GTECH Promotions Manager/Coordinator. With support from the GTECH Marketing Manager, the Promotions Manager/Coordinator is responsible for identifying the proper events for TLC participation, processing paperwork, and planning, executing, and reporting on the events. The Promotions Manager/Coordinator manages material and incentive allocations and ensures all equipment is maintained and in proper working order. This person also makes sure promotions teams and equipment are available for use and that trailers/equipment are deployed appropriately.

We also provide specially trained staff and dedicated equipment to conduct promotional activities in all regions where an on-site presence is required and will continue to support:

- Promotional events (selling and non-selling) not exceeding 120 calendar days total per year. Each promotional event may be one (1) day or as many as 30 days in duration with no more than four (4) events being conducted concurrently statewide.
- Total Active Participation Retailer Promotions not exceeding 7.5 percent of the retailer base for the state per year.
- Total Passive Participation Retailer Promotions not exceeding 18 percent of the retailer base for the state per year.

Due to the positive response and the impact these promotional events have had on business through the years, GTECH has realigned the sales organization and created nine new full-time positions, Training and Promotions LSRs, to support the execution of retail and promotional events. This position, and its direct responsibilities, is described next, along with the other positions that will assist with promotional planning and execution.

**Confidentiality Claimed  
Not released**

### **Primary Promotions Team**



**Shannon Plum, Marketing Manager**, is responsible for the strategic oversight of promotional event planning as well as ensuring that all product initiatives are folded into the statewide promotions plan. With advertising agency experience, Shannon has promotions for consumer brand companies and large chain accounts such as 7-Eleven. She also has a great deal of experience identifying, developing, and executing promotional events at retail and large selling venues such as the Texas State Fair.

The **Promotions Manager/Coordinator** coordinates and ensures the delivery of more than \$10 million in Instant Ticket packs distributed to TLC retailers as incentives for meeting and exceeding sales initiatives. From promotional material distribution to promotion evaluations, this person will make sure that promotions are conducted appropriately and effectively.

The **Promotions and Training Representative** is a new position within the proposed GTECH sales organization for the upcoming contract. Individuals will be responsible for managing the promotional events. They will receive special training from the Promotions Manager/Coordinator through regular meetings and conference calls and will each attend a basic first-aid class as well as a security training class. The security class will be conducted by GTECH's security team. The people hired for these positions will also attend an annual Best Practices workshop developed in collaboration with the TLC.

Promotions and Training Representatives will also manage the district promotional inventories, process all administrative documentation, ensure all trailers are stocked with items necessary to sell at the event and that an adequate supply of Instant Tickets are ordered for each event, and verify that all plastic tote bags are stuffed with How-to-Play brochures, Player Wallets, and other Lottery POS materials. With approval from the District Sales Manager, LSRs will schedule personnel for each event, serve as the shift leader during events, and complete the Selling Event Evaluation and Tracking Report (SEETR), turning it in to the GTECH Promotions Manager/Coordinator by 2:00 P.M. the first working day following the event.

GTECH has identified three current Swing LSRs who we would like to move into this new position: Martin Diaz, Robert Nieto, and Pam Knebel. We are still looking at candidates, internally and externally, to fill the other six positions.

To view resumes for Shannon, Martin, Robert, and Pam, please see **Exhibit 1, Resumes**, which is located in the Exhibits Volume.

## Additional Promotions Support

**Brian Finnigan and George Sanchez, our two regional sales managers,** are responsible for the strategic oversight of all promotional activities. They ensure the proper allocation of resources – from people to trailers to general marketing materials – that take place within their regions.



**The District Sales Managers** (pictured here with their respective regional sales managers) are responsible for overall sales within their districts and for using promotional events to make a positive sales impact in their districts. They are responsible for training their LSRs and the Training and Promotions LSRs to ensure the proper execution of each event and the full utilization of resources.





**The Corporate and Key Account Team** is responsible for selling in special retailer events focusing on key and corporate accounts. Building relationships with these accounts is vital to successful events and promotions and aligning in-store support, announcements, and merchandising. Key Account Representatives also work at the Texas Lottery trailer before, during, or after events.

**Lottery Sales Representatives** are responsible for selling in special retailer events and identifying new selling events within the communities they live. They also work at the Texas Lottery trailer before, during, or after events. During each event, multiple stations are manned. These include the trailer (assisting the retailer), the spinning wheel (giving away prizes), and the microphone.

We have included an insert, **Promotional Event Execution Example**, on the following page showing the timeline and actions undertaken by our team to make sure the TLC was properly represented at the San Antonio Stock Show and Rodeo event, described previously in this section. This insert is an accurate representation of our event timeline for most events like this.

We also provide events safety and security for the retailer, our staff, TLC staff, and the public. As specified by the TLC, we also:

- Provide promotions staff to conduct promotional activities throughout the event including nights, weekends, and holidays.
- Coordinate Lottery Product sales at single or multiple site locations, as required.
- Provide technical support for the duration of the event.
- Ensure the retailer is available to participate in the selling event.

## **Event Scheduling**

The schedule for a promotion typically includes a setup/morning shift, a midday to late evening shift, and a night to closing shift. We try to break up the shifts to protect employees from heat and physical exhaustion. This also allows for a reasonable, but full, workday as long drive-time hours must be considered for employees to arrive at and leave the event, since many events are not located in metropolitan areas. This schedule also provides flexibility to allow for an extra person. Additional help during peak rush hours is often necessary.

Typically, a selling event requires the following GTECH team members, along with the Texas Lottery Promotions team, to be present during the event:

- One shift lead. This is typically the Training and Promotions Representative.
- One to two FSTs to execute the satellite installation for setup and breakdown.
- Two to four GTECH sales employees to work per shift, depending on event size and needs. A typical shift lasts four hours.

## San Antonio Stock Show and Rodeo



- 1st Conference call to begin Preliminary talks with Kaye Taylor, GTECH and Advertising agency begin for San Antonio Rodeo 12/8/09
- TLC sends promotional items descriptions to San Antonio Rodeo for approval of promotional items 1/6/10
- San Antonio Rodeo approves promotional items to be used for San Antonio Rodeo 1/13/10
- 2nd Conference call with Kaye Taylor, GTECH and Lottery's advertising agency to discuss detailed logistics of the San Antonio Stock Show & Rodeo 1/21/10
- Robert Nieto meet with Louis from Lucky's to have provisional license application signed for the promotional retailer numbers 1/27/10
- Rolando submitted provisional license application to Texas Lottery Licensing department to have application processed 1/27/10
- Lottery licensing department processes the provisional license application and created the promotional retailer numbers for event 1/28/10
- Lottery Licensing sends promotional numbers to Field Service Techs supervisors to schedule the installation of the satellite for the selling event 1/28/10
- Rolando meets with Chris Derby on 1/29/10 to deliver 5 Texas Lottery banners to display at event
- At district meeting on 2/5/10 we completed schedule of LSR's to work and set up
- Started working on trailer and pulling merchandise on Monday 2/15/10
- 3rd Conference call with Kaye Taylor, GTECH and Lottery's advertising agency to final logistics of the San Antonio Stock Show & Rodeo 1/21/10
- Wednesday ordered tickets for event 2/17/10
- Lee Hagan list's on the install report the two promotional retailer numbers for the event 2/18/10
- Field Service Techs prep lottery terminals, GamePoint and satellite for event 2/18/10
- Friday finished loading equipment and items and completed TLC checklist 2/19/10
- Friday – stuffed 2000 bags with HTP's for players 2/19/10
- Morning of event – met at office at 5:15AM to caravan to event 2/20/10
- Began Set up trailer and all it entails at 6:00 Am 2/20/10
- Began selling Lottery tickets to customers at 10:00 am to 10 pm on Saturday 2/20/10 and 11:00 am to 7 pm 2/21/10
- Robert and Andrew and FST Tech head back to San Antonio Rodeo to tear down equipment 2/22/10
- Follow-up with retailer to ensure they balance and have utilized partial inventory that went back to store 2/22/10
- Put remainder of merchandise back into office and complete selling event evaluation to submit to Rolando 2/22/10
- Rolando reviews selling event evaluation to check for accuracy and then submits to Kaye Taylor at the Texas Lottery 2/22/10

**Figure 8.6 – 16:  
Promotional Event Sample Schedule**



# POTEET STRAWBERRY FESTIVAL 2009



### Shift Schedule

**Friday, April 3rd**  
 Set up @ 1 PM - 5 PM-Robert, Roland, and Andrew.  
 Trailer opens @5:00 PM  
 4:30-10:30PM Shift: Frank(lead), Bill, Drew

**Saturday, April 4th**  
 Set up @ 10 AM, Open at 11 AM 10AM-  
 4PM Shift: Levi, Jackie, Jennefer  
 4PM-10:30PM Shift: Bryan, Andrew, Roy

**Sunday, April 5th**  
 Set up @ 10 AM, Open at 11AM 10AM-  
 2:30PM Shift: Linda, Jane, Robert  
 2:30PM - 6:30PM Shift: Jose, Pat, Sonia

### Trailer Keys

The lead for each opening shift should have a set of trailer keys for the trailer door. These will be with your parking/entrance passes at the office.

### Uniform

Please wear "PLAY HERE T-SHIRTS" and either jeans or shorts.

### Directions:

I-35 South to Hwy 16 (Poteet/Jourdanton Hwy).  
 Expect long lines of traffic so plan accordingly!  
 Please don't forget your parking/entrance passes.

### Emergency Phone #'s:

Linda Sanderson  
(210) 254-8700 (Mobile)

Robert Nieto  
(210) 373-9436 (Mobile)

Andrew Gomez  
(210) 643-1779 (Mobile)

Richard Kent  
(512) 579-7105 (Mobile)

Angel Rosas (512)  
579-7087 (Mobile)

Ismail Prado  
(512) 579-7108 Mobile



**Where Should I Be?** Our event schedule leaves no doubt as to our expectations for employees during a promotional event.

GTECH provides Texas-branded uniforms (hats, shirts, jacket, etc.) for its staff and retailer event staff. During the past year, GTECH has provided its sales organization with three approved shirts. These include a long-sleeved gray *Powerball* shirt, a short-sleeved green *Blockbuster* shirt, and a red *Mega Millions* and *Powerball* shirt.

**Figure 8.6 – 17:**



**Promotional Attire:** All employees working at an event are required to wear appropriate attire, as recommended by the TLC.

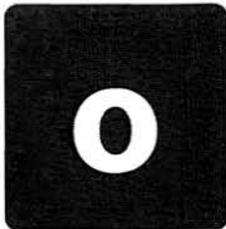
GTECH is committed to training its promotions team to ensure team leaders understand what is necessary to execute a successful promotion, without exception. Each year, we will conduct a Promotional Training Workshop, in collaboration with training for Texas Lottery promotional staff. We try to schedule the workshop in the spring, as most selling events occur during the summer months, and we want the training to be timely and relevant. The subject matter of these trainings includes:

- What to consider when proposing new events (e.g., attendance, location, event history).
- Promotional visibility.
- Proper required paperwork.
- Management allocations of promotional inventories: Promotional Item Request.
- How to properly set up the trailer and other event materials.
- Best practices on executing the selling event.
- Proper reporting: SEETR.

During the annual State Sales Meeting, we also dedicate time to include a training workshop on promotions and selling events. The subject matter for these meetings varies by year, depending on the assessed training needs at the time.

## 95.4 Alternative Approaches to Events and Promotions

Drawing on the experience of our corporate marketing department, and the expertise of our GTECH Texas team, we have begun to develop many alternative approaches to conducting promotional events and retailer promotions. One example, described previously, is expanding the number of CADs at retailer locations in select markets to highlight special events. Another example is providing special in-store promotions around major selling events such as NASCAR races or the State Fair.



In addition, we are always considering new equipment that will take Lottery events to a higher level. For example, we have recently begun to investigate a flat screen setup, highlighting our GTECH G2 game library, as part of our promotional trailers. With it, players would be able to play Internet games, for fun, at the events. This would create an enjoyable activity to attract people (particularly the younger, more difficult-to-reach demographic), expose players to Internet games the Lottery may one day be able to offer in a pay-to-play capacity on the Internet, and collect registration information to establish a marketing database. GTECH is offering this to the TLC as an **Offered Option**.

### The Biggest Scratchcard

In the state where everything is bigger, this exciting promotion from IGI Europrint, a GTECH subsidiary, is a natural fit. The Biggest Scratchcard can be used to promote the TLC and attract players during large events like state fairs. A truck or billboard displays the Biggest Scratchcard – a large Instant Ticket with hundreds of images of that very same Instant Ticket printed on latex. Some or all tickets can be winning spots, and prizes may include cash, Lottery merchandise, Instant Tickets, free draw-game play coupons, etc.

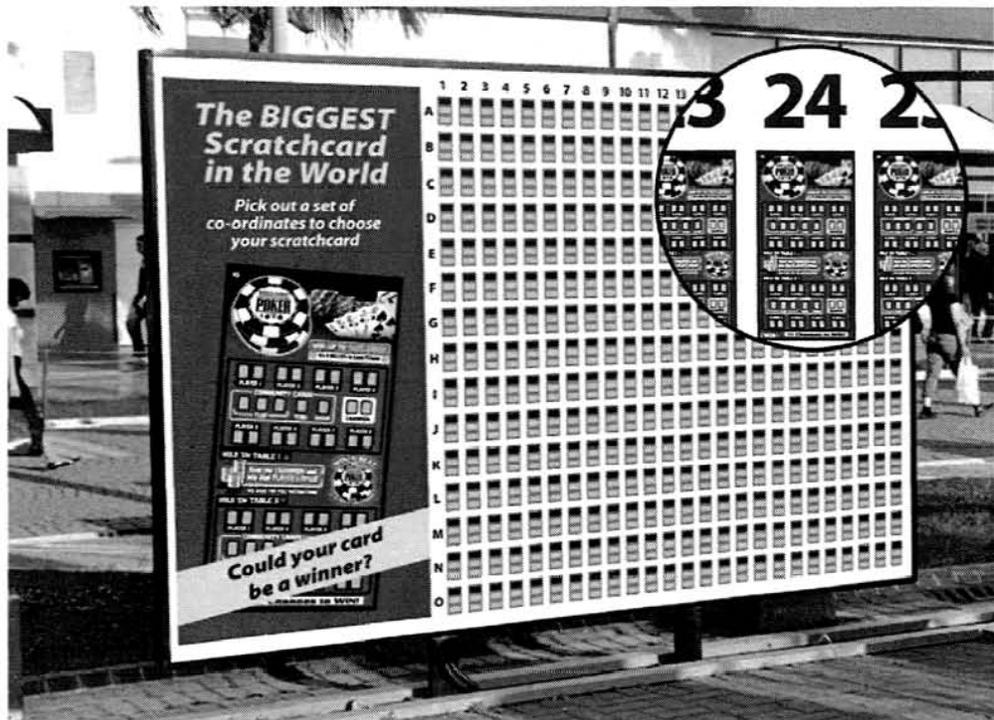
The TLC decides who gets to select a spot to scratch off the promotional card. For example, you can select:

- Players who bring a non-winning TLC ticket to the event.
- Players who purchase any ticket, or a particular ticket, at the event.
- Anyone to whom our staff or your staff gives an event coupon.

The Biggest Scratchcard promotion meets the following marketing objectives:

- Specific Instant Ticket, draw game, and/or Lottery product promotion.
- Visibility to current and potential players at large venues.
- Options for including different prizes the TLC wants to publicize, such as cash, Lottery merchandise, Instant Tickets, free draw game play coupons, etc.

**Figure 8.6 – 18:**  
**The Biggest Scratchcard**



**Now That's a BIG Scratchcard!** Draw big crowds with the world's Biggest Scratchcard at your next big event.

As an IGI product, the Biggest Scratchcard falls under the IGI Europrint Services Offered Option in Section 8.5, Retailer Contests and Retailer-Based Player Promotions.

### Human Bingo

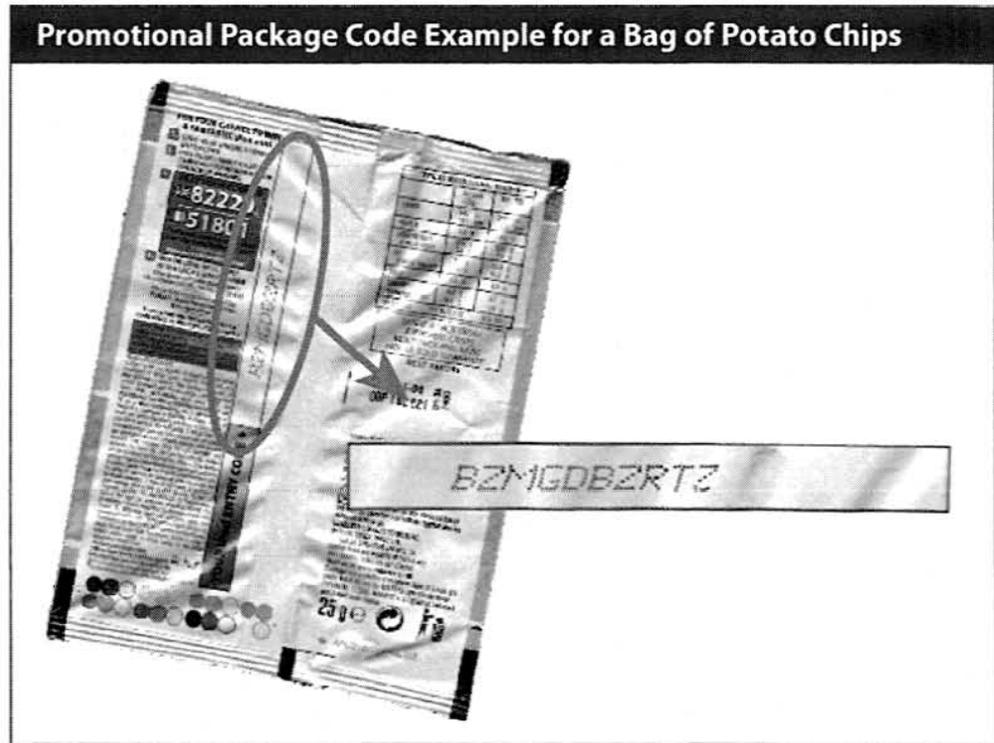
Effective for large events, Human Bingo is a fun way to launch a new bingo Instant Ticket. With an oversized bingo board, and some volunteers, you can execute bingo games in large supermarket parking lots or at non-selling events such as halftime at a Texans football game.

## Road Trip Through Texas

Summer is traditionally a slow time for Texas Lottery sales. To bolster summer Lottery business, one strategy might be to team up with partners whose best season is the summer. Frito Lay and the Texas Travel and Tourism department both have the potential to be viable summer marketing partners for the TLC. The GTECH marketing and sales teams would work with retailers to reserve selling days at their stores and set up Lone Star Spins and CADs. These selling days would be for products the Lottery wants to focus on during the summer. We would wrap a select number of GTECH vans with promotional marketing materials and host special visits to top retailers. The van would sit in the retailer parking lot with a tent and a booth to give away merchandise with the spin of a wheel for tickets purchased. We could also offer a second chance drawing at each store for specific summer promotional game prizes (beach towels, chairs, and beach bags) as a co-op with Frito Lay and/or Pepsi). A retailer achieving a certain sales level during the event could win a special incentive package.

Working with IGI Europrint, the TLC could also print unique and variable game codes on Frito Lay packages. This would also fall under the IGI Offered Option in Section 8.5, Retailer Contests and Retailer-Based Player Promotions. Players could check these codes on the Internet to see if they've won prizes, which could include Lottery tickets. IGI is an industry leader in this technology. This promotion would be an opportunity to partner with Frito Lay and create enticing promotions during a slower season for Lottery sales.

**Figure 8.6 – 19:**



**Am I a Winner?** Players could check the codes on the bags, using the Internet, to see if they've won a prize. Prizes could include Lottery tickets to generate trial of current or new Lottery products.

### **Concert and Sporting Event Promotions**

Each person 18 years and older that enters the admission gate receives a pre-printed voucher with a unique number and instructions. They are told to watch for the Lottery's advertisement on the Jumbotron approximately 10 minutes before the start of the concert or game to find out if their number was drawn as a winner. The hope is that the prize is large enough to catch a shot on the Jumbotron of the winner shouting excitedly and celebrating live. The voucher would explain where to go to claim the prize on-site. The Lottery takes a picture of the winner, which is inserted into the Lottery's advertisement during intermission at the concert or halftime at the game. All other people holding vouchers are directed to the Lottery's Website to enter their number for special drawings throughout the season. This is an excellent way to introduce new and younger players to the Lottery.

## **Hit the Ticket Promotion**

At Major and Minor League games, the Lottery could sponsor a 12-foot x 12-foot banner somewhere in the outfield. The banner has a huge circle on it and a place to change out the "Ticket of the Game." If any baseball player hits the Ticket of the Game target during a particular inning, audience members who are 18 years and older can go to the TLC Website and enter the unique code from their admission ticket to receive a coupon for the Instant Ticket promoted at that game.

## **Rolling for Dough**

During halftime, or at a pre-announced time during an event such as the State Fair, three people are randomly selected through a drawing. Each is given a foam Dice, with the same six pictures on it. The players roll one at a time. If two of the three players match their rolls, they each win \$500 worth of Instant Tickets or cash. If all three players match, they each win \$5,000 worth of Instant Tickets or cash. If none match, they are all still guaranteed \$100 worth of Instant Tickets and a special Lottery T-shirt.

## **T-Shirt Shooter**

At any event, the Lottery can shoot T-shirts to the audience with Instant Lottery tickets attached to promote a particular game. One T-shirt can have a special prize attached, such as tickets to the next game if at a sporting event or \$100 worth of Instant coupons.

## **Happy Dance Event**

Players are encouraged to submit their version of a "Happy Dance" for winning, or potentially winning, a TLC top prize. This can be done through various Internet outlets such as the TLC Website, YouTube, or Facebook. At events throughout the season, ask players to show their Happy Dance and, with permission, upload players from all over the state doing the Lottery Happy Dance. This will help bring new visitors to your Website, create a fun activity to draw crowds to promotional events, and expose players to the thrill of playing the Lottery.

## **Milestone Celebrations**

The TLC's 20th anniversary is quickly approaching. With a direct mail coupon, you could host a millionaires' reunion and conduct a few high-traffic promotions (such as at the Texas State Fair or Prime and Tanger outlet malls in San Marcos) with birthday themes. A number of lotteries have done this, and the anniversary becomes a big public relations event for running special sweepstakes or themed Instant Games. This is also a huge opportunity to summarize and publicize the amount of revenue generated for the Foundation School Fund. Some lotteries have also considered a special logo incorporating the anniversary theme.

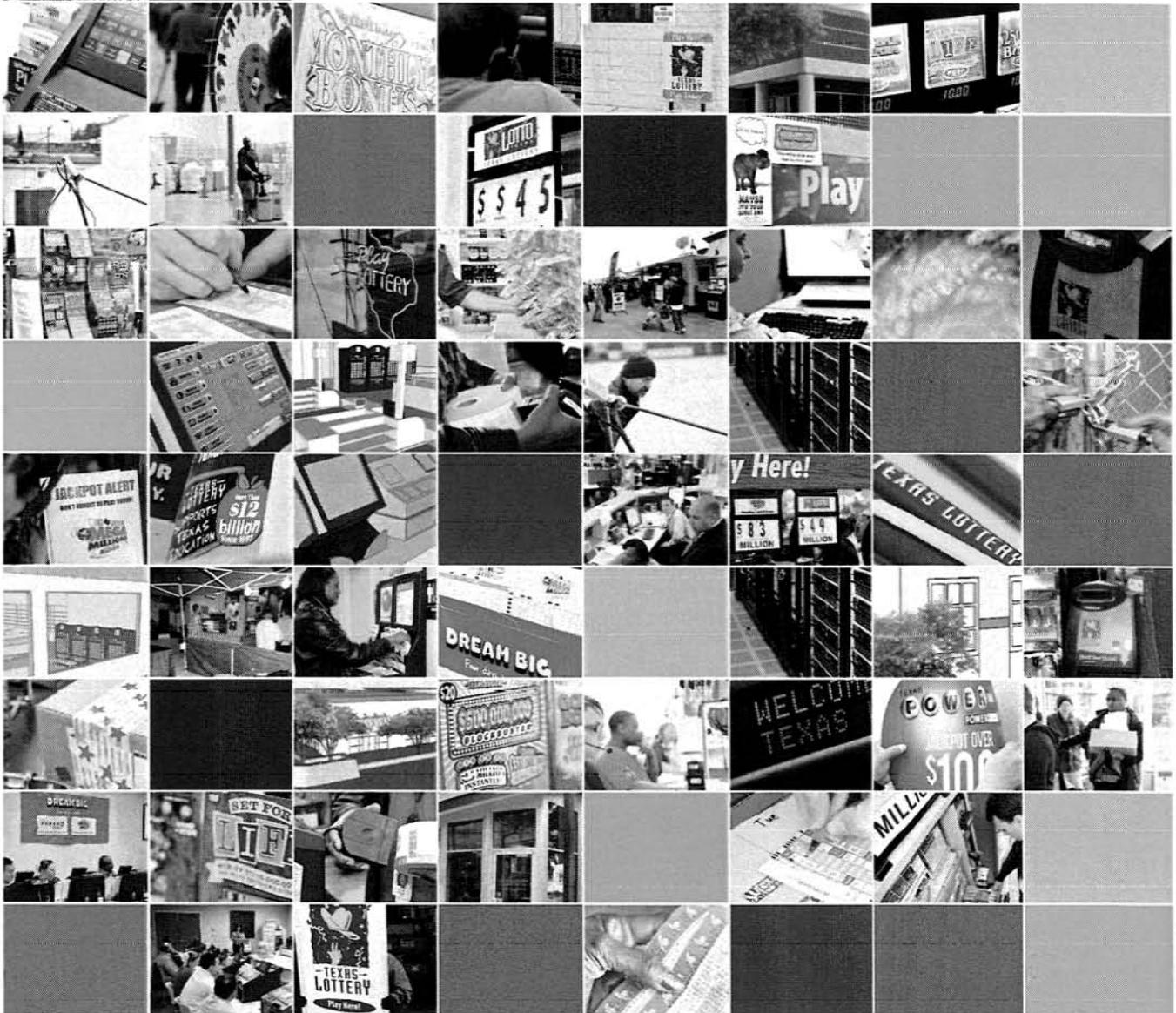
## **Future Promotional Events**

Promotional events represent a tremendous opportunity for the TLC in many areas. With our experience and knowledge of the TLC, we understand the process and logistics required to make these events successful. We also have a keen sense of where opportunity lies and how we can help the TLC continue to improve upon these events in the future (e.g., more retailer-based events, new technology to streamline execution, tighter analysis, and selection of non retailer-based events).



# 8.7

## Marketing Materials and Related Equipment



# 8.7

## Marketing Materials and Related Equipment

### Introduction

A well-merchandised store creates an appealing, informative, and compelling atmosphere for consumers to make convenient, impulse Lottery ticket purchases. With the correct mix of marketing materials, a retailer can generate foot traffic to drive Lottery revenues. The correct mix, which is different for each retailer, uses sales execution techniques specifically designed for that retailer and leverages state-of-the-art merchandising equipment to create an environment where players can easily find the games they want to play. This component of the marketing strategy is aimed at allowing each retail outlet to perform at maximum capability. We recognize there is a range of needs across retailers and that “the right fit” can look very different across retailers. To address the different retailer needs, GTECH is proposing a variety of new marketing materials and related equipment that fit the varying retail environments and placement criteria.

The correct materials, however, are only part of the story. Once retailers have the materials, it is what they do with them that will truly affect sales at a location. Our sales force will work to implement the most appropriate merchandising best practices and customize merchandising solutions to address the unique needs of each retailer. Our Lottery Sales Representatives (LSRs), as well as the entire GTECH Texas team, work in conjunction with the TLC to execute and deploy equipment into the field. The TLC has the sole right to approve all equipment GTECH recommends.

Having made millions of retailer visits during the last contract period, our LSRs have the experience, expertise, and knowledge of the Texas retailer landscape to make informed decisions that will maximize revenue on a retailer-by-retailer basis. They will work with each retailer to deliver the right combination of execution support and customized equipment solutions to enhance the player and retailer experience – and ultimately increase returns to the Foundation School Fund.

Optimizing retailer facings at each store – by ensuring that bins are fully stocked and attract the attention of shoppers – is also critical to maximizing revenue. Our new state-of-the-art distribution system will provide the most accurate retailer inventory levels and will ensure retailer bins remain fully stocked. In addition, we are not only able to provide TLC retailers with various options to maximize facings, but we also know which solutions work best when considering the factors that an individual Texas retailer faces as he or she conducts daily business. When demographics change and retailers face different challenges, one size does not fit all as it relates to marketing execution. A variety of marketing materials is essential to overall TLC revenue growth.

Combining our flexible solution set, with our Texas expertise benefits both retailers and players by increasing the likelihood that players can find and purchase the games they want to play. Sales grow, and players have a better gaming experience.

## **Table 98**

### **Marketing Materials and Related Equipment Response Requirements**

#### **98.1**

##### **Roles, Responsibilities and Detail Requirements**

GTECH acknowledges and accepts the roles and responsibilities and detail requirements indicated in this section.

## 98.2 Marketing Materials and Related Equipment

**Figure 8.7 – 1:  
In-Store Marketing Materials**



**The Right Stuff:** With the proper mix of marketing materials, TLC retailers can optimally use their point-of-sale area to grow Lottery sales. As our experience launching *Powerball*® in Texas emphasized, the key is having the right material in the right place at the right time.

### Permanent Marketing Materials

GTECH ensures the Instant Ticket dispensers, playstations, and Texas Lottery signs are in new or "like-new" condition, including, but not limited to, their appearance and functionality. We promptly replace worn or damaged equipment at the request of the Texas Lottery. Within three days of notification, we will resolve all non-sales and/or non-validation equipment problems and return the equipment to service, as required under RFP Section 3.60.45, Failure to Resolve a Lottery Non-Sales and/or Validation Equipment Problem within the Specified Timeframe.

## Playstations: Creating a Destination for Lottery

The TLC needs a unit that is highly durable, attractive, and convenient. That's why we propose to supply playstations from Go Plastics, a recognized leader in playstations for the lottery industry, having already supplied playstations to the Georgia, Tennessee, and Virginia lotteries. The proposed playstations will:

- Include storage for materials.
- Have a bright area to display posters, winning numbers, and other related Lottery information.
- Provide space for play slips, brochures, and pencils.
- Provide a workspace for the player to fill out play slips.
- Have an enclosed storage area underneath for additional player supplies (play slips and pencils).

In addition to Go Plastics, we may use playstations from Schafer as well. We will provide an adequate number of playstations to accommodate all licensed retailers.

### *Unit Appearance*

#### **Figure 8.7 – 2: Sample Playstation to Fit TLC Retailers**



**Clean and Simple:** Both retailers and players alike will enjoy the easy-to-use, easy-to-clean, playstation.

### *Unit Construction*

The playstations are molded from polyethylene plastic, making them durable and long lasting. The plastics are pigmented to match your Lottery colors and are dyed all the way through; even if a unit gets scratched, the color will not fade or mar. The playstations are easy to clean and require little maintenance.

### *Supplies*

Texas players will be able to use the playstation with ease. We will ensure that all supplies are stocked and available so retailers can give players pencils or other writing instruments.

### *ADA-Compliant*

As with all of our products, we strive to attain and maintain Americans with Disabilities Act (ADA) compliance. Our playstation is no different and will be ADA compliant.

### *TLC Approval*

The playstation is a critical component to securing valuable real estate in retailers' places of business. It also offers a marketing opportunity and another means to maintain your brand integrity. We encourage the TLC's right to approve the design of the playstation, including the colors.

**Confidentiality Claimed  
Not released**

## *Playstation Offerings*

### **Current TLC Playstations**

We will continue to offer the same style of playstation the TLC currently uses (as they are needed throughout the next contract), as our base offering.

### **Figure 8.7 – 3: Current TLC Playstations in Retailer Environment**



**The Right Fit:** The current Texas Lottery playstation is durable, functional, and eye-catching.

### Low-Profile Playstation

This low-profile model assists those retailers who have more basic needs. It also gives the TLC a viable option in areas such as Dallas/Forth Worth, where restriction ordinances often limit a retailer's acceptable playstation choices. This low-profile playstation is also part of our base offering.

**Figure 8.7 – 4:  
Low-Profile Playstation**



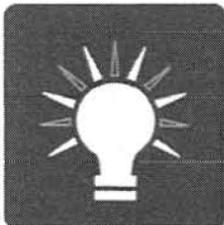
**A Different Fit:** For retailers with different needs, we can offer a low-profile playstation as well.

**Confidentiality Claimed**  
**Not released**

**Confidentiality Claimed**  
**Not released**

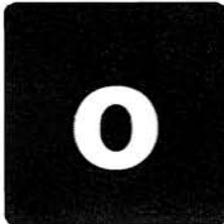
## Confidentiality Claimed Not released

### Customized Playstation Design



As an **Offered Option**, we could also work with the TLC to develop a customized playstation that meets the needs of the Texas Lottery. The TLC could potentially have a custom playstation that is exclusive to you if you wanted to exercise this option. If the TLC wanted to work with a different third party, we would also be happy to facilitate the design process with a third-party vendor of the TLC's choosing.

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### Instant Ticket Dispenser

Retailer facings will be optimized at each store to ensure that bins are consistently fully stocked and to attract the attention of shoppers, e.g., by enhancing the facings with fluorescent frames for featured games, as we did in the execution of the 2009 Spotlight game. Our new, state-of-the-art   
will provide the most accurate retailer inventory levels and will ensure retailer bins remain stocked. This will benefit both the retailer and player, as increasing the likelihood that players can find and purchase the games they want to play drives sales for retailers and improves player satisfaction.

GTECH can provide the TLC with several options for ticket dispensing equipment, all of which will securely store, display, and dispense full packs of Instant Tickets. The units provide the best marketing and sales approach for Instant Tickets in an aggressive multigame (at multiple price-points) program. We can accommodate any pack size and any number of games a TLC retailer may need to showcase. Our dispensers can be used to market and sell specialized Lottery games that may be offered.

GTECH has established a close working relationship with many major lottery ticket-dispenser vendors. Dispensers come with proven sales results, and their designs encompass some of the best Point-Of-Sale (POS) techniques in the lottery industry. Our vendors produce both injection-molded and fabricated Instant Ticket dispensers, ranging from single-game units to 32-game units. Most dispensers are stackable and configurable in multiple arrangements, giving the retailer versatility in ticket display. The dispensers we recommend, as options for the TLC, are described in the following text.

**Figure 8.7 – 6:  
GTECH’s Instant Ticket Dispensers**



**Stackable and Configurable Arrangements:** Several options of GTECH's Instant Ticket dispensers are available to the TLC, depending on the needs of its retailers.

*Six-Inch Modular Mini Dispenser*

GTECH will provide the TLC with a version of the six-inch Mini Dispenser that is a dual-unit model, molded of 1/8-inch polycarbonate material.

**Figure 8.7 – 7:  
The Dual-Unit Six-inch Mini Dispenser**



**Modular Adaptability:** This dual-unit model offers many ways to organize Instant Tickets without taking up valuable counter space.

With the dual-unit six-inch Mini Dispenser, several of the dispensers can be stacked on top of one another by snapping them together (no foam tape is required between units to hold them together). We recommend that stacking does not exceed four units.

The Mini Dispenser requires a dual, lockable slide mount between the counter and the first unit for mounting. The slide mount is injection-molded, and double-stick tape attaches the slide mount to the counter and the first dispenser. Two plastic keys are provided to allow the dispenser to be separated from the counter.

#### *The Dual-Snap-Together Bingo Modular Mini Dispenser*

This dispenser is made of the same material as the dual six-inch Mini Dispenser but is sized to more easily hold bingo and crossword Instant Ticket Games. This dispenser snaps together with the regular dual six-inch Modular Mini, requiring no foam tape between units. The dual Bingo unit can hold and dispense regular tickets until bingo and crossword games are launched.

**Figure 8.7 – 8:  
The Dual Modular Bingo Dispenser**



**Adaptability with Bingo-Sized Dimensions:** The dual Bingo unit is designed to easily hold bingo and crossword Instant Ticket Games.

*The Promoter Instant Ticket Dispenser*

The Promoter Dispenser can accommodate up to 32 games. It sits on the counter to provide prime Instant Ticket visibility. This dispenser accommodates varying length ticket packs, 4 inches wide and up to 1-3/4 inches thick. Tickets lie flat in the drawers, wrap around the front roller, and pull easily out the backside. Every drawer contains easy loading instructions.

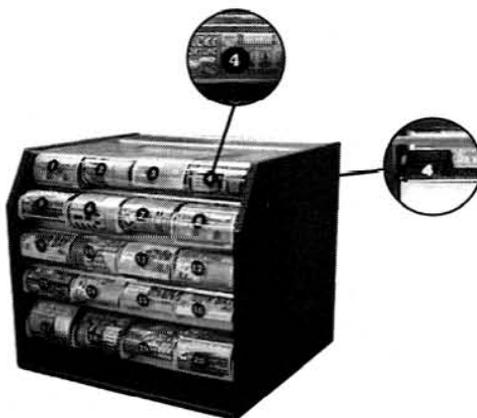
**Figure 8.7 – 9:  
The Promoter Dispenser Dispenses up to 32 Games**



**Prime Instant Ticket Visibility:** The Promoter can hold up to 32 Instant Ticket Games with high visibility to Lottery customers.

The Promoter's cabinet is constructed of rugged, wear-resistant half-inch ABS plastic and features aluminum stabilizer rods for long-lasting durability. The clear faceplate is constructed of acrylic. Bin numbers are clearly marked on the face of the Promoter, making it easy for customers to tell clerks their Lottery game selection.

**Figure 8.7 – 10:  
Bin Numbering Ensures Efficient Customer Service**



**Efficient Customer Service:** Bin numbering on the front and back of the dispenser allows customers to easily tell clerks which Lottery game they would like to purchase and ensures retailers are giving the correct ticket.

The Promoter can be securely mounted to the counter, and each drawer has a keyed lock for security.

### *Other Alternatives*

Each retailer is unique in its own way. As retailers start selling TLC Instant Tickets, some will decide that the stack of dual six-inch Mini Dispensers is not the best for their store. There is a variety of other Instant Ticket dispensers available. While “in-counter” displays offer great security, some are not as effective at encouraging sales. Our sales force will work with retailers who may need something other than the dual six-inch Minis. Ticket menu boards and over-the-register (or terminal) systems may be appropriate in certain situations.

**Figure 8.7 – 11:  
Ticket Menu Boards**

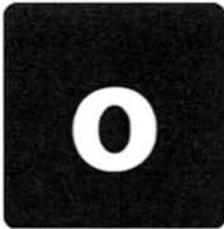


**A Quick Preview:** With ticket menu boards, customers can quickly and easily view which Instant Ticket Games a retailer offers.

**Figure 8.7 – 12:  
Over the Counter**

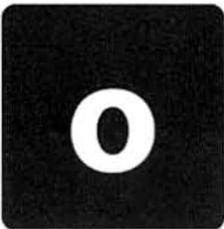


**Modular Adaptability:** Our Instant Ticket dispensers can easily fit into any retailer's counter configuration. They can be placed above the counter, if a retailer's selling environment requires this type of solution, as is the case for Patel Mart, the Bryan, Texas-based retailer shown in the images above.



As an **Offered Option**, we could also work with the TLC and our Instant dispenser partners to provide customized dispensers that meet the TLC's needs.

#### **Instant Showcase®**



The Instant Showcase system is a clerk-operated, 20-game-capacity Instant Ticket dispensing device. It connects and is controlled through our state-of-the-art Altura® GT1200 terminal. The in-store AccuTherm® Ultra lottery printer prints reports. Instant Showcase is an **Offered Option**, as described in Section 7.12, Sales Terminal and Related System Sales Equipment.

**Figure 8.7 – 13:  
The Instant Showcase Solution**



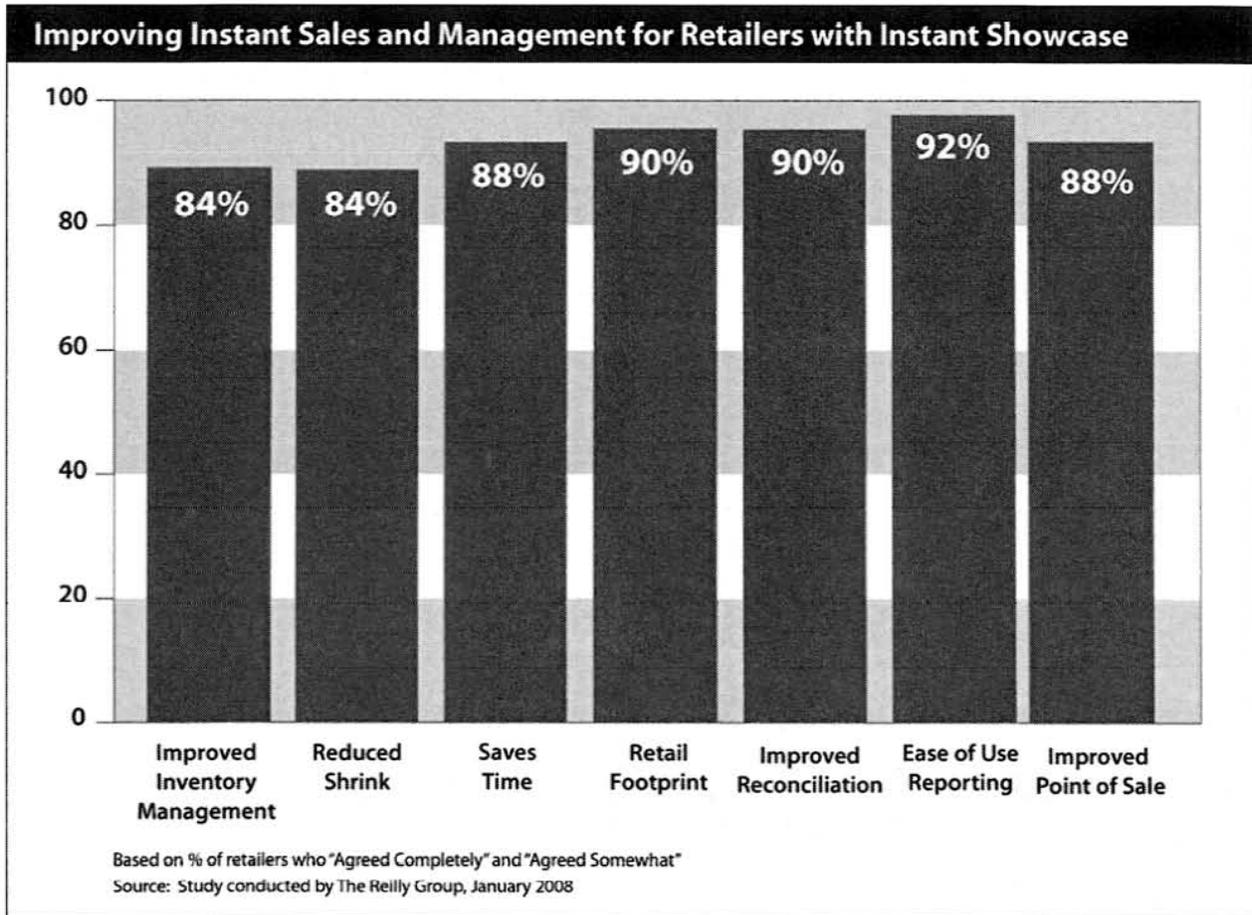
**Reducing Lines, Labor, and Loss:** Instant Showcase gives retailers the security they need to sell more Instant Tickets.

Retailers participating in recent pilot studies and those who have GTECH's Instant Showcase in their stores agree that it:

- Generates incremental sales.
- Decreases retail Instant Ticket shrink.
- Accurately tracks Instant Ticket inventory.
- Expands and optimizes the retail lottery network.
- Saves labor time via automated reporting to speed through end-of-shift/day reconciliation processes.

In fact, an independent study conducted by the Reilly Group shows that retailers found that Instant Showcase provided all of the benefits just described and more. See the following figure for more information.

Figure 8.7 – 14:



**Reducing Issues for Retailers:** An independent study conducted by the Reilly Group showed that Instant Showcase reduced many of the typical issues faced by retailers.

Instant Showcase, which can be placed on top of the counter or in the counter, is a great way for retailers to display Instant Tickets.

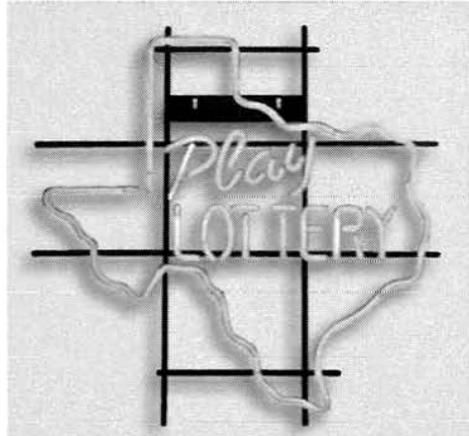
Retailers and lotteries often face problems with ticket shrink, forcing retailers to carry fewer games than they or the lottery would prefer. Having a secure device to hold the tickets greatly reduces this problem.

The setup and operation of Instant Showcase is simple. Retail clerks place activated ticket packs into the ticket display drawer and load them into the burster mechanism. Once locked inside the drawer, the tickets can be dispensed and tracked automatically. The retailer will always know what comes out of the machine and which clerk (through user identification) was logged into the system.

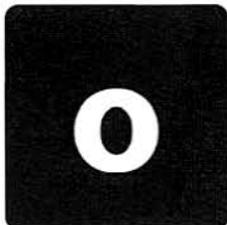
## Neon Lottery Signs

Our base neon sign offering has “Play Lottery” halo painted Yellow-Gold and the state outline halo painted Horizon Blue. The sign is 23 inches by 23.5 inches and 4.75 inches deep. It requires a 120V, 60Hz, AC electrical outlet.

**Figure 8.7 – 15:  
Neon Sign**



**Neon Sign Base Offering:** Shaped and illuminated neon sign.



In addition to the base offering, we also have four Admart neon sign selections to offer the TLC, as **Offered Options**, at an additional charge. Three are illuminated-shaped window signs, and the fourth is a branded window sign.

*Option One*

Option One is approximately 22 inches by 23 inches with a digital/screen print background. As illustrated in the following image, the neon-looking stroke of the Texas state outline is red, the word "Play" is amber, and the word "Lottery" is white.

**Figure 8.7 – 16:  
Admart Neon Sign**



**Option One:** Shaped and illuminated neon window sign.

*Option Two*

Option Two is approximately 22 inches by 23 inches (the same as the first option) with a digital/screen print map background. The neon-looking stroke of the Texas state outline is blue, and the letters are all red.

**Figure 8.7 – 17:  
Admart Neon Sign**



**Option Two:** Shaped and illuminated neon window sign.

### *Option Three*

Option Three is approximately 22 inches by 23 inches (although the dimensions are a bit different from the first two options) with a vinyl/screen print background and red Light Emitting Diode (LED) contour. The logo-type is a pop-thru with blue LED illumination, and the "Play Here" is a pop-thru with red LED illumination.

### **Figure 8.7 – 18: Admart Neon Sign**



**Option Three:** Shaped and illuminated neon window sign.

### *Option Four*

Option Four is a circular, branded window sign with an 18-inch diameter. The sign has an internally illuminated screen/digital print face and can be single-sided or double-sided.

**Figure 8.7 – 19:**  
**Admart Neon Sign**



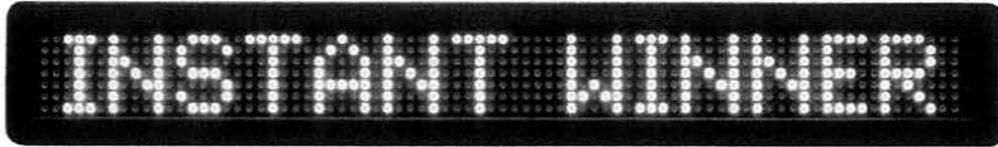
**Option Four:** Branded window neon sign.

### *LED Attachments for Neon Signs*

#### **Starlight Prism**

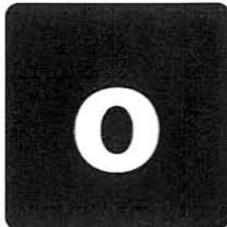
TLC retailers will be able to attract and inform players using our proposed 24-inch LED Starlight Prism. The Starlight Prism promotes the Lottery brand, highlights product promotions, and shows last-minute jackpot information to players. The Starlight signs can and will be attached to neon Lottery signs at the Lottery's discretion. This is part of our base offering.

**Figure 8.7 – 20:  
Starlight Prism Displays**

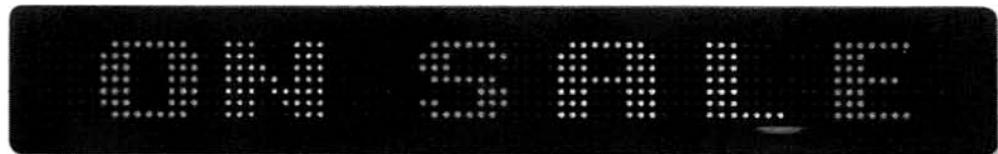


**Look at me!** The Starlight Prism is clearly visible from 15 feet away or more.

With 64 vibrant LED colors for text and graphics, a full-color LED Starlight Prism is also available as an **Offered Option**.



**Figure 8.7 – 21:  
Full-Color Starlight Prism Displays**



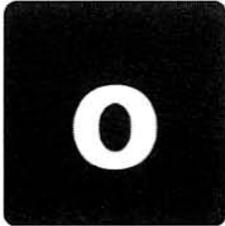
**Continuous-Scroll Feature:** The full-color Starlight Prism display system keeps your players updated with visually appealing information.

The Starlight Prism has a continuous-scroll feature that cycles up to 20 different messages, allowing for a variety of announcements and notices to be broadcast. It also provides unique stored animations and many message modes and transitions. Both the full-color LEDs and the varied functional modes stimulate impulse buys and repeat sales. You can even boost your “down to the wire” jackpot sales using the Starlight Prism by promoting jackpot awareness to players – and potential players – in retail locations. The Starlight units can be updated and programmed via the lottery gaming System using a games management application on the Lottery management terminal by an authorized user.

Because the Texas environment varies, we chose the Starlight Prism for its flexibility. With its attached mounting pole, retailers will have options with regard to the best place to put the display, whether on the counter, suspended, or mounted.

The exact location of the Starlight Prism will be decided by the TLC in conjunction with each individual retailer to optimize visibility in each retailer’s store.

## Jackpot Display Signs



Carmanah, Admart, and Adaptive signs, or any combination, are available to the TLC as an **Offered Option**.

### *Carmanah Displays*

Lottery awareness and attention-grabbing signage help promote Lottery sales and increase branding awareness. Carmanah has been creating energy-efficient LED illuminated signs since 1993. These signs are ideal for corporate identity, Lottery, point-of-purchase, and gaming applications.

As part of our selection process to deliver the highest-quality and cost-efficient signage to the TLC, we researched many signage providers and determined that the LED signage manufactured by Carmanah Signs provides some distinct advantages.

The numerous advantages to LED illuminated signage include:

- More than 11 years of lamp life.
- A higher degree of durability resulting in no breakage during shipping.
- No replacement bulbs needed.
- Low maintenance.
- Low-cost, energy-efficient operation.
- Safe, low-voltage wall adaptor.
- Environmental considerations.
- Wireless connectivity.

With Carmanah's wireless updatable jackpot signs, jackpot data can be sent directly from the Altura GT1200 terminal via a standard Universal Serial Bus (USB) connection to the sign's transmitter. Once the information is transferred from the Altura GT1200 to Carmanah's USB utility, the data is then wirelessly transmitted to the sign via secure, encrypted data. Up to five jackpots can be displayed per sign, and many signs within a 100-foot area can be remotely updated at once. This gives your retailers extreme flexibility in displaying information to customers, and easy daytime and nighttime viewing from at least 100 feet away. With a fixed logo and/or jackpot advertising messages designed in conjunction with the Lottery, the Texas Lottery players will easily identify new information and join the fun.

With a service life of more than 10 years, Carmanah signs provide substantial maintenance cost savings in labor and materials over traditional fluorescent or neon-illuminated signs. Additionally, Carmanah LED signs require less than 1/10th the power of fluorescent, neon, or incandescent signs. The following examples show the varied styles the TLC may choose.

**Figure 8.7 – 22:  
Carmanah Triple Jackpot Display Example**



**High Visibility:** Up to five jackpots can be displayed per sign and many signs within a 100-foot area can be updated at once.

**Figure 8.7 – 23:  
Carmanah Scrolling Text Display Example**



**Get Your Message Across:** Attractive and updateable street-facing signage will get players' attention on jackpot values or display public awareness messages.

### *Admart Signs*

Admart signs feature LED Edgelit illuminated panels with a black metal frame that includes front snap-lock for graphics. The customized changeable face allows for new graphics or games. No hardware is needed to change them out.

**Figure 8.7 – 24:  
Admart Sign Example**

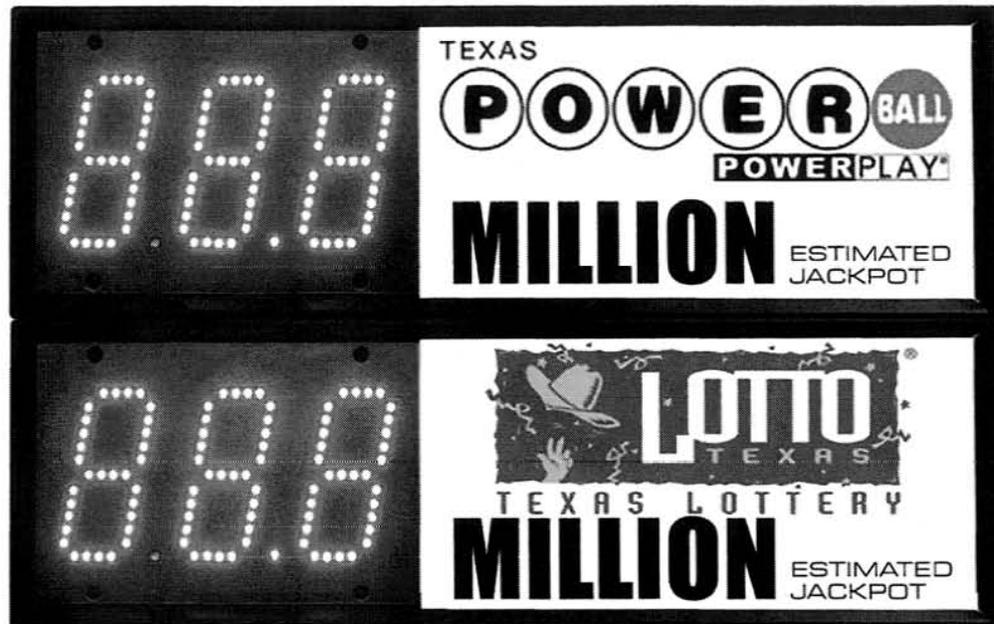


**Another Way to Grab Attention:** Admart offers the TLC another viable and attractive jackpot signage option.

### *Adaptive Displays*

We also work with a third jackpot sign vendor to give the TLC more options in finding the right product to fit its needs. The Adaptive jackpot signs have consistently improved lottery sales and branding in markets across the country. The two-line jackpot displays will grab attention and inform potential players with displays that are clearly visible from 200 feet.

**Figure 8.7 – 25:**  
**Adaptive Two-Line Jackpot Window Display Example**

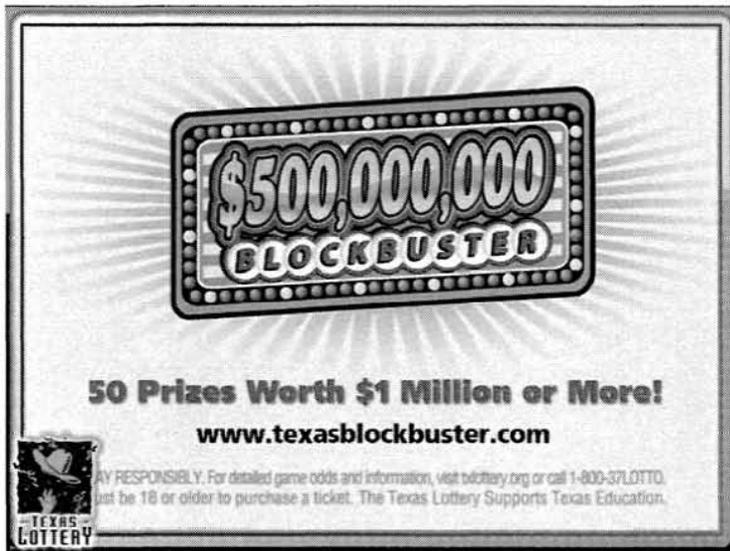


**Attention Getters:** Viewable from a distance of 200 feet, the Adaptive storefront signage improves player awareness of where the Lottery is sold and reminds them they need to drop in and pick up a couple of tickets.

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devices – electronic monitors placed at the POS to advertise Lottery products – provide a vital link between the Lottery and the player base at the retail point of sale. They are also effective tools to meet diverse language needs, because they can easily and inexpensively be programmed to display messaging in several languages. Increasing its language capabilities will help the Lottery meet the needs of its diverse retailer and player base to improve returns to state.

**Figure 8.7 – 26:  
Sample Screen**



**Connect to the Player:** Displaying electronic terminal messages through will provide a vital link between the Lottery and the player base at the retail point of sale.

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can convey specific game launch and winner awareness news pertaining to the region and consumer preferences of the trade area. This removes part of the marketing burden from retailers and more effectively targets the Lottery’s messaging to the right players. Today’s consumer brands are all competing to break through the clutter at retail. The challenges the Texas Lottery faces in the retail environment are no different from those faced by other brands.

is a central component of the 360° marketing plan because of its unmatched ability to capture player attention at the POS. Placed at high-traffic retailers, the digital monitors increase winner awareness, educate consumers, and drive greater Lottery sales. They effectively present eye-catching messages to potential players at a critical time: when they are ready to make a purchase decision.

We will work with retailers to make the most effective use of the solution. Having installed and operated 115,000 in-store advertising signage displays (more than almost any other *signage vendor* in the world), we have developed a comprehensive set of more than 30 industry-proven best practices that we help retailers implement to increase sales. The following figure shows sample best practices.

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This consumer-focused direct messaging channel provides a new way for the TLC to communicate with players – one that will improve the Texas Lottery’s image and ultimately increase its sales and profitability. Messages can be updated quickly and inexpensively from a central location, reducing the labor demands on LSRs and retailers. Updating print POS materials across Texas can take as long as two weeks. Updating digital messaging, on the other hand, can be done almost instantaneously. Central control will enable the Lottery to customize messages for each retailer. Messages can be based on consumer preferences in the retailer’s trade area and can provide targeted winner awareness news that pertains to the region. In addition, messages can be deployed in multiple languages, customized to the language prevalence in each retailer’s trade area. Retailer monitors can also display messaging about responsible gaming, the Lottery’s support for Texas education, or other information to improve public opinion. As a high-tech upgrade from print POS materials, this system will modernize the image of the Texas Lottery.

**Our pilot program resulted in an approximately 46 percent average increase in daily On-Line Games sales.**

In addition to the direct benefit to the Lottery, this system helps to enhance the experience for retailers and players. While shopping in the store, players are educated and entertained by the digital signage.

Digital signage systems will be distributed across Texas to Lottery retailers selected based on analysis, similar to the capabilities outlined in Section 8.8, Research and Lottery Product Development, which takes into account such factors as sales levels, sales potential, and foot traffic.

Utilizing digital signage to improve Lottery product marketing has been proven to increase revenue significantly at Texas retailers. An initial pilot program at five H-E-B stores from November 2008 to February 2009 resulted in an average increase of approximately 46 percent in daily On-Line Games sales. This was well above the 19 percent increase experienced in non-pilot stores during the same period.

We expect that the Lottery will be able to replicate the outstanding results from this pilot program at retailers across Texas through our proposed deployment plan.

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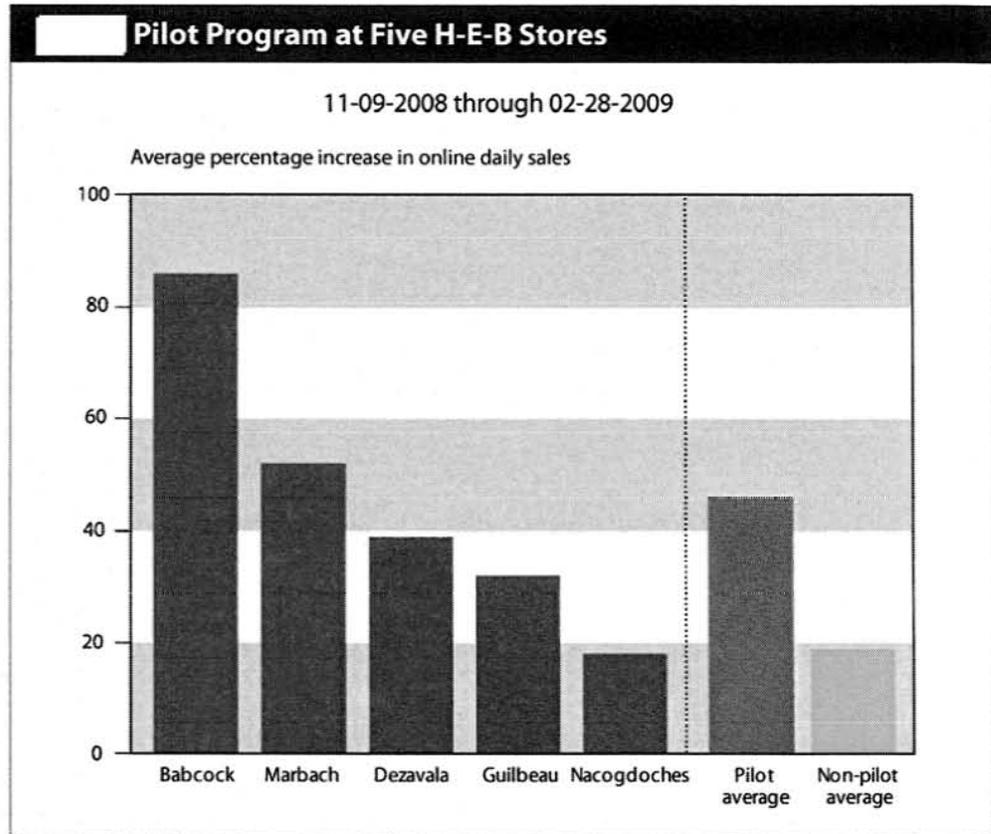
**Figure 8.7 – 28:**  
**from the Texas H-E-B Pilot Program**



**Creative Merchandising:** Participating H-E-B stores found creative ways for to merchandise games and educate players.

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Figure 8.7 – 29:



**Growing Sales:** The H-E-B Pilot program showed that stores with displays experienced higher sales increases (46 percent) than H-E-B stores that did not participate in the pilot program (19 percent).

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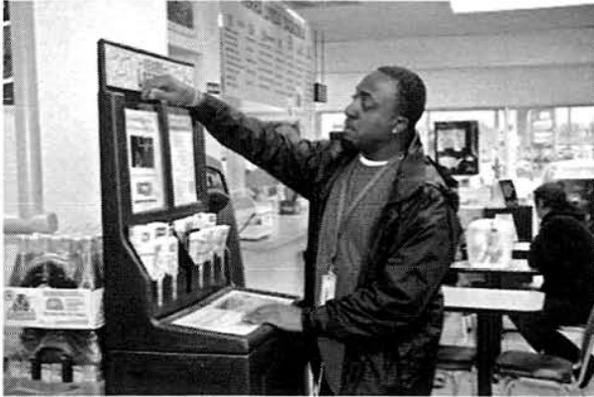
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## **Sales Support Marketing Materials**

### **Marketing Execution Guides**

To make the sales force more productive, and to determine the optimal merchandising setup for each retailer, GTECH will develop and distribute comprehensive merchandising execution guides to our LSRs. The guides communicate strategy, goals, and techniques, allowing LSRs to work with retailers to create customized solutions for each retail environment.

**Figure 8.7 – 31:  
LSR Execution**



**Ensuring It's Done Right:** Proper execution is just as important to sales success as the actual marketing materials themselves.

In February 2009, in collaboration with the TLC, we started creating monthly execution guides to assist the LSRs in planning and preparing their field activities and to improve merchandising at retailers across the state. The guides are based on the experience we have accumulated over the years across the Texas retail network as well as on best practices gleaned from other jurisdictions. By utilizing these guides, our LSRs can provide the best support for each retailer and help them to properly merchandise Lottery games and improve sales.

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Moreover, the guides ensure consistent launches of new products and promotions across the state and optimal advertising placement to capture the maximum sales from new initiatives. Players enjoy a better in-store experience by being able to find the games they want to play and receiving consistent messages about the Lottery. Retailers benefit from superior sales force support that enables them to maximize their sales potential.

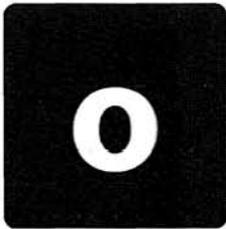
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Our merchandising approach ensures maximum returns by coordinating each component – internal and exterior POS execution, LSR selling activities, and retailer training – to achieve superior execution and higher sales. For instance, GTECH independently developed and invested in fluorescent frames for the Blockbuster game and created new Lottery T-shirts for staff to sell in new games and to wear at special events to advertise key games. We also provided retailers with merchandising and sales training materials to help them promote winner awareness, make players feel welcome, and effectively use promotions and advertising. The execution guides we provided addressed each of these components to ensure that they were effectively deployed and coordinated, thus improving the player experience and maximizing each retailer’s sales potential.

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### Easy Play Cards



Our new Easy Play Cards increase awareness by creating a prominent POS presence. Easy Play Cards are colorful, eye-catching paper slips with a bar code that enable players to purchase specific On-Line Games at specific price points quickly and conveniently. Easy Play Cards are an **Offered Option**.

As part of the 360° Marketing Plan, the Texas Lottery recently introduced Easy Play Cards as a new in-store solution to improve awareness of On-Line Lottery games at the POS. Players can either hand the Easy Play Cards to the retailer or use them at a GamePoint to purchase their desired games. These cards are advantageous for both retailers and players because they improve transaction convenience, streamline the purchase process, and save time for both retailers and consumers.

Figure 8.7 – 34:



**Quick, Easy, and Eye-Catching:** Easy Play Cards currently offered in Texas include cards for Lotto Texas, Mega Millions<sup>®</sup>, Texas Two Step, and Cash Five games.

If we roll out Lottery Inside – our innovative in-lane solution that enables On-Line Games to be sold at a regular checkout register with the simple swipe of a bar code – the Easy Play Card will permit players to purchase On-Line Games even more conveniently at the places they prefer to shop. Lottery Inside, as described in Section 7.12, Sales Terminal and Related System Sales Equipment, will significantly increase points of access and enable the Lottery to sell On-Line Games in retail settings that were previously difficult to penetrate due to space constraints and the capital-intensive nature of deploying terminals.

Easy Play Cards can be used flexibly as permanent fixtures or as a temporary marketing tool to promote usage of Lottery Vending Machines (LVMs) and Lottery Inside for purchasing On-Line Games.

Easy Play Cards increase awareness by creating a prominent POS presence. Their bright colors and attractive designs draw attention to Lottery games. Moreover, prominent Easy Play Card placement enables Lottery products to stand out against the clutter at the POS, encouraging impulse purchases.

**Figure 8.7 – 35:  
Sample Easy Play Cards POS Display**



**Cut Through the Clutter:** Easy Play Cards increase awareness by attracting consumer attention at the POS.

Easy Play Cards are proven tools for raising awareness and increasing retailer sales. As mentioned previously, an Easy Play Card pilot at 142 Texas retailers in early 2009 resulted in a 5.8 percent average increase in weekly retailer sales after the cards were introduced. Stores without Easy Play Cards, by comparison, experienced only a 0.4 percent increase in weekly sales. When rolled out on a statewide basis, Easy Play Cards will be able to significantly increase revenue growth at retailers across Texas.

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### Vehicle Signs

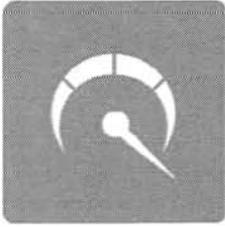
GTECH is also willing and able to provide and install Texas Lottery-approved signage on the fleet vehicles we use in Texas.

**Figure 8.7 – 36:  
Fleet Vehicle Signage**



**Mobile Messaging:** Placing signage on fleet vehicles allows for jackpot advertising all throughout Texas.

## Inventory



GTECH provides the Texas Lottery with monthly inventory reports for all marketing materials and related equipment. These reports also include a summary of the conditions of all items. For a complete description of our inventory management capacities in this area, please see Section 9.5, Promotional Item and Point of Sales (POS) Verification and Receiving, and Section 9.6, Promotional Merchandise Inventory.

### 98.3

## Updating Signage

### Wired Signage Updates for Texas Retailers

The Altura GT1200 has flexible port utilization depending on which options or peripherals the TLC may want to use. Many of the ports in our standard terminal installation are already designated to update signage. In addition, the terminal has eight additional, unoccupied ports that can be used to update signs through wired communication. The terminal is more than equipped to handle any wired sign updates the TLC wants to execute. Further information about terminal ports and their utilization can be found in Section 7.12, Sales Terminals and Related System Sales Equipment.





# 8.8

## Research and Lottery Product Development



# 8.8

## Research and Lottery Product Development

### Introduction

Researching and testing new game concepts and game alterations is a vital part of GTECH's portfolio development process. By gathering data – and gaining valuable insight – into players' attitudes, participation levels, and play patterns regarding Texas Lottery products, we can identify new gaming opportunities and prepare for potential alterations to your game portfolio. While we're doing all this development work, we'll continue to ensure that the Texas Lottery maintains the public's trust and integrity at all times.

To provide the TLC with proper support so it can optimize its sales, GTECH follows a portfolio development philosophy that encompasses:

- Continual analysis of the existing portfolio to ensure that a broad range of players is engaged.
- Rejuvenation of the existing game portfolio to capture lapsed players when there is an opportunity.
- Introduction of new games into the portfolio to capture potential new players.

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Our portfolio development philosophy is intended to protect and enhance the Texas Lottery brand image. Gathering information, at multiple levels and with multiple techniques, is crucial to predicting what the actual performance and market reaction to game changes will be once the games are in the field. That's why we use techniques such as:

- Retailer and player surveys conducted on our new GTECH
- Partnering with universities to gauge new demographic needs.
- Traditional research using advanced technology and analytics.

Understanding the uniqueness of a particular market is essential to developing successful games for that market. How Texans respond to an alteration in the Lottery's game portfolio will always be unique – unlike the response another state's players will have to *their* lottery's game changes. With a population of almost 25 million, spanning more than 268,000 square miles, Texas itself presents distinct geographic and psychographic reactions, and thus unique opportunities, for game portfolio alterations. Players in Gun Barrel will differ greatly from their counterparts in Pasadena in their reaction to a new Texas Lottery game. That difference means your vendor must have the tools and technologies to analyze your very diverse consumer base – and, just as important, have the research and development staff to turn research and reports into meaningful, actionable initiatives.

**Research findings, best practice concepts, and general strategies must be properly implemented in the real Texas environment, and that is where our knowledge of and experience in the Texas marketplace are critical.**

We have a variety of tools and strategies at our disposal to collect and analyze data and research. However, this research and analysis can only get a Lottery started on a successful path. Without the proper execution of research findings, best practice concepts, and general strategies, all the research, analysis, and theory are worthless. They must be properly implemented in the real Texas environment, and that is where our knowledge of and experience in the Texas marketplace are critical.

Research allows a vendor to have a high degree of confidence for implementing marketing plans and helps manage risk to increase the likelihood of success. It is imperative to have analysis and research in hand prior to acting. However, when executed in the field, no theory or strategy runs without a hitch. Our sales force has proven its ability to adjust quickly, recognize necessary actions to take, and correct mistakes in the field when necessary. Theory sounds great on paper, but if a vendor can't execute it, that

theory is worth little. We know what to do with the research and analysis we conduct, and this execution is essential if the investment put into research and analysis is to realize its maximum return.

**Table 101**  
**Research and Game Development Response Requirements**

**101.1**  
**Roles, Responsibilities and Detail Requirements**

GTECH acknowledges and accepts the roles, responsibilities, and detail requirements indicated in this section.

**101.2**  
**Overview of Proposer's Research and Development Process for New Games and New Game Introductions**

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GTECH will continue to provide a detailed analysis and plan for new Lottery products or product modifications, upon request by the TLC. At a minimum, the analysis will include:

- Proposed additional Lottery products and an indication of the order in which those products might be introduced in Texas.
- An indication of the anticipated time required to develop and implement a new Lottery product or product modification, while maintaining sales levels of all games at maximum levels, based on experience in other states.
- The possible impact (cannibalization) of new games or game modifications on existing Lottery products.

Please see Section 7.2.1, On-Line Game Development, which further discusses the GamePRO approach and our overall game research process.

Market research is essential to facilitating decision-making and to the success of any new product or initiative. In the 12-month period ending December 31, 2009, GTECH's worldwide market research efforts included 35 studies (including focus groups) consisting of more than 20,216 sample players and retailers across 139 cities.

**Figure 8.8 – 3:  
GTECH Market Research Projects Completed for the 12-Month  
Period Ending December 31, 2009**

	Americas	International	Total
Studies	24	11	35
Locations	95	44	139
Sample (Players and Retailers)	12,041	8,175	20,216

We have a wide range of research capabilities we use to analyze a market, uncover gaps, develop new game concepts, analyze how those concepts fit in the market, and then refine them before a game is launched. During the last three fiscal years, GTECH (excluding Lottomatica) spent \$125 million on Research and Development (R&D). The results of our entire game concept design and development research are shared with the Texas Lottery upon request.

## Customized Research Capabilities

For 25 years at our corporate office and 18 years in Texas, our research program has been centered on using sound research methodologies to clearly identify the underlying issues and questions on the minds of our customers, players, and retailers so that we can provide viable answers to those questions. Our Market Research Group can work with you to develop a customized research initiative. They can also recommend a specific research method and tailor it to your needs. Members of the group will be available to consult with your staff on best practices for conducting research efforts, and they have several research services and programs available that would benefit you. Our range of market research resources offers you unrivaled capabilities to help support your future product growth. The research process can include the following elements as needed by the Lottery:

- Primary research planning and management support:
  - Objective setting.
  - Vendor sourcing/negotiation.
  - Research project management.
  - Research finding summaries and summary distribution.
  - Focus group ideation and moderation.
  - Internet database maximization through survey opportunities consultation, including Zoomerang.
- Secondary research:
  - Industry profiling.
  - Market sizing.
  - Consumer preferences.
  - Market players.
  - Market share.
  - Regulatory environment status.
  - Technology/consumer trends.
  - Demographics.
  - Competitive intelligence.
  - Analysis/synthesis.

## Primary Research Program

To support your primary research efforts, our Market Research Group will:

- Help set objectives during research-project planning stages.
- Source research vendors and negotiate with them.
- Manage research projects.
- Summarize and disseminate research findings.
- Develop ideas for, and moderate, focus groups.
- Consult on maximizing an Internet database for survey opportunities.

To supplement our market research team, we access the knowledge and expertise of global and local research firms, including Millward Brown, Reilly Group, Crestwood Associates, Northstar, Synovate, and Infosurv.

### Secondary Research Program

We also purchase ongoing access to vast research databases, including those of Worldwide ORC, Media Entertainment Consulting Network, and Retail Forward (TNS). Their data includes information on industry profiling, market players, regulatory environment conditions, demographics, technology, consumer trends, and market sizing and share.

### Research Methodologies

We have employed a host of research techniques that have proven extremely valuable for lotteries. The following table outlines some of the methodologies we use to create the best research plans available.

**Figure 8.8 – 4:  
Research Methodologies**

Research Method	Supplementary Information	Value to the TLC
Segmentation Studies	Segmentation studies determine similarities and differences among target groups and identify what motivates these groups' members to buy. Segments often comprise consumers who are as similar as possible to each other but as different as possible from those in other segments. Target segments are then selected and profiled	<ul style="list-style-type: none"> <li>To have the competitive edge, it's important to be in tune with consumer wants. Segmentation studies provide insight on consumer preferences so that strategy formulation and tactical decision-making can be enhanced</li> <li>These studies greatly help understand how to market effectively. Marketing campaigns and products can be targeted to specific groups according to tastes and needs</li> </ul>
Focus Groups	Focus groups involve asking people about their attitudes towards products, services, concepts, advertisements, ideas, etc., in an interactive group setting	<ul style="list-style-type: none"> <li>Focus groups are effective for acquiring feedback to screen game and technology concepts for likelihood of market acceptance</li> <li>Focus group follow-ups with retailers and/or players after equipment pilots and game launches provide a great way to gain ideas for improvement</li> </ul>

Research Method	Supplementary Information	Value to the TLC
Attitude and Usage (A&U) Studies	These quantitative studies measure product awareness, popularity, use, and perception. Items measured can include lottery campaigns, communications, and overall brand values	<ul style="list-style-type: none"> <li>• We design and use these studies to identify concepts for development and game product “go/no go”</li> <li>• A&amp;U studies can show if games need re-branding to change or reinforce value</li> <li>• They can also help with evaluating advertising effectiveness</li> </ul>
Group Audience Testing	Large numbers of consumers, chosen using established recruiting criteria, are assembled to gauge their likelihood to play, along with the games’ ease of play, prize structure effectiveness, and other player acceptance and purchase factors. Group audience testing is also used to test new game concept appeal	<ul style="list-style-type: none"> <li>• Group audience testing complements focus group findings, while using more robust sample sizes (25-50 people per group), leading to more quantitative analyses than those of focus groups</li> <li>• Group audience testing can include use of the Perception Analyzer (described later in this section), which allows for <i>real-time</i> feedback by respondents and response review and evaluation by lottery staff</li> </ul>
Tracking Studies	These ongoing studies address player spending, including spending frequency and other related buying behaviors	<ul style="list-style-type: none"> <li>• Tracking studies help identify promotion, game launch, and economic climate impact</li> <li>• These studies often pinpoint game performance issues to allow lotteries to react if necessary</li> <li>• Many times these studies reveal geographic and seasonal differences in lottery performance</li> </ul>
Mystery Research Shopper	During mystery shopper research, independent researchers, highly trained in lottery retailing, identify and reward best practices in the marketplace while identifying areas for improvement	<ul style="list-style-type: none"> <li>• This research identifies attributes that influence retail performance and has been used with lottery retailer optimization efforts to develop predictive sales models</li> </ul>

Research Method	Supplementary Information	Value to the TLC
<p>Internet Research</p>	<p>According to "Inside Research" (January 2009), an estimated 43 percent of all U.S. research is now conducted on the Internet (based on 2008 data). A recent poll found that lottery players have a higher level of Internet penetration than does the general population. We, too, have found that our customers are now accepting the idea of using the Internet for player research</p>	<ul style="list-style-type: none"> <li>• Internet research enables concept testing with large sample sizes (400, 600, 1,000, or more) to represent an entire market. What's more, fielding generally takes only a few days, so turnaround times are much faster</li> <li>• Our Game Development Group uses Internet research to improve basic concepts before running them by lottery product and marketing teams. Internet surveys could be performed in Texas to test new game concepts, enhancements, and the appeal of promotional games in your market</li> </ul>
<p>Intercepts Studies</p>	<p>is the fastest tool <i>in the industry</i> for capturing real-time survey information from consumers and retailers. Surveys can be created and launched in minutes</p>	<ul style="list-style-type: none"> <li>• Intercept research identifies "real world" real-time attributes that influence retailers and players on the potential of a new product</li> </ul>

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### Process and Methodology Support

To execute our research process in Texas and support our multiple research methodologies effectively and efficiently, we offer a number of research tools. These tools include:

- Research Supporting Tools:
  - GamePRO.
  - Perception Analyzer.
  - Zoomerang.
  - .
  - Nielsen Claritas.
  - Lottery Marketing Database (LMDB).
- Global Research Initiatives:
  - Collaboration with universities.
  - Global Gaming Market Research Exchange.
  - Research for Innovation program.
  - 2008 World Player Study.

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## Research Supporting Tools

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## Confidentiality Claimed Not released

### *Perception Analyzer – Real-Time Results*

For focus groups and group audience testing, our consultants use the Perception Analyzer, an Audience Response System (ARS) used interactively to measure group responses in real time, described in the following figure.

**Figure 8.8 – 5:**

#### Perception Analyzer



The Perception Analyzer is an interactive feedback tool that allows researchers to obtain impartial feedback from focus groups via wireless, handheld dials. The Perception Analyzer offers the following benefits:

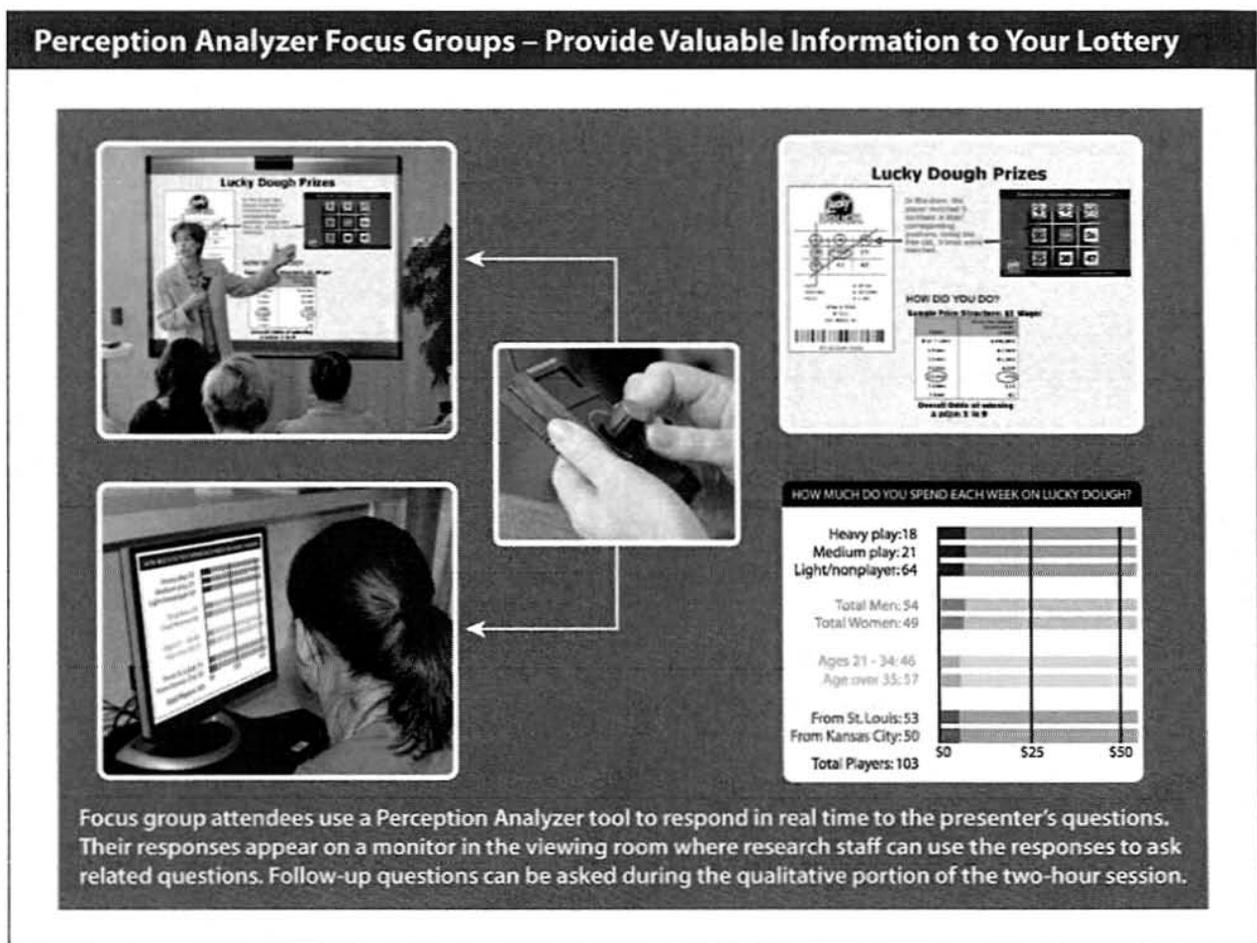
- Honesty is ensured through anonymity.
- Group members who influence the opinions of others are eliminated.
- Results for each question are tabulated and provided instantly.

**Get the Real Picture:** With the Perception Analyzer, you get honest feedback, instantly.

The Perception Analyzer combines quantitative research benefits with the interactive nature of traditional focus groups. Concepts can be tested with current, lapsed, and non-players and with retailers to identify those games most likely to succeed in your market.

Respondents use wireless, handheld devices to dial in feedback to questions during focus groups, meetings, or presentations. A wireless receiver (console) connected to a computer polls the devices and instantly tallies the results. Those results are immediately available (in aggregate and by subset) to be viewed privately by surveyors or publicly by both respondents and surveyors. During political races, it is common to see on-air focus groups evaluate speeches and debates with the Perception Analyzer as instantaneous opinions and feedback of people who are surveyed are analyzed and discussed by news commentators.

**Figure 8.8 – 6:**



**Ready to View:** Lotteries can use a focus group's Perception Analyzer responses, which appear immediately on a viewing-room monitor, to ask follow-up questions.

Results are also available for analysis in graphical, cross-tab, and quick frequency formats. They are exportable to SPSS as a .por file, to Excel as an ASCII file, to the Internet as a HyperText Markup Language (HTML) file, and to presentations and/or reports as .jpg or .pdf files.

### *Perception Analyzer Advantages*

We have collaborated with the MSR Group of Omaha, Nebraska, for many years in using the Perception Analyzer. Although the Perception Analyzer offers additional advantages in evaluating other stimuli (e.g., animations and commercials), the following are benefits used in evaluating lottery concepts.

The Perception Analyzer benefits:

- Eliminates “group think” bias and promotes honest communication and full group participation. Accurately measures individual opinion because feedback is non-verbal and anonymous.
- Provides research analysts and clients with instant data turnaround; you can leave the session with your data.
- Offers the most precise evaluation for any ongoing project (e.g., television and radio advertising, entertainment programs, etc.).
  - Enhances participant interaction, keeping respondents more attentive for session durations.

Using the Perception Analyzer takes surveying, such as in focus groups, to a higher level. With the Perception Analyzer:

- Larger numbers of people can be accommodated in a shorter span of time.
- A quantitative result can be obtained. Interviewing a smaller group of 8-10 people, for example, can yield a purely qualitative (summary discussion) result.
  - Quantitative research is more actionable: it can direct you to decisions rather than additional research phases.
  - When a statistically reliable data set is required, the Perception Analyzer is strongly recommended as business decisions can, and often should, consider player input.

In spring 2008, GTECH and the Rhode Island Lottery conducted audience testing of 150 subjects to measure the appeal of four new monitor game concepts. Two concepts stood out, allowing game designers to make product enhancement and rollout decisions. This type of research can also be used to refine concepts already in the marketplace.

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### *Nielsen Claritas – On-Target Game and Player Market Analysis with PRIZM*

We work with Nielsen Claritas and use its PrimeLocation geo-demographic tool, which is described later in this section. Another Claritas tool we use is PRIZM, an industry-leading consumer segmentation system that yields the most comprehensive and precise market insights available. PRIZM unites demographic, geographic, and consumer behavior data to help lotteries identify and understand customers and prospective customers.

PRIZM defines U.S. households in terms of 66 demographically and behaviorally distinct types, or “segments,” to help marketers discern consumer preferences, life styles, and purchasing behaviors. Used by thousands of Fortune 500 company marketers, PRIZM provides key data required for marketing in today’s increasingly diverse and complex marketplace.

With PRIZM segmentation, you can tailor messages and products to specific prospects and customers. Because PRIZM is linked to the surveys and panels of most major U.S. marketing databases, the segmentation system enables advertising targeting based on virtually any purchase and media behavior (television, cable, Internet, radio, newspaper, and magazine).

The TLC can use this link to identify the media behaviors of many kinds of lottery customers – frequent players, players of specific games, etc. In addition, PRIZM links to nearly all major direct mail list providers and can be appended to a customer file (winner’s file) or custom survey – making any consumer insights program actionable through database marketing tactics.

### *Lottery Marketing Database*



The most comprehensive database in the industry, our proprietary Lottery Marketing Database (LMDB) is another tool we will use to help the TLC analyze industry trends and develop jurisdiction-specific best practices. The LMDB contains 20 years worth of sales and jackpot trend data, as well as game parameters and historical information for our domestic customers and a majority of our international clients. The database also contains population information, number of terminals, and other important tracking values with sales classified in different categories (e.g., by week, draw, day, and jackpot).

Our Data Analytics Group uses this data repository to provide in-depth analyses of nearly 100 lottery clients to our customers, evaluate worldwide lottery markets on a daily basis, and develop and apply best practices specific to a particular jurisdiction. Our Texas-dedicated marketing analyst will have full access to the LMDB and work closely with GTECH Corporate Marketing to meet your analysis requirements.

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## **Confidentiality Claimed Not released**

We will provide you with regular analyses from the LMDB (in combination with the PrimeLocation player analysis tool). These analyses will aim to reveal games, promotions, and retailing strategies that are likely to be successful for the TLC. We will also share other lotteries' performance data by providing comparative reports against other U.S. lotteries on a quarterly basis to help you adapt your own product and promotional strategies. This data will be accessible to Texas Lottery personnel.

GTECH Marketing will continue to gather additional pertinent data for providing our customers with the analyses necessary for making critical business decisions. To that end, we are expanding the LMDB to include daily summaries of transaction data for all products at the device level. Sales, cancellations, validations, and claims for online products are being included, along with orders, confirmations, activations, and settlements for each instance. While many kinds of analyses can be performed today on a “one-off” basis, having regular access to this level of data specificity will allow our marketing team to provide assistance in a consistent, proactive, and collaborative manner. This outstanding data warehouse will make the most of GTECH’s transaction volume and institutional knowledge to further support and drive best practices.

This expanded LMDB tool, our Worldwide Marketing Database (WWMDB), will contain a more granular level of information to dissect lottery trends and performance. The WWMDB went live in spring 2008 with the New York and Rhode Island lotteries and currently contains information from nine lotteries. We are continuously working with lotteries around the world to incorporate more information into the database and bolster the data we can use for analysis.

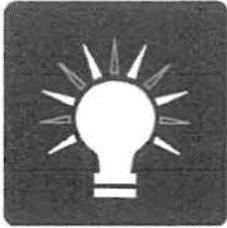
The WWMDB will provide the TLC with a deeper level of analysis to develop stronger best practice strategies that came from analyzing lottery performance information from around the world. Furthermore, we would greatly appreciate having the Lottery join us in this endeavor by adding its data to our warehouse to make it that much more robust. We are recruiting other GTECH customers to expand the WWMDB’s available data and can continue to help our customers identify new incremental revenue opportunities.

In addition to these databases, with our new reporting solutions (the  and Performance Dashboard tools), we also have tremendous capability to access, gather, report, and analyze the Texas Lottery’s sales data to make smart, meaningful decisions that drive your growth. These sales analysis tools, alone or in concert, will help you facilitate sound decision-making regarding your marketing, advertising, game, and promotion offerings. For further information on these reporting solutions, and how they can be used to help you identify opportunity, please see Section 7.9, Reporting.

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## Global Research Initiatives

### *Collaboration with Universities*



GTECH has also worked with Johnson and Wales University (JWU) on a collaborative course as a real-world problem-solving experience. The class was made up of 20 handpicked juniors and seniors who are electrical engineering, computer science, computer graphics, and business marketing majors. They were split into four teams and challenged to come up with a concept for a new social space lottery game. The teams then had to perform peer-group research on the acceptability of the concept, create a prototype, and present the concept to a panel of GTECH and JWU reviewers.

The course began with a series of lectures from GTECH presenters on the lottery business, games, marketing, technology, math, regulations, etc., to introduce lottery gaming. The teams came up with their concept and created prototypes. The concepts have many interesting aspects and could have future value for GTECH.

### *Global Gaming Market Research Exchange*

In September 2009, our Market Research Group hosted the first customer-and-vendor Market Research Exchange. Eighteen market researchers attended the two-day event. They represented lotteries from the U.S., Canada, and Europe, as well as the companies Lottomatica, GTECH, Atronic, Spielo, and GTECH Printing Corporation (GPC).

The Research Exchange was organized to gather insights from participants to improve research methods and identify common, and uncommon, approaches to market research. Each attendee was asked to prepare a presentation about a market research issue they have encountered. The presentations covered a wide range of topics:

- Research methodology.
- Attitudes toward lottery play.
- Tracking and segmentation studies.
- Customer satisfaction.
- Respondent screening challenges.
- Sales forecast modeling.

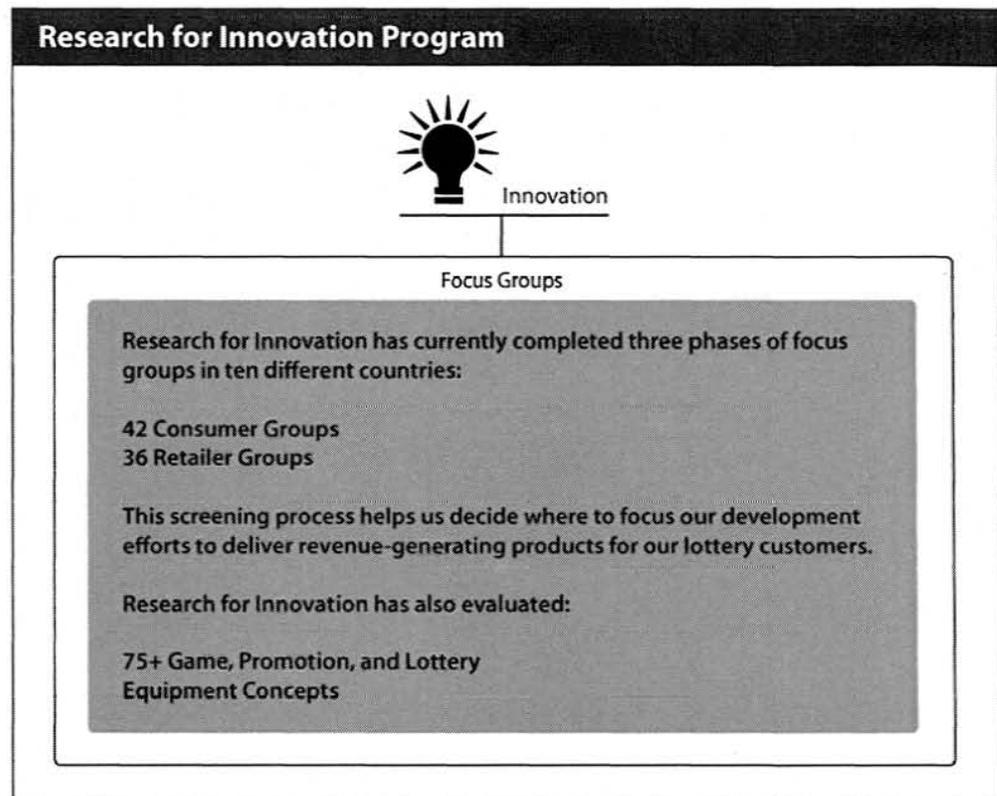
The agenda also included brainstorming sessions, a preview of upcoming projects and the potential for collaboration, and a session on customer expectations for market research.

A survey to conclude the event showed 87 percent of the attendees had their objectives met, and 80 percent would like to attend another meeting. We currently have plans underway to hold another Market Research Exchange and quarterly teleconference meetings. The information gained and shared in these types of forums allows us to have a clear idea of the current marketplace and better serve our customers' research needs.

### *The Research for Innovation Program*

In keeping with our progressive outlook, the GTECH Market Research Group designed a worldwide program, funded by our corporate R&D efforts, called Research for Innovation – The Toolkit for Product Development. This program captures new game ideas and equipment concepts and looks at how we offer games to players.

**Figure 8.8 – 9:**



**Customer Focus Across the Board:** Our Research for Innovation leads to GTECH developing products and services that meet our customers' and their players' needs.

We've completed three phases of Research for Innovation focus groups (42 consumer groups and 36 retailer groups across 10 countries, including 9 North American locations across the three phases). What's more, we've evaluated more than 75 concepts, many of which have gone on to further development and pilot testing.

### **Research That Leads to Innovation: Gemini™**

Our retailer, player, and lottery research, combined with our 20 years of experience in the self-service industry, has led to our Gemini self-service Lottery Vending Machine (LVM) that sells On-Line Games via push buttons or play slips. As part of the Research for Innovation program, the use of push buttons for online play was thoroughly studied in retailer and player focus groups. Players were found to prefer the simplicity of push buttons, so adapting the push-button method, which we already used in our instant self-service devices, to the selling of On-Line Games was a logical next step for GTECH in the evolution of its self-service products. Using push-button ticket windows for selling Instant Tickets via self-service devices has proven to be the simplest and most effective solution.

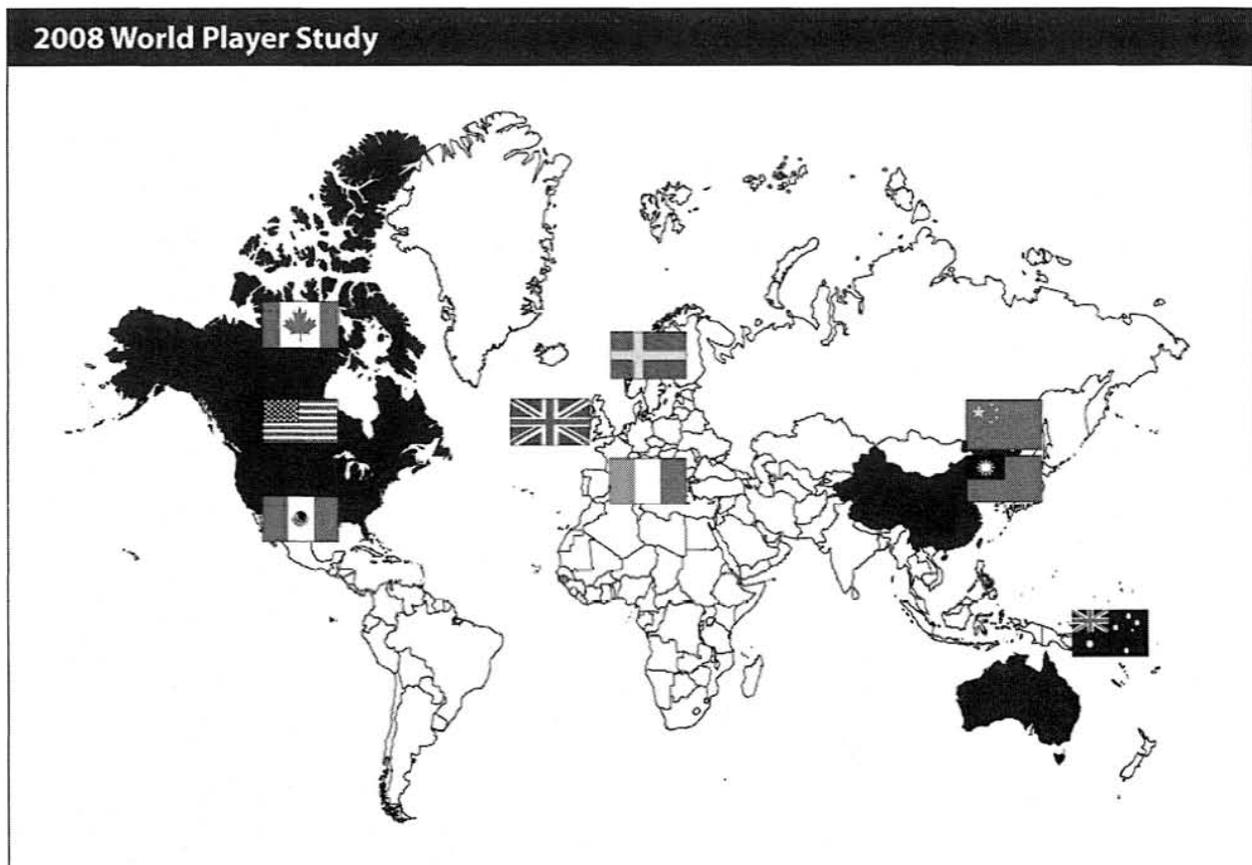
With the Gemini terminal, On-Line Games are presented to players using Quick Pick push buttons or play slips rather than touch screen interfaces. The use of play slips will allow TLC players to choose from any of their favorite On-Line Games without confusion or cluttering of the machine.

### *The 2008 World Player Study*

A major learning initiative, the World Player Study is a good example of our commitment to strategic research under our R&D program.

In March 2008, GTECH commissioned the 2008 World Player Survey, a compelling study of lottery players around the world. For this study, GTECH retained one of the world's leading marketing research agencies, to survey self-identified lottery players with Internet access who played in the previous year. The survey included equal-sized player samples from the United States, Mexico, Canada, Italy, Sweden, Poland, China, Taiwan, Australia, and the United Kingdom. At least 2,000 of the total 8,000 players surveyed were in the 16-to-34 age demographic, lending valuable insight into the mindset of those players who have been at the center of lottery debate for many years.

**Figure 8.8 – 10:**



**A Window on the Gaming World:** The 2008 World Player Study identifies trends on a global basis and sheds new light on the mindset of the 16-to-34-year-old player demographic.

The World Player Study identifies current attitudes and usage patterns concerning:

- Lottery play, non-lottery gaming, and the Internet.
- Future gaming opportunity anticipation.
- Brand maturity level and competing gaming forces identification.
- Core participation levels and spending.
  - Best practice data generation.

The World Player Study fuels GTECH's ongoing best practice development, which will be conducted and updated in 2010. It also reinforces our current efforts to provide the marketplace with the best solutions available.

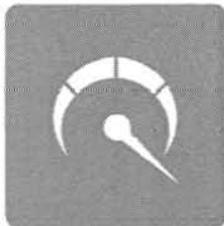
## Strategic Planning Process for Future-Proofing

To be ready for obstacles and opportunities as they arise, it is important for the Texas Lottery to continually monitor and evaluate trends that could impact it in the future. The trend-evaluation process encompasses societal trends, demographics, consumer behavior, consumer products, gaming/media, and technology. Macro trends could potentially develop into opportunities or threats for the future of the Texas Lottery.

To ensure the Lottery is well positioned in an uncertain future – and doesn't lose its relevance – we've created a strategic, future-proofing process that the Texas Lottery and GTECH would collaboratively work through every two years for the duration of the contract. The process would include actively scoping out new opportunities and risks, which would ensure the Lottery remains in the best position to achieve the desired returns to the state. Together, we will:

- Monitor and evaluate market trends.
- Identify relevant opportunities and threats.
- Develop action plans.

## Monitoring and Evaluating Market Trends



Throughout the contract, GTECH and the Lottery will conduct a comprehensive study, every two years, to research macro trends that could potentially affect the Texas Lottery. The study will require devoted resources from both GTECH and the Lottery to ensure optimal coverage.

The first step of this extensive research project will take advantage of many secondary resources, including but not limited to market research reports, analyst reports, news articles, trade associations, and think tanks/futurists. The output of this step will be a robust list of macro trends that will be further assessed in a collaborative process by GTECH and the Texas Lottery.

We've already begun this step of the future-proofing strategic-planning process. We have completed the first iteration. We've reviewed a range of research, combined with our global expertise, to generate a list of 32 key macro trends. The remainder of the step will focus on a subset of these trends.

**Figure 8.8 – 11:**

Macro Trends for Further Assessment					
Society	Demographics	Consumer Behavior	Retail & Consumer Products	Gaming/Media	Technology
Expanding Income Inequality Increasing gap between the rich and the poor	Teen Empowerment Increased spending and targeted consumer goods	Do-it-Yourself Interest in home improvement and repair projects done by individuals	Cashless Transactions Consumer preference shifts to debit cards	Gaming/Media Globalization International gaming facilitated by the Internet	Regenerative Medicine; Cloning Medical advancements through new technologies
Going Green Environmental awareness; growing interest in sustainability	Multiculturalism Multi-lingual media and expanded ethnic product lines	"Weisure" Culture The division of work and leisure is becoming less concrete	Continued growth in big box retailing Large chains (e.g., Walmart) continue to grow, transforming retail	TV/Computer Convergence Personal computers act as a substitute for TVs	Telepresence Beginning to replace face-to-face communication and biz/leisure travel
Rise in Female Leadership Growing power of females in the workplace/society	Blurring Gender Lines Traditional gender distinctions less relevant	Betterment / Healthy Lifestyle Rise in dedicated organic retail and organic brands	Personalization/ Customization Accommodating individual differences and preferences	Hiving / In-Home Entertainment Families spending more time at home	Hybrid Drivetrains/ Decreasing Reliance on Oil New energy/fuel sources
Millennials as Competitive Leaders Work style differences	Evolution of Baby Boomers Emphasizing youth/vitality through targeted products	Individualism Growth of the mentality that "the world revolves around me"	Choice Overload Consumers are overwhelmed by the plethora of product options	Increase in Female Gaming More PC and video-gaming among women	Artificial Intelligence Growing power of machines
Renewed Interest in Politics Growing political activism, mainly among young adults	30 is the New 20 Young adults are marrying later, switching jobs and taking financial risks	Geek Chic New glorification of smart and passionate intellectuals	Rapid Innovation Growth Increased demand for faster innovation cycles	Social Gaming The evolution of gaming and the popularity of virtual worlds	Life Extension Technologies Medical advancements may extend lives
		Food Obsession Staggering increases in weight- and diet-related illnesses will keep growing	Viral Marketing* Growth in product awareness spread via pre-existing social networks	Online Social Networking* Establishing and maintaining connections	

*\*Discussed as one topic in Key Trends for Future-Proofing*

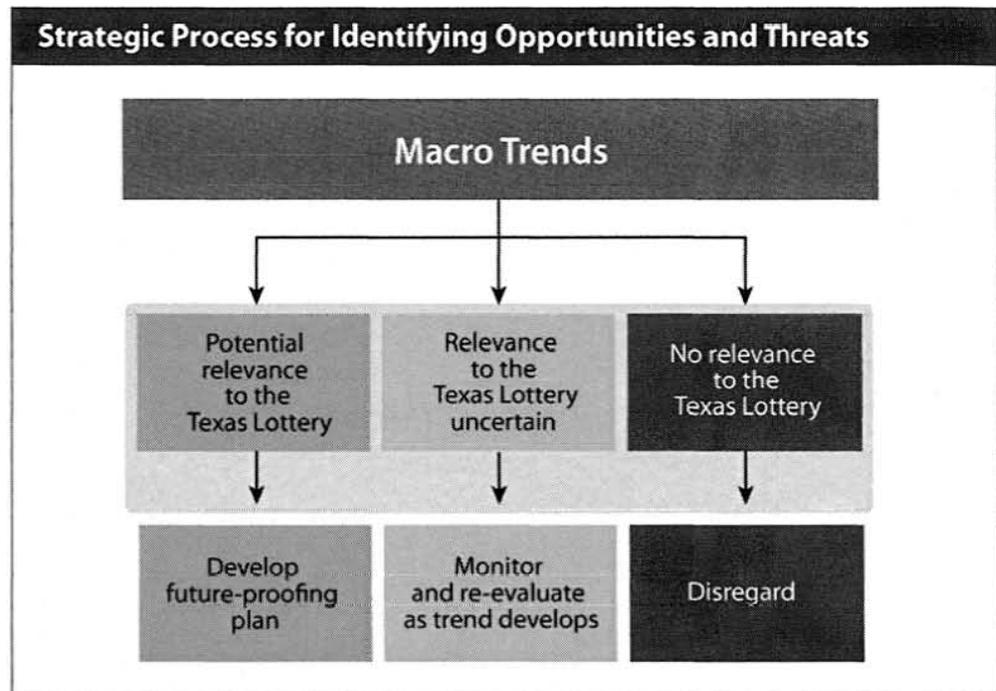
**Assessing Larger Trends:** By identifying and examining large future trends on a regular basis, we will work the TLC to prepare for occurrences that could affect future business.

## Identifying Relevant Opportunities and Threats

After researching and compiling the list of macro trends, each trend will be assessed to determine which ones are most relevant to the Texas Lottery in the next 5-to-15 years and which require action plans or modifications to current TLC strategy. Going forward, this assessment will be a joint effort between GTECH and the Texas Lottery. It will leverage GTECH's considerable experience in other jurisdictions, global footprint, and leading-edge research. The process will examine the relevance, likelihood of permanence, and time frame (to eliminate far-off trends) for each trend. As we assess these trends, we will sort them into three categories, listed next and shown in the illustration following the list:

1. **Disregard:** Trends that have no relevance to the Texas Lottery will be disregarded. There are three main reasons for choosing to disregard a trend:
  - Unclear link to gaming/the Lottery.
  - Not likely to be permanent.
  - Too distant in the future.
2. **Monitor and reevaluate as trends develop:** Remaining trends with uncertain relevance to the Texas Lottery will be placed in the "monitor" category, and be re-evaluated at the next future-proofing exercise in two years.
3. **Develop future-proofing plan:** Future-proofing plans will be developed for those trends that we can identify as relevant and tangible opportunities or threats to the Texas Lottery.

**Figure 8.8 – 12:**



**Looking to the Future:** By fleshing out the characteristics of each trend, the Lottery will be poised to consider any future implications, as well as potential actions that should be taken to address the trends.

### Developing Action Plans

We will develop a business case and action plan for the trends expected to be most relevant to the future of the Lottery. The Texas Lottery and GTECH will collaboratively decide which trends merit preemptive action. For each actionable trend, subsequent changes to the business plan will be detailed for implementation. This will involve a thorough evaluation of necessary changes in the distribution network, product mix, merchandising and marketing strategies, sales force, and support infrastructure.

This research has allowed us to identify six key trends in the area of future proofing:

1. Cashless transactions.
2. "Going green."
3. Continued growth in big box retailing.
4. Social networking/viral marketing.
5. Social gaming.
6. Evolution of Baby Boomers.

We believe these areas are relevant to the TLC, either today, or in the very near future. Thus, we have focused much of our efforts (the Renaissance Card, the GTECH G2 brand, our focus on corporate account recruitment and optimization) into these future-proofing areas.

### Other Macro Trends Not Included in Future-Proofing Plan

Trends that have uncertain relevance to the Texas Lottery are slated for further monitoring and reevaluation at the next future-proofing exercise, in two years. These trends may or may not necessitate comprehensive modifications to the business plan. Additionally, trends that have no discernible relevance to the Texas Lottery were disregarded.

**Figure 8.8 – 13:  
Macro Trends to Be Reevaluated Later or  
That Have Been Disregarded**

Trends to Monitor (To Be Revisited in Two Years)	Disregarded Trends (Unclear Link to Gaming and the Lottery)	Disregarded Trends (Not Seen as Permanent)	Disregarded Trends (Too Distant in the Future)
<b>Multiculturalism:</b> Expanded ethnic product lines and multi-lingual media	<b>Telepresence:</b> Beginning to replace face-to-face communication and business/leisure travel	<b>Geek Chic:</b> New glorification of smart and passionate intellectuals	<b>Regenerative Medicine; Cloning:</b> Medical advancements through new technologies
<b>Personalization/ Customization:</b> Accommodating individual differences and preferences	<b>Teen Empowerment:</b> Increased spending and targeted consumer goods	<b>Renewed Interest in Politics:</b> Growing political activism, mainly among young adults	<b>Artificial Intelligence:</b> Growing power of machines
<b>Choice Overload:</b> Consumers are overwhelmed by the plethora of product options	<b>TV/Computer Convergence:</b> Personal computers act as a substitute for TVs	<b>Do-it-Yourself:</b> Interest in home improvement and repair projects done by individuals	<b>Life Extension Techniques:</b> Interest in medical advancements may extend lives
<b>Increase in Female Gaming:</b> More PC and video-gaming among women	<b>“Weisure” Culture:</b> The division between work and leisure is becoming less concrete		<b>Hybrid Drivetrains/ Decreasing Reliance on Oil:</b> New energy/fuel sources

Trends to Monitor (To Be Revisited in Two Years)	Disregarded Trends (Unclear Link to Gaming and the Lottery)	Disregarded Trends (Not Seen as Permanent)	Disregarded Trends (Too Distant in the Future)
<b>Rapid Innovation Growth:</b> Increased demand for faster innovation cycles	<b>Betterment / Healthy Lifestyle:</b> Rise in dedicated organic retailers and brands		
<b>Hiving/In-Home Entertainment:</b> Families spending more time at home	<b>Individualism:</b> Growth of the mentality that “the world revolves around me”		
<b>Gaming/Media Globalization:</b> International video-gaming facilitated by the Internet	<b>Blurring Gender Lines:</b> Traditional gender distinctions less relevant		
<b>Expanding Income Inequality:</b> Increasing gap between the rich and the poor	<b>30 Is the New 20:</b> Young adults are marrying later, switching jobs, and taking financial risks		
	<b>Millennials as Competitive Leaders:</b> Increasing competitiveness in the workplace of young professionals		
	<b>Rise in Female Leadership:</b> Growing power of females in the workplace/society		
	<b>Food Obsession:</b> Increases in weight- and diet-related illnesses		

### **101.3 Methods for Obtaining and Using Geographic and Psychographic Information**

#### **Nielsen Claritas**

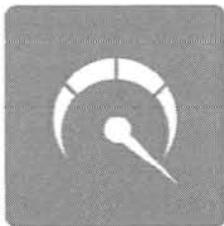
Nielsen Claritas is part of the Nielsen Company, a global information and media company with world-leading brands in marketing information (ACNielsen), media information (Claritas Analytical Consulting, Nielsen Media Research, and Nielsen Online), business publications (*Billboard*, *The Hollywood Reporter*, *Computing*, and *Intermediar*), and trade shows. The Nielsen Company is the world's top market research firm with more than \$5 billion in annual revenue. Nielsen's operations span more than 100 countries.

#### **Nielsen Claritas' PrimeLocation Tool**

GTECH uses a Nielsen Claritas geo-demographic and psychographic software application called PrimeLocation. PrimeLocation enables exceptional sales, retailer location, and game and player market analyses. Nielsen Claritas updates its PrimeLocation databases regularly, with many updates occurring quarterly and semi-annually; the proposed PrimeLocation user licenses will include all updates.

At least quarterly, or upon the request of the Texas Lottery, we will identify up to two million Texas households, as a result of demographic, geographic and psychographic analysis provided by the Texas Lottery, and produce an address list for use by the Texas Lottery.

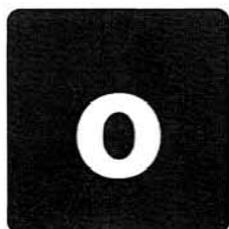
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GTECH will provide at least one Texas-specific geographic and psychographic analysis annually, though, in fact, our analytic team will be looking at PrimeLocation player analysis on a regular basis and making recommendations as necessary throughout the year. We will use PrimeLocation in concert with our ES Business Intelligence Suite and LMDB tools.

Our consumer, retailer, and player geographic and psychographic offerings include:

- **PrimeLocation:** A geo-demographic/psychographic application that allows sales, retailer location, terminal placement, game and player market analyses, and geo-demographic sales forecasts that include geo-coding, mapping, consumer behavior such as propensity to play lottery games, and site typing identification down to a block group (less than zip code) level. The forecasts we provide with these tools include:
  - **Mapping Capability:** Capability to map to at least street level by each major city in the state and county in the rural areas.
  - **Geo-Coding:** Ability to use floating decimal or comparable architecture to plot retailer locations.
  - **Propensity to Play:** Ability to produce the propensity to play for each Texas Lottery Product by, but not limited to county, zip code and city.
  - **Site Identification:** Ability to break down areas by business type.
- **PrimeLocation Licenses:**
  - A license that will let designated PrimeLocation users provide LSRs with detailed predictive sales reports. This license is available as an **Offered Option**.
  - A license that will allow up to five people to access PrimeLocation via a Web browser.
  - A license for your TLC-dedicated marketing analyst to allow ongoing TLC marketing and sales analysis. The Texas Lottery will have the latest version of this graphics program that can provide sales analysis by county, zip code, or other criteria as designated by the TLC.
- **TLC-Specific Predictive Sales Model Development:** Using our data-gathering tools, we will provide a highly useful sales model that we will refresh every two years (sooner if major demographic or retail network changes require) to support your retail optimization activities.
- **Retail Optimization Program (ROP):** Our innovative, proprietary, lottery-proven program has produced positive results for many of our customers, such as the Florida Lottery, as well as the TLC.
  - **National Corporate Account Sales Support:** Thanks in great part to the hard work of our retail development group, key national retail chains are seriously considering introducing and expanding lottery services and products in their business growth plans.



The objectives of our geographic and psychographic analysis will be:

- **Optimal On-Line and Instant Product Placement:** Ensure your players’ favorite products are in convenient locations.
- **Choice Marketing and Advertising Messaging:** Identify and target Texas consumers for direct mail promotions, media buy, etc.
- **Retail Distribution Network Efficiency:** Use business intelligence to improve existing retailers’ performance and expand your network.

*PrimeLocation – A Comprehensive Analytical Tool*

Nielsen Claritas’ PrimeLocation tool is the geo-demographic/psychographic system you are looking for, a sales and marketing information resource that will support your decision-making as it pertains to maximizing revenues and returns.

**Figure 8.8 – 14:**  
**PrimeLocation Features and Benefits**

Feature of PrimeLocation	Benefit to the Texas Lottery
<b>Superior data capture:</b> Accurate and extensive data includes shopping center, traffic count, segmentation, and demographic information	Allows you to make precise, sound marketing business decisions
<b>Consumer segmentation:</b> 66 specific consumer segment profiles for understanding preferences, lifestyles, and purchase behavior	Enables you to find the most enthusiastic Lottery players for all game types and then position their favorite products where they can find them
<b>Lifestyle preferences:</b> Combines demographic data with player preferences by lifestyle	Lets you deliver maximum entertainment because you’ll be able to customize your promotions and games to appeal precisely to individual player groups
<b>Demographic and propensity-to-play information:</b> Gives a statistical basis for game distribution decisions	Provides a Texas-specific retailer mix for maximizing your sales opportunities by geography

Feature of PrimeLocation	Benefit to the Texas Lottery
<b>Data exporting capability:</b> Multiple data exporting formats allow data use in other analysis packages	Expands the current and future possibilities you'll have for new types of analysis
<b>Mapping capability:</b> Gives you complete control over the maps you create and share with others, as well as the ability to create maps to at least street level by each major city in the state and country in the rural areas	Visualization – you'll be able to map out all of the market data you need for retailer analysis

PrimeLocation offers sophisticated analytical reporting and mapping capabilities, which will supplement our research support. With PrimeLocation, we can integrate your retailer-level sales data with demographic, geographic, and retail facts, to give you the best information for choosing new retailers, optimizing current retailers, and maximizing sales.

**Figure 8.8 – 15:  
PrimeLocation Analyses**

Analysis Type	Benefit to the Texas Lottery
Consumer Segmentation Analysis	<ul style="list-style-type: none"> <li>• Consumer profiling and targeting</li> <li>• Market penetration and gap analysis</li> <li>• Media analysis and planning</li> </ul>
Site Analysis	<ul style="list-style-type: none"> <li>• Market and site analysis</li> <li>• Store type and merchandise mix analysis</li> <li>• Trade area definition</li> <li>• Retailer sales optimization analysis</li> </ul>
Business Analysis	<ul style="list-style-type: none"> <li>• Competitive analysis</li> <li>• Location analysis</li> <li>• Sales territory definition</li> </ul>

Available data resources for comprehensive analyses:

- **Demographics:** Current year census data estimates and five-year projections.
- **Business and Employment Facts:** Business and employee counts and professional records for more than 12 million U.S. companies.
- **Business Location Facts (analytical):** Business names, addresses, Standard Industrial Classification (SIC) codes, industry classifications, location types, business sizes, and distances/direction from sites including latitudes and longitudes, etc.
- **Claritas Retail Market Power (RMP) Database:** Actionable sales opportunity renderings for site and market analyses to develop optimal growth strategies. Using sales potential to depict supply and demand within specific markets, RMP enables opportunity gap analyses of retail environments.
- **Claritas' PRIZM NE Segmentation System:** Combines demographic information with consumer behavior segmentation data for easily identifying and understanding players and prospects so you can reach them with tailored messages and products.
- **Claritas: Mediamark Research (MRI) Media Sets (complete set including custom lottery profiles):** Magazine, television, radio, Internet, national advertiser, and advertising agency information. Usage and consumption data is available for more than 450 categories and 6,000 brands – valuable information for understanding the nation's lifestyles, product purchases, and media habits.

*"The work GTECH has done with Nielsen Claritas is groundbreaking for the lottery industry. Using the proprietary models that they have developed, we will be able to target the highest potential retailers, in the most under-penetrated markets."*

– Kathy Lavigne, GTECH Senior Marketing Analyst

The information we collect with this tool has enabled us to develop two statistical models:

- **Predictive Sales Model:** This can be used to assess the performance of existing Lottery retailers and target high-potential new Lottery retailers.
- **Market Capacity Model:** This can be used to identify under-penetrated regions of Texas to accurately target where to recruit new retailers.

## Predictive Sales Model

Our analyses offerings are aimed at bolstering confidence in decision-making and maximizing the efficiency of project implementation, while keeping increased TLC sales and returns to the state top of mind.

Developing a predictive sales model requires a sophisticated process. These models are often used by national retail chains and consumer goods companies to create plans for expansion. To build the model, GTECH follows five steps:

1. Performs data audit.
2. Conducts site-typing analysis.
3. Conducts trade area analysis.
4. Identifies trade area characteristics.
5. Conducts regression analysis.

## Data Audit

The data audit ensures accuracy as we determine which retailers to exclude from our model to maintain the accuracy of the model. For example, when auditing data, we may exclude retailers that have less than a certain number of weeks of sales since, without enough data to make accurate assumptions; they may produce an inaccurate analysis.

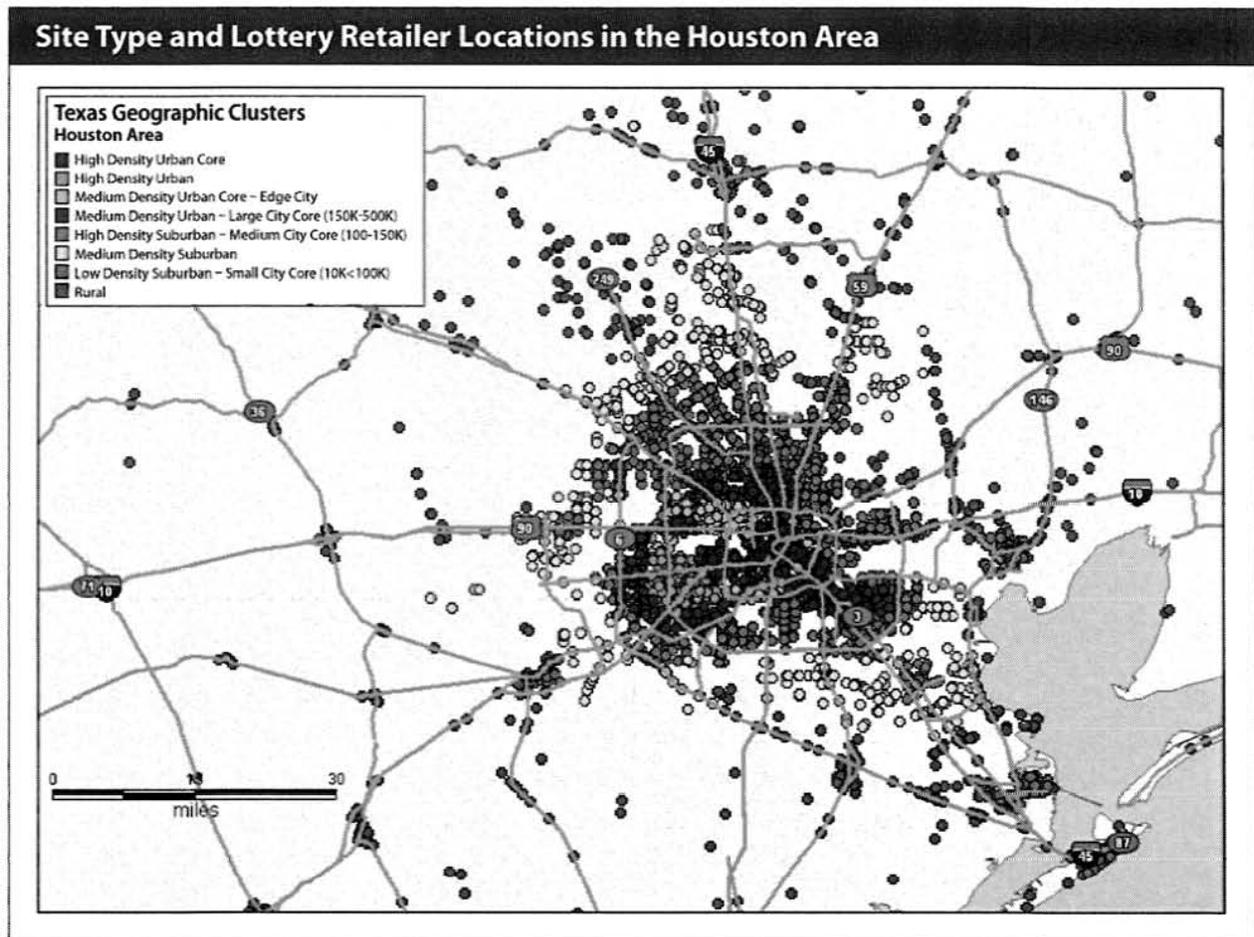
## Site-Typing Analysis

A site-typing analysis determines the geographic characteristics surrounding a store and then categorizes that store into a specific group that distinguishes it from other stores. Site-typing categorizes stores based on similarities in the market surrounding them. Site types are defined to be relatively homogeneous with respect to the characteristics used to create them. Every block group (a subsection of a zip code) in the U.S. has been classified by site type. Population and employment densities are the core inputs of the partitioning system.

Specifically, the site-typing classification incorporates the following variables:

- Population density within one mile.
- Daytime population density within one mile.
- Population density within one to three miles.
- Daytime population density within one to three miles.
- Population density within three to five miles.
- Daytime population density within three to five miles.
- Population density within five to 10 miles.
- Daytime population density within five to 10 miles.

Figure 8.8 – 16:



**Site-Type:** This map is an example of site-typing, and how the various clusters lie around the Houston metro area.

### Trade Area Analysis

With the site types appended to each retailer, a trade area extent can be assigned based on that information as well as its channel of distribution. GTECH used Claritas Analytical Consulting's proprietary consumer choice model, the Getchell model, which estimates how much households living in a block group spend at specific stores, based on factors such as drive time to the store and availability of nearby competitors within certain retail channels. The stores included in the Getchell model come from the October 2008 release of Trade Dimensions business data. Only stores located in Texas were used. In the dataset, a site may appear more than once if it is considered to have more than one channel.

The Getchell dataset has information about how much money people in each block group spend, and the number of different locations at which they spend that money. Survey data is used to estimate how many households within each block group play lottery games; these results are then combined with the Getchell data to calculate the trade area. The trade area measures how far people travel to shop at a particular store. To calculate the trade area for a store, we find the smallest radius that satisfies the condition that at least 75 percent of the store's sales are to people within that radius.

### Trade Area Characteristics

For each combination of site type and channel, an average trade area was calculated. This trade area was then used to append demographic information to each retail location. Trade areas were the smallest in urban core areas and for convenience stores, and the largest for rural locations and warehouse stores.

The analysis uses six representative Getchell channels, although Lottery products are sold through more channels. To assign a trade area to Lottery channels that were not explicitly modeled, each Lottery channel is mapped to one of the Getchell channels. Next, using Claritas' PrimeLocation software, our analysts generate trade characteristics for each retail location within its determined trade area. There are more than 85 variables, such as population size and density, age, education level, household income, and several custom lottery variables such as the propensity to play, available for analysis.

### Regression Analysis

For each of the six different site types, and for both On-Line Games and Instant Games, a stepwise, multivariate regression analysis is performed to build a predictive sales model (12 models in total). These models were used to predict sales volumes of existing and potential Lottery retail locations.

## Optimizing and Expanding the Retailer Network and a Market Capacity Model

The predictive sales analysis provides a baseline understanding of each retailer's sales potential so that we can identify under-performing retailers. We study each retailer's trade style, site type, size of trade area, and the demographics and behavioral characteristics of consumers in the trade area to derive an expected level of sales. This allows us to develop individualized sales plans that allow us to provide the right equipment, merchandising, marketing, product mix, and sales force support for each retailer and aid that retailer in achieving his or her sales potential.

For further detail about retail optimization, see Section 8.4.1, Retailer Visit.

Conducting these predictive sales analyses, and then incorporating them into a "market capacity model," allows us to identify the most attractive retailers to target across trade styles based on estimated sales potential. We analyze retailer penetration levels and population demographics in each region to determine where there is the highest unmet potential (e.g., Irving and Houston).

With that information, we can:

- Target additional, independent retailers to further penetrate traditional trade styles, particularly convenience stores.
- Recruit national and Texas-specific big box, discount, and other chains so that we can take advantage of shifting consumer preferences for these trade styles.
- Determine where to concentrate our efforts to expand into new trade styles, such as transportation centers (e.g., airports and Greyhound terminals) and specialty retailers (e.g., La Michoacana Meat Markets), and capitalize on untapped retailer resources to provide ubiquitous gaming opportunities.

Taking the program one step further, our analysis team can enter the names of multiple retail prospects, all located within a radius, into the system simultaneously. The team can then run a report on all of the prospects within a geographic region for ranking. The software also generates maps showing retail locations, allowing users to visualize the impact of adding prospective retailers to the network, for example. This information can be provided to the field via . For further information about retailer expansion and this process in practice, please see Section 8.2, Sales Management and Business Development.

The combination of GTECH's Texas-based knowledge and Nielsen Claritas' geographic and psychographic tool will allow the Texas Lottery to have market-leading research capabilities that produce results.

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## **101.4**

### **Research and Development Staff**

With more than 85 years of combined market research management experience, our Market Research Group understands what it takes to design and execute effective lottery research projects. Team members have collaborated with over half the world's lotteries and worked on research projects and marketing programs with companies like Proctor & Gamble, General Mills, ExxonMobil, Bausch & Lomb, Canandaigua Wine Company, and French's. Our staff will leverage their experience with these companies to bring a more open perspective to the TLC's research projects. They'll work with the TLC to develop customized research initiatives that use the appropriate methodology tailored to your needs.

### **Full-Time Texas Research and Development Staff**

**Gina Dill,**  
Research Associate



Regina is responsible for managing all research activities. This includes analyzing and interpreting data, formulating reports, and making recommendations based upon the findings. She oversees analysis of both internal databases and external market data to guide and improve marketing initiatives and promotional program performance. Regina provides all reporting (including ad hoc reports) and analysis for management decision making in a seamless manner while preparing all databases for conversion.

### **GTECH Corporate Marketing Research Staff**

**Gerard Caro,**  
Senior Director, Market Research



Since joining GTECH in 1995, Gerard has held field marketing, game development, and strategic marketing positions. For the past eight years, he has directed our market research efforts. By managing a portfolio of independent market research firms, he is able to make the most of each firm's experience to execute game content, technology, terminal, and trend research. He also shares with our customers the lottery-research best practices he has developed from managing research projects for many lotteries.

**Audrey Pate,  
Senior Manager, Market Research**



Audrey has been with GTECH since 1990. She has managed and executed a long list of product and service research projects for retailers and consumers. She has supported game development efforts for GTECH worldwide, as well. She brings her experience with best practices and numerous research techniques to our large customer base, while also managing strategic relationships with global research partners. Audrey will work with the TLC to identify its research needs and the appropriate research approaches.

**Kathy Lavigne,  
Senior Marketing Analyst**



Kathy led the effort to derive the TLC retail network information. Since 1995, Kathy has been responsible for market, game, retailer, sales, and promotion analyses. She also works on sales forecasting, market segmentation, marketing planning, customer consultation, and new product and game primary research.

**Todd Bauman,  
Senior Market Research Manager**



Todd supervises numerous market research activities such as focus groups and tracking and segmentation studies. Todd will assist with TLC Instant Game research and developing the Instant Game plan. He will also supply the Lottery with instant printing industry updates and expert insight using GTECH's and GPC's analytics programs.

**Sarah Simpkins,  
Senior Marketing Analyst**



Sarah worked with Kathy Lavigne on the TLC retail network analyses. Sarah began her GTECH career in 2005 and is responsible for sales forecasting, game modeling, portfolio management, and market analysis. She has participated in many retail development projects and in the creation of our LMDB. Sarah holds a bachelor's degree in mathematics and statistics and an M.B.A. in marketing.

**Chris McVay,  
Market Research Analyst**



Chris joined GTECH Marketing in June 2008, after earning his bachelor's degree in finance. He is primarily responsible for developing sales forecasts for lottery business opportunities. Chris is also instrumental in the administration of the LMDB and is responsible for market analysis and regular sales reporting.

In addition to our corporate Market Research Group, our entire sales, marketing, and business development teams assist with conducting research on new selling opportunities through field-generated ideas and gathering field research data via ES Mobile.

**101.5  
Research and/or Data Analyst Staff**

As described previously, sales analysis plays a key role, in conjunction with geographic and psychographic research, in identifying gaps and helping craft a strategy for retail expansion in optimization areas, game performance analysis, and promotional or event strategy. With the knowledge, experience, and expertise of both of our full-time Texas analysts and our corporate resources, we will be able to respond to any special reporting requests or to develop or respond to any requests for specialized sales analyses that the TLC may have.

We will also continue to respond, in a timely manner, to requests for research and data requirements (e.g., zone-level purchasing information) from Texas Lottery research and advertising vendors.

## Texas Analytics Team

### Dan Morales, Senior Market Research Analyst



Dan is responsible for administering market research to support GTECH's worldwide strategic marketing, lottery marketing, product development, and new business development endeavors, as well as GTECH customers. His research includes secondary studies that provide management the necessary information to make business decisions. Studies support industry (including government) and market analysis, lottery game development, new marketing concepts and any senior management-directed ad hoc requests. Dan performs a wide range of duties in support of these objectives, including identifying new reference sources, performing research data analysis, creating presentations, and other research functions as assigned.

### Robert McGovern, Market Research Analyst



Robert is responsible for providing the Texas Lottery and GTECH Texas with relevant data and sales reports, including fulfilling all open records requests the Lottery receives. He analyzes Lottery-funded promotions and provides the TLC with reports that help it make decisions about Instant Ticket inventory. LSR and retailer-contest-and-recruitment tracking are also among his responsibilities.

## Amendment 8 Analysis

Amendment 8 to the current Texas GTECH contract called for the implementation of additional self-service in the field. A key clause in the amendment was to “deploy equipment across the state with consideration for the optimization of revenue and the availability of lottery products.” Our analysis was critical to this facet of the plan and made sure the self-service machines ended up in the right locations. There were three phases of supporting analysis we undertook to develop placement criteria for the new machines.

1. **Geographic Cluster Analysis:** Based on average weekly sales indices of self-service Lottery terminals across the state, six geographic clusters emerged to be the most suitable for deployment of self-service equipment.

**Figure 8.8 – 17:  
Geographic Cluster Self-Service Equipment Analysis**

Density	Cluster Name	Self-Service Equipment Count	Self-Service Performance Index (Average for Geographic Cluster)	Trade Area Propensity to Use Automated Self-Service Devices (Average for Geographic Cluster)
6	Medium Density Suburban	285	1.38	1.36
3	Medium Density Urban Core Edge City	121	1.22	0.97
1	High Density Urban Core	58	1.21	1.09
2	High Density Urban	44	1.14	0.92
5	High Density Suburban Medium City Core (100K-150K)	432	1.12	1.03
4	High Density Suburban Medium City Core (100K-150K)	240	1.01	0.91
7	Medium Density Urban Large City Core (150K-500K)	276	0.82	0.86
8	Low Density Suburban Small City Core (10K-100K)	607	0.66	0.77

- 2. Population Propensity to Use Automated Self-Service Equipment:** The next criterion used in predicting a positive sales gain with self-service equipment is the propensity (of the population in a retailer’s trade area) to use automated self-service equipment. The analysis revealed that a strong correlation exists between higher self-service equipment sales and the trade area population’s propensity to use automated self-service devices. For deployment eligibility, a location’s trade area, which could be less than a mile in one area, to five or more miles in another, must have met a minimum correlation threshold to support the use of self-service equipment.

3. **Overall Product Sales Performance:** The third criterion is based on each retailer’s On-Line and Instant sales performance, separately, to determine the base sales (at the counter) along with additional self-service equipment. An analysis was performed on locations that already had self-service equipment and that met the geographic profile described in the first two steps. Average weekly sales for their online and instant products became the sales performance benchmark.

**Figure 8.8 – 18:  
Sales Performance Qualification for Self-Service Placement**

Equipment	On-Line Qualification to Start with Equipment	Instant Qualification to Start with Equipment
GamePoint	\$1,750	\$3,850
Instant Ticket Vending Machine (ITVM) 24	N/A	\$3,600
ITVM 20	N/A	\$3,600
ITVM 16	N/A	\$2,400
ITVM 12	N/A	\$1,800

After this analysis, we created a recommended deployment strategy for the TLC.

This exercise was a learning experience as we examined the ITVM universe in Texas outside the normal realm of grocery stores. It is one example of how we perform an analysis and broaden our Texas knowledge base to help us with future analysis and execution in Texas.

## **Analysis for Sales Success**

GTECH is committed to providing the TLC with the best sales-analysis system and services available. We aim to give you:

- An enhanced ability to analyze and understand your current business.
- Access to information about the products and solutions that are driving sales performance among your peer lotteries.
- The capacity to continually and efficiently improve your marketing and sales strategies.

Our knowledge-based geographic and psychographic system will allow the Texas Lottery to gather insightful and reliable information about consumers' perception, attitudes, and behaviors as they relate to Texas Lottery products today and in the future. We have the Texas experience, knowledge, and people already in place to maximize the effectiveness of these tools and ensure the integrity of the TLC brand. The combination of our people, process, and tools ensures that our research and lottery product development is aligned with your business needs.



# Part 9

## Warehouse and Distribution





#### Invited Option Icon

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This icon indicates where we have responded to an Invited Option.



#### Specified Option Icon

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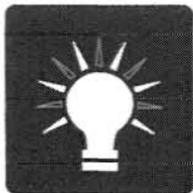
This icon indicates where we have responded to a Specified Option.



#### Offered Option Icon

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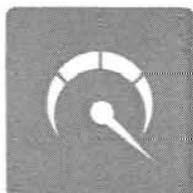
This icon indicates where we have proposed an Offered Option.



#### New Innovation Icon

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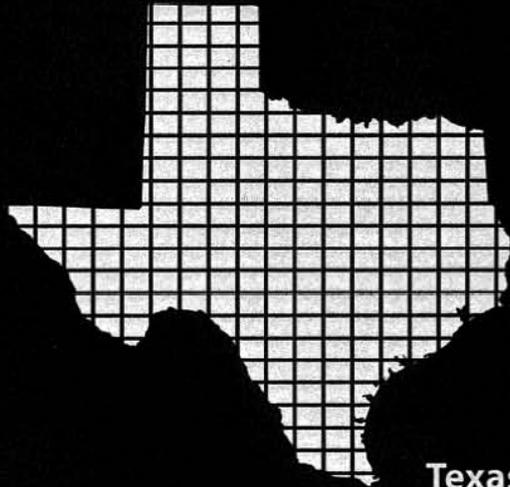
This icon indicates where we describe a new, GTECH-designed product or feature that represents GTECH's commitment to industry innovation.



#### Exceeds Icon

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This icon indicates areas in which GTECH exceeds the requirement.



## Texas Precision

### 9.1 Overview

We will be accountable throughout the supply chain for each and every Instant Ticket and promotional/POS advertising item - from initial order to the point of contact with the player.

# Texas Lottery Core Values...

## *Honored*

**Integrity and Responsibility:** Our warehousing and distribution process is secure and fully auditable.

**Innovation:** We commit to providing the TLC a fully integrated supply-chain management process constructed to provide a transparent view into the warehousing and distribution of TLC products.

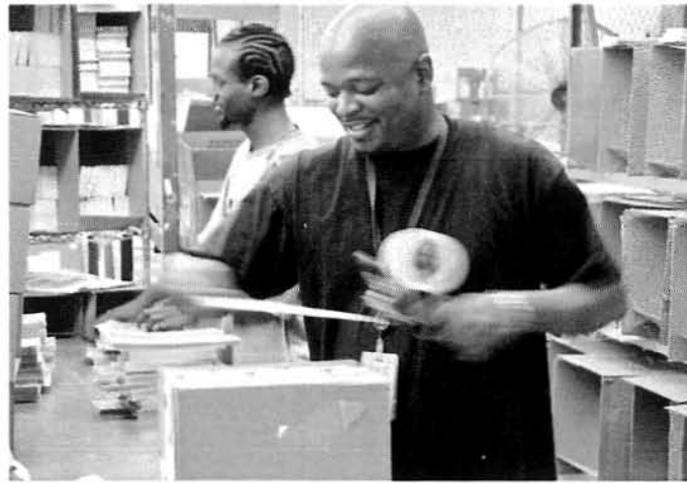
**Fiscal Accountability:** Our distribution capabilities are designed specifically to meet TLC sales goals and exceed audit requirements.

**Customer Responsiveness:** The Instant Ticket management solutions that we design and deploy will ensure that inventory is managed at the store level, meaning individual TLC retailers will have the right amounts and types of games at the right times.

**Teamwork:** Our warehousing and distribution process is designed and managed to be an integral part of the entire TLC value chain.

**Excellence:** Our proven best practices are integrated into our advanced technologies to optimize performance.

Our proven warehousing and distribution process is used by more than 25 lotteries around the world – including Texas and 13 other U.S. lotteries.



With GTECH's Supply Chain Management solutions, the TLC will have complete visibility into the entire life cycle of Instant Tickets, POS, and advertising material.



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Our [redacted] will provide the right tickets to the right retailers at the right times.



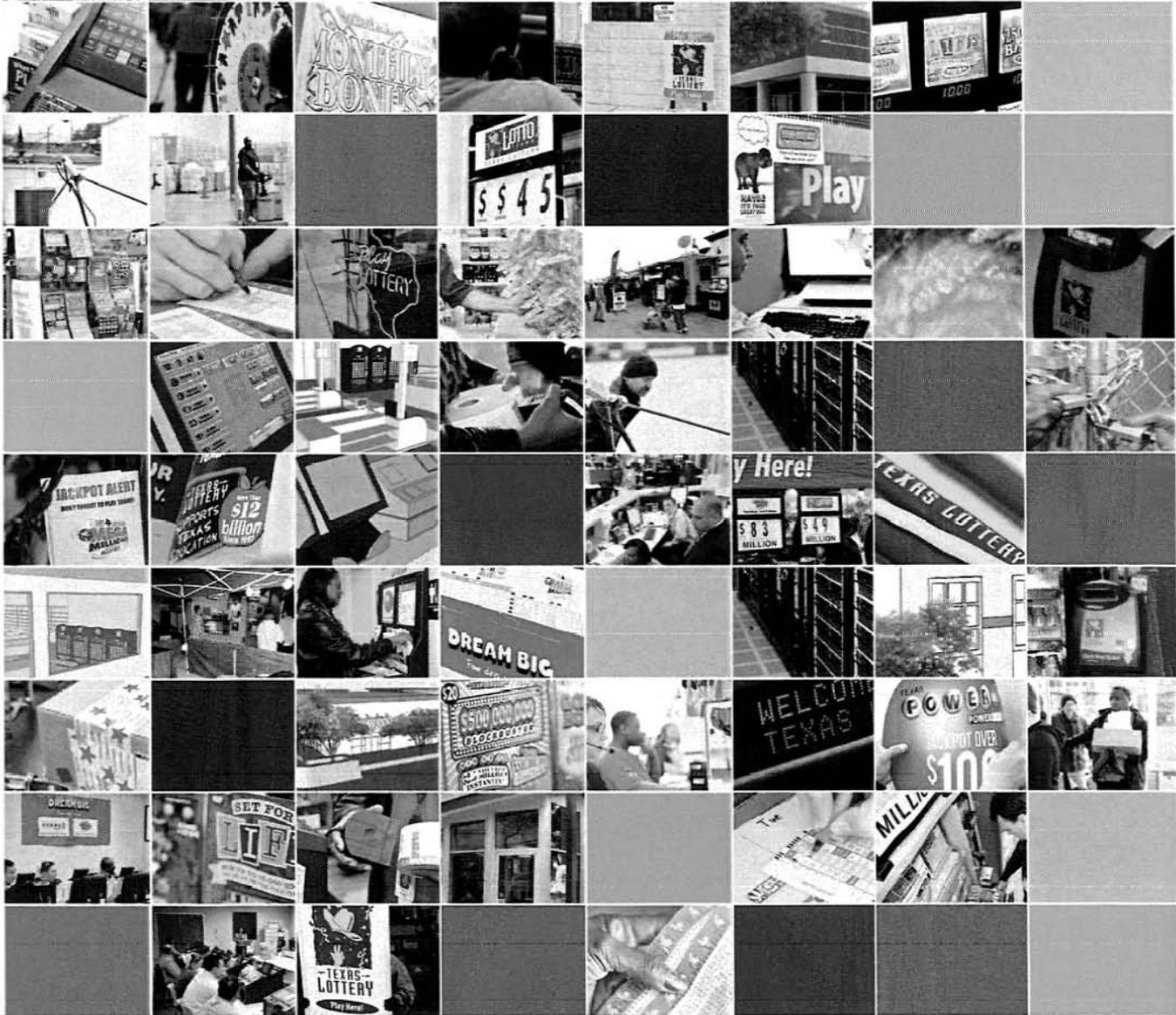
Our new [redacted] technology will automate the Instant Ticket return process, in turn improving visibility and accountability.





# 9.2

## New Instant Ticket Delivery and Storage



# 9.2

## New Instant Ticket Delivery and Storage

### Introduction

Delivering 75 percent of the TLC's revenue stream is no small feat. Your Instant Ticket business is a complex one: Your vendor must provide not merely Instant Ticket delivery, but also insight into sales trends, buying patterns, and game spread, as well as the surety that your Instant Tickets will be delivered to the right retailers at the right time in the right quantities.

During the nearly 18 years that we have been the Texas Lottery's Instant Ticket services provider, we have worked hard to develop tools and processes to ensure that Lottery retailers are properly stocked and players can purchase the games they want to play. We have performed continual reviews of our warehousing and distribution methodology, software, hardware, tools, systems, and staff. This analysis has resulted in new technologies, greater efficiencies, more transparency, and industry-leading standards.

#### **A Proven Process That Generates Sales**

GTECH's Pick Pack process is a proven method that automatically records the packs of tickets assigned to orders. More than 25 lotteries around the world – including Texas and 13 other U.S. lotteries – rely on our Pick Pack order fulfillment process. In 2009, GTECH-operated warehouses in the U.S. alone supported more than 58,000 domestic retailers generating more than \$10 billion in Instant Ticket sales. We lead this space. Furthermore, GTECH supplies the Instant Ticket Management System for four of the five largest Instant Ticket programs in the U.S. in terms of sales, including the Texas Lottery.

The following figure highlights GTECH-run warehousing and distribution services and Instant Ticket systems of comparable complexity and scale in some of the top U.S. Lotteries.

**Figure 9.2 – 1:**

	Operational Services and Support		2009 Instant Sales (\$M)	Similar
	Warehousing/ Distribution	Instant Ticket Systems		
Texas	●	●	2,807.1	Size
California	Lottery	●	1,609.4	Size
Florida		●	2,223.2	Size
Georgia		●	2,480.7	Size
Michigan	●	●	773.0	Size
Nebraska	●	●	64.9	Services (Sales Force)
New Jersey	●	●	1,283.7	Size
New York	●	●	3,626.7	Size
West Virginia	●	●	101.6	Services (Sales Force)

● Represents GTECH-defined system or service

**Comparable to Texas:** GTECH operates many systems and services that are similar to Texas.

## Replenishment

With 60 live Instant Games at any time and 40 games that can be redistributed to all of your almost 17,000 retailers, accurate replenishment has a significant impact on sales and revenue. Our new technologies allow us to fulfill the 7,500 average replenishment orders accurately each week.

Our knowledge of your retail base gained over nearly 18 years has allowed us to customize these orders based on the market and needs of each individual retailer, ensuring the correct inventory necessary to optimize sales.

We have worked with you and your retailers so that your retailers now have a 2-3 week inventory at all times. This means that we do not supply tickets “just in time.” Oftentimes, what purports to be “just in time” is really too late: Retailers miss selling more tickets, which means lost revenue. With the 2-3 week inventory, retailers and players have the certainty that tickets can be sold and played at will – there’s no scrambling because games run out.

Better yet, retailers are not forced to make phone calls to order more tickets – a model that is adopted by other lottery jurisdictions. This supply model can often lead to outages and lost sales.

### **Initial Distribution**

Given that nearly 100 games are launched every year, initial distribution calculations must be accurate or potential sales will not be realized. Week one initial distributions affect the entire game performance. Missing initial sales opportunities creates a ripple effect on the game’s sales performance. Those sales are simply lost. Ensuring enough ticket supply for the first week of a new game is critical to the success of the entire game cycle. Initial distribution is a critical time in the life cycle of an Instant Game, as, on average, 70 percent of sales occur in the first 12 weeks of a new game in Texas.

**Ensuring enough ticket supply for the first week of a new game is critical to the success of the entire game cycle.**

### **Instant Ticket Delivery and Storage Responses**

In the following sections, you’ll read about how we take charge of initial distribution and replenishment of Instant Tickets for TLC retailers in a secure, transparent, and efficient manner. We accomplish this through:

- Automation in managing, fulfilling, and storing Instant Ticket orders.
- A staging and distribution plan for simultaneous Instant Ticket Game launches.
- Warehousing and distribution methodology and a staffing plan, including automated functions.

## **Table 103**

### **New Instant Ticket Delivery and Storage Response Requirements**

#### **103.1**

##### **Roles, Responsibilities and Detail Requirements**

GTECH acknowledges and accepts the roles, responsibilities, and detail requirements indicated in this section.

#### **103.2**

##### **Managing, Fulfilling, and Storing Orders**

##### **Automating Instant Ticket Warehousing and Distribution in Texas**

The Texas Lottery has been an industry pioneer in ensuring the timely replenishment of retailer inventories based on player demand (or responses to products). Since the TLC launched its first four games in 1992, the introduction of new games has steadily increased to more than 90 new games per year. This segment of the business grew by working with retailers and Lottery Sales Representatives (LSRs) to refine and introduce greater efficiencies, which ultimately involved evolving automation.

GTECH designed and implemented automation to meet the market growth for Texas Lottery retailers and ultimately for the players. The knowledge gained from the evolution of automation tools such as Quota Level Management System (QLMS), ProCall, Pick Pack and Automated Shipping Labels has allowed us to continue to evolve an already automated distribution process.

As you will see throughout Part 9, we are pleased to share with the TLC our latest technological refinements in solutions for Instant Ticket warehousing and distribution. You can rest assured that all of our accomplishments to date have been preserved in – and our nearly 18 years of experience and collaboration have been converted into – your new system.

### **The Next Level of Automation: Innovations to Optimize Performance**

The TLC will benefit from the advanced solutions that we are proposing. We are refining our already rigorous processes by pairing analytical technology with human expertise and critical decision-making skills. What does that mean to the TLC? It means you will continue to see warehousing and distribution capabilities evolve as your game spread evolves, ensuring that your largest piece of revenue will continue to meet market demands and give back to the Foundation School Fund.

**We are refining our already rigorous processes by pairing analytical technology with human expertise and critical decision-making skills.**

The next graphic shows how each of these innovative automation technologies is embedded in the life cycle of warehousing and distribution, from managing and fulfilling to storing orders.

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**Not released**

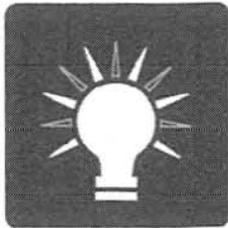
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### **Automation Tools Drive Efficiencies and Transparency**

Our [redacted] is built upon many of the already automated processes used today to manage, fulfill, and assist in storing Instant Tickets orders. From Instant Ticket Game Load to end-of-game destruction, [redacted] automates the functions necessary to allow the TLC and GTECH's teams to do their jobs better, faster, and more effectively. The following paragraphs provide an outline of our enhanced levels of automation for managing, fulfilling, and storing Instant Ticket orders.

Some of the features and benefits of \_\_\_\_\_ are highlighted in the following paragraphs. Please see Section 7.3, Instant Ticket Game Management, for an in-depth discussion of \_\_\_\_\_ functionality.

### Carrier Manifest Reports with



With \_\_\_\_\_ the warehouse manager can automatically prepare carrier manifest reports that contain information concerning all packages transferred to the carrier for each pickup each day. For initial distribution, the system allows orders to be packed over a series of days and sessions, with the manifest report prepared only when the entire group of orders is complete and the packages are ready to be transferred to the carrier.

### Expedited Loading and Verifying of Instant Tickets (Game Load)

GTECH's \_\_\_\_\_ system automatically loads data files supplied by your Instant Ticket vendors via File Transfer Protocol (FTP) or CD-ROM, eliminating a source of potential errors. New Instant Ticket Game loads will be loaded into the Lottery Gaming System at a minimum within three days of TLC notification but in most cases on the same day; expedited game loads and distribution can be supported as necessary in order to meet ticket inventory and sales requirements. GTECH will then notify the Lottery of completion. Additional amounts of game inventory and related validation information for reprints and reorders may be loaded at any time. Once loaded into the system, modifications to game activity dates, such as product available dates, distribution dates, and validation dates may be entered into \_\_\_\_\_ by authorized users. Once updated, these modified dates are immediately used for game management.

**New Instant Ticket Game loads will be loaded into the Lottery Gaming System within three days of TLC notification.**

In all cases, the gaming system performs validity checks against the loaded or modified data. While the processes are highly automated, to ensure the security and integrity of the TLC's Instant Ticket Games, activities require authorized user interaction to complete them. Should any issues/problems arise in the installation of a new Instant Ticket Game validation file, GTECH actively participates in the resolution.

New game loads, appending game files, and date modifications for game activity can be made at any time during business hours, without restrictions. There is no need to wait for the gaming system to be "off."

## **Expedited Deletion of Rejected Game Files (Game Load)**

Just as game files can be loaded at any time, they can also be removed from the system with proper approval by the TLC within one working day after notification from the Lottery. Proper process controls eliminate the risk of a rejected game being made available on the system.

Games not approved by the Texas Lottery will be packaged and released to the Instant Ticket Manufacturer for destruction.

## **Security Grid (Automated Management Through System Statuses)**

Instant Ticket rules-based security grids not only provide full traceability of packs and tickets as they move through the Instant Ticket life cycle, they also ensure the integrity and security of these packs and tickets by enforcing status movement rules. While many pack and ticket status changes require human intervention to move to the next status, some status changes are triggered by system event or time.

The following figure depicts a few examples of statuses used to manage Instant Tickets.

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Not released**

## Order Generation

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Whether ordering new games or replenishing a retailer's 2-3 week inventory, facilitates these orders to ensure the right games are getting to the right retailers at the right time. Through the introduction of GTECH's automated distribution product , order generation takes an analytical approach.

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**Not released**

## Confidentiality Claimed Not released

### Order Fulfillment

Regardless of how an order is generated, all orders placed on a given day automatically display on the warehouse Pick Pack screen before 5 a.m. the next morning. Warehouse staff can view initial distribution or replenishment orders, sorted by geographical area, oldest order, or a number of other criteria. The Pick Pack order module automatically displays orders in a predefined sequence and gives warehouse staff the flexibility to modify this sequence to adapt to rapidly changing initiatives or to process emergency orders as necessary.

#### **Proactively replenishing retailers will reduce the need for weekend and holiday ordering.**

The Order Fulfillment screen provides all of the information the warehouse staff needs to fill an order, alleviating any break in the pack and ship flow. Included in the logic behind the order fulfillment module are visual cues to alert the packer to any discrepancies or issues in the order packing process.

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The level of automation in the Order Fulfillment module allows Instant Ticket orders to be completely processed by one packer, virtually eliminating the opportunity for human error.

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### Automated Reporting

Using the Suite as the single interface for all Instant Ticket data, the TLC will have access to information in ways never before possible. Reports can be automatically generated and distributed to business users, and ad hoc analysis can be performed on an as-needed basis.

For example, the warehouse manager can create a daily report showing the Instant Ticket game index to determine which games need to be staged near the Pick Pack area to expedite replenishment orders. Additionally, he or she may identify Instant Ticket games that are closed and combine those with packs that have not yet been returned to anticipate and plan for returns processing.

The TLC Instant Product Manager may create a weekly report displaying sales levels of Instant Ticket games by district, trade style, price point, and other criteria. Exception reports can be generated to assist in located packs in Stolen, Hold, and Lost statuses, as well as packs that are unconfirmed for greater than the allowable amount of time. Please see Section 7.9, Reporting, for additional detail on

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### **Pick Pack Conveyor**

To increase efficiency, we have created an ergonomically designed Pick Pack conveyor system. This conveyor automates the movement of packages down the pack line directly to the distribution truck, significantly decreasing time and labor required for replenishment orders.

### **People with Technology: The Ultimate Automation Solution for the TLC**

No matter how innovative, tools are useless if they're not in the right hands. While automation solutions help increase efficiencies, if used carelessly to completely override human flexibility and decision-making, they cost time, money, and accuracy.

That's why we take a strategic approach to the automation functions we designed and proposed with the TLC in mind. We carefully reviewed supply chain management best practices, analyzed lottery industry best practices, and calculated the right mix of automation tools to hardworking staff. We did this through the inspection of TriFactor ([www.trifactor.com](http://www.trifactor.com)), a recognized warehouse and distribution consultant that reviewed the Instant Ticket warehouse functions to identify any opportunities for improvements or efficiencies through automation.

#### **The Right Tools in the Right Hands**

During a two-week period in January 2010, the GTECH Texas warehouse processed 45,316 orders containing 388,662 packs of tickets. There were no packing errors during this two-week period – a 100-percent accuracy rate. Our team typically fills an average of 23,400 orders per week. Our team has an exemplary average accuracy rate of more than 99 percent.

In times of critical delivery, it takes human flexibility, intervention, and product knowledge to meet the demand. Technology and automation are necessary tools to support our goal of continuing to provide the best possible service to the TLC. For more information about GTECH's warehouse staffing plan, please turn to Subsection 103.4, Warehousing and Distribution Methodology and Staffing Plan, later in this section.

**Since 1992, we have launched 1,062 new games for the Texas Lottery with a 100 percent on-time execution rate.**

### **103.3 Staging and Distribution Plan**

Initial distribution is the most critical phase of an Instant Game's life cycle. The first shipments of new game tickets must be accurate and on time to ensure the maximum amount of return to the Foundation School Fund. Since 1992, we have launched 1,062 new games for the Texas Lottery with a 100 percent on-time execution rate. In any given week, initial distributions typically include two new games. GTECH's warehouse processes, managed by knowledgeable and experienced personnel, are designed to handle the volume associated with multiple and simultaneous initial distributions consistent with the Instant Ticket game plan as identified by the Texas Lottery.

While initial distributions are managed, warehouse staff also processes daily replenishment orders. In GTECH's warehouse, the initial distribution of games occurs in conjunction with processing approximately 1,500 replenishment orders per day. The facility, technology, and people working within the warehouse adapt to the ebb and flow of initial and daily orders, as that workload continually changes.

**Figure 9.2 – 9:  
Staged Boxes and Games**



**Set and Ready:** Shipping is easy and efficient when the necessary materials are ready and available.

To put this in perspective, for an entire year, calendar year 2009, GTECH processed 653,403 initial distribution orders and within those, 2,871,020 packs. In addition, 384,001 replenishment orders were processed, and 5,730,331 packs were shipped.

**Figure 9.2 – 10:**

Simultaneous Launches and Daily Orders for November/December 2009						
November 2009						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
<b>1</b>	<b>2</b> Sparkling 7's Daily - 22,629 Initial - 24,508	<b>3</b> Daily - 22,953 Initial - 0	<b>4</b> Daily - 24,789 Initial - 0	<b>5</b> Daily - 24,921 Initial - 0	<b>6</b> Daily - 24,667 Initial - 0	<b>7</b>
<b>8</b>	<b>9</b> 550K CSH WNFL Veteran's Cash Daily - 25,237 Initial - 73,035	<b>10</b> Daily - 25,252 Initial - 0	<b>11</b> Daily - 23,447 Initial - 0	<b>12</b> Daily - 24,964 Initial - 0	<b>13</b> Daily - 21,737 Initial - 0	<b>14</b>
<b>15</b>	<b>16</b> Daily - 30,027 Initial - 0	<b>17</b> Daily - 32,486 Initial - 0	<b>18</b> Daily - 36,303 Initial - 0	<b>19</b> Daily - 36,884 Initial - 0	<b>20</b> Daily - 33,939 Initial - 0	<b>21</b> Daily - 16,385 Initial - 0
<b>22</b>	<b>23</b> Mry Money Double Doubler Find The 9's Daily - 38,496 Initial - 74,960	<b>24</b> Daily - 30,134 Initial - 0	<b>25</b> Daily - 24,277 Initial - 0	<b>26</b> Thanksgiving Holiday	<b>27</b> Thanksgiving Holiday	<b>28</b>
<b>29</b>	<b>30</b> Daily - 32,923 Initial - 0					
December 2009						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		<b>1</b> Daily - 29,554 Initial - 0	<b>2</b> Daily - 32,650 Initial - 0	<b>3</b> Daily - 30,828 Initial - 0	<b>4</b> Daily - 26,115 Initial - 0	<b>5</b>
<b>6</b>	<b>7</b> Treasure Five Star Cash Daily - 34,275 Initial - 70,673	<b>8</b> Daily - 30,586 Initial - 0	<b>9</b> BNS BRK BANK Daily - 28,190 Initial - 0	<b>10</b> Daily - 22,439 Initial - 0	<b>11</b> Daily - 18,762 Initial - 0	<b>12</b>
<b>13</b>	<b>14</b> Spicy 7's Tripler Daily - 29,045 Initial - 65,605	<b>15</b> Daily - 24,960 Initial - 0	<b>16</b> Daily - 21,218 Initial - 0	<b>17</b> Daily - 16,809 Initial - 0	<b>18</b> Daily - 16,470 Initial - 0	<b>19</b> Daily - 6,085 Initial - 0
<b>20</b>	<b>21</b> Csno Ryle Super Deuces Daily - 29,104 Initial - 70,758	<b>22</b> Daily - 22,576 Initial - 0	<b>23</b> Daily - 16,681 Initial - 0	<b>24</b> Daily - 10,250 Initial - 0	<b>25</b> Christmas Holiday	<b>26</b>
<b>27</b>	<b>28</b> Daily - 22,491 Initial - 0	<b>29</b> Daily - 26,622 Initial - 0	<b>30</b> Daily - 25,619 Initial - 0	<b>31</b> Daily - 18,941 Initial - 0		

**Warehouse Capabilities:** GTECH's warehouse and its staff are capable of fulfilling initial distribution orders while processing each day's orders.

GTECH is capable of simultaneously staging, packaging, and distributing the two types of game orders: initial and replenishment. At the end of 2009, GTECH processed five new games in November and six in December, while successfully fulfilling orders for thousands of replenishment packs of tickets. This experience spreads to other GTECH jurisdictions as well, as seen in the following paragraphs:

### **When There’s Only One Chance to Get It Right**

Initial distribution has a significant impact on your overall game performance. When retailers do not have adequate supply of new game tickets, sales are lost. The impact of an initial distribution on revenue is staggering. The following table provides evidence of the validity of this statement and proof of the significance of a flawless execution. The table shows the percentage of sales that came from the first 12 weeks for each of the games identified in the previous figure, Simultaneous Launches and Daily Orders.

**Figure 9.2 – 11:  
TLC Initial Distribution Sales**

<b>Initial Distribution Game Name</b>	<b>Percentage of Sales from First 12 Weeks</b>
Sparkling 7's	67%
\$50,000 Cash Winfall	72%
Veteran's Cash	72%
Merry Money	82%
Double Doubler	80%
Treasure	66%
Five Star Cash	90%
Spicy 7's	86%
Tripler	81%
Casino Royale	85%
Super Deuces	65%

Each game's percentage of sales for the first 12 weeks is well over half, which accentuates the importance of the initial distribution. There is no room for error, as it will directly affect total game revenue, which, in turn, generates revenue to support Texas education. GTECH knows the value of getting initial distributions right the first time. We leverage our proven ability to predict the expected initial distribution sales by retailer for each newly launched game to feed into the initial distribution calculations, placing new games in locations that promise the best returns in the first 12 weeks of sales.

### **A History of Proven Performance**

GTECH has continuously evolved its processes and procedures to handle new demands and create the most efficient initial distribution scenario. Improvements in process and automation have reduced the required processing and packing times from initially two weeks, to two to three days, to our current standard of processing in one day.

Given our knowledge of your market and retailer needs, our initial distribution process has also evolved from receiving 200-300 returned orders to now receiving an average of no more than 50. The quality of our extensive order analysis is evident here. With the intelligence we receive from our technology, our personnel can accurately fulfill the needs of Texas Lottery retailers.

### **How the TLC's Game Plan Shapes Staging and Distribution**

Much of GTECH's staging and distribution plan results from the Lottery's game plan. In order to shape the staging and distribution plan, warehouse staff must understand how many new game launches are on the horizon, when they should be released, and the volume of each release. Decisions on which games, play styles, price points, and themes to launch are made by having close coordination between subject matter experts from the TLC and GTECH. Every month, GTECH brings its extensive knowledge of the field into Lottery/GTECH review sessions to help create a final game plan that most aligns with the Lottery's objectives. Warehouse management then uses this plan to allocate resources, plan for staging, gather the appropriate materials, and prepare for each day of distribution.

## Preparation Results in Efficiency

If there's anyone who understands the importance of preparation and the far-reaching benefits that result from it, it's GTECH's Warehouse Manager, Dwayne Tatum. He and his staff continually analyze the numerous factors that affect a staging and distribution plan, such as upcoming plans for new launches, sales for games currently in the field, placed order quantities, and expected return quantities. Being aware of this information and knowing what it means for the next day's activities allows Dwayne to appropriately stage the warehouse, assign Pick Pack lines, and prepare additional materials in a way that fully maximizes efficiency.

GTECH's analytics staff supports Dwayne and his team by creating and analyzing inventory and sales trends and projections through . Dwayne's efforts each night promote the efficiency of the next day's activities. By having everything ready the night before, the warehouse staff is able to arrive at work the next day and hit the ground running, wasting no time trying to set up.

## Storage Optimized to Fit Texas

Both and our automated return conveyor belt save time and increase efficiencies, especially when it comes to storage. While some warehouses use Push Back Racking – an automated hydraulic storing system – it is not well suited to high-volume lottery warehouses and can actually increase the time it takes to offload pallets and organize storage space.

Unlike other states that may receive 13 pallets of a new game, initial distribution of Instant Ticket games in Texas range from 36 pallets for a single new game, up to 215 pallets for core game distribution. Core games, such as Break the Bank, and weekly distributions contain upward of 50 million tickets each!

Without this flexibility, not all skids and packs for an individual Instant Ticket game could be co-located in the warehouse, presenting challenges for distribution and inventory auditing.

Information Redacted  
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**Figure 9.2 – 12:  
Strategic Storing**



**Flexibility:** Investment in ample floor space enables efficient management and organization of Instant Ticket inventory that changes significantly from week to week.

### Pre-Staging and Staging

As previously discussed, we are fully aware of the importance of preparation. In order to plan for the next day's orders, our Distribution Manager and his team pre-stage the materials needed by assembling the anticipated number of shipping boxes, making sure the different colored rolls of packing tape (to distinguish initial distribution games from daily replenishment games) are available, etc. On a typical Friday prior to initial distribution, the warehouse prepares the following weekly quantities by game type:

**Confidentiality Claimed  
Not released**

## Confidentiality Claimed Not released

### Assigning Lines

GTECH has the capacity and flexibility to utilize up to seven Pick Pack lines. Dwayne Tatum, our Warehouse Manager, assigns these lines the prior evening, based on the volume of initial distribution and replenishment games. As the week progresses, other distribution demands may affect the number of lines needed for initial distributions, so lines are continuously reassigned in order to meet game distribution needs. This flexibility allows for a seamless transition of allocations and promotes efficiency in managing the many scenarios that may arise throughout any given week.

#### **Continuously reassigning lines allows for a seamless transition of allocations...**

While the manpower at the packing lines remains the same, the nature of the lines is constantly changing. The Pick Pack Order Fulfillment module supports multiple packers working at multiple stations. Just as packers are able to switch between daily and new game orders, our warehouse team will be able to pack various combinations of orders as necessary to meet our delivery commitments to Texas Lottery retailers. Our software includes our Pick Pack Order Fulfillment module, which, like our current ProSys Pick Pack Order Fulfillment module, ensures efficient and accurate packing of Instant Ticket orders.

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### GTECH's Texas Warehouse Layout

An important factor in our staging and distribution plan is, quite simply, the layout of the warehouse. The layout *directly affects* the movement of games and orders through the warehouse, and a well-organized operation results in more orders delivered to retailers. Easy access to the tools needed to perform each task along with a precise distribution strategy that identifies which shipments must travel the farthest is the difference between an efficient warehouse and one that doesn't perform to its potential.

The floor plan in the following figure shows how GTECH has meticulously laid out the staging, packing, and distribution areas within the warehouse. The layout was designed to optimize the flow of tickets through the warehouse, making our processes as lean and efficient as possible.

**Confidentiality Claimed**  
**Not released**

## **Confidentiality Claimed Not released**

### **Placement of Games**

As depicted in the figure GTECH's Texas Warehouse Layout, GTECH places its initial distribution games directly behind the Pick Pack lines, resulting in the rapid movement of packs and ensuring the fulfillment of orders as quickly as possible. Dwayne's planning allows the appropriate games to be readily available to packers, so no time is wasted in trying to locate the games to be packed that day.

### **Simultaneous Instant Ticket Game Launches**

GTECH has the capacity to launch multiple Instant Ticket Games simultaneously. We build our approach to ensuring that new games are available to players when the Lottery expects around the efficiencies within our distribution processes. As a result, our recommended processes expedite the movement of new games and get them to players quicker.

## Packer Statistics

As an added tool for analyzing activity and source for the planning of staging and distribution, statistics can be pulled right from each Pick Pack workstation. With , authorized users will be able to review performance statistics in real time throughout the day, including, but not limited to the:

- Number of orders packed by type of order per session and day.
- Number of orders remaining to be packed by type of order per session and day.
- Number of packs packed, by type of order.

The Warehouse Manager and other authorized users can access a daily report that summarizes final information for the day. Moreover, each workstation displays the number of orders that have been packed in the current session and for the current day to the warehouse clerk assigned to that station. The information pulled from at the Pick Pack station aids in the overall planning by the Distribution Manager.

## Printing Labels and Manifests

Once all of the packs needed to complete an order have been scanned, the shipping label and manifest (both shown in the following figure) are automatically printed at the Pick Pack workstation. Each workstation will be equipped with two high-speed thermal printers: one for printing the shipping label on pressure-sensitive thermal paper stock, and the other for printing the manifest on regular thermal paper stock. The shipping label is printed to our carrier's specifications and includes a bar code in the carrier's package tracking format. The manifest includes the order number (in bar code and text/numerical form), in addition to a list (by pack number) of all the packs in the shipment.

The bar code on the manifest, below the tracking number, is also referred to as the confirmation bar code. When a retailer receiving a shipment scans the confirmation bar code, the status of the entire order (and all the packs in the order) is updated in this single step, from Issued (to the retailer) to Confirmed (at the retailer's location).

**Figure 9.2 – 15:  
Shipping Label and Bill of Lading**

Austin Regional Warehouse  
512-339-99814  
8828 Tuscan Way  
Bldg. #6 Suite 100  
Austin, TX 78754

**SHIP TO:** STOP N DRIVE SUPERETTE # 4  
Phone: (281) 358-8941  
606 HAMBLEN RD  
HUMBLE TX 77339

DIST-FSR-RTL-ORDER: 004-441-129678-041072577801  
(420) SHIP TO POSTAL CODE




(420) 77339

**UPS GROUNDTRAC**  
TRACKING NUMBER

1Z 788 6E4 03 3275 6258



**INVOICE ENCLOSED** To confirm receipt, scan barcode or manually enter last 8 digits.

**PACKING LIST**

RETAILER: STOP N DRIVE SUPERETTE # 4 (129678)  
ORDERED: 4/2/2010 18:00  
FILLED: 4/7/2010 07:10

**ORDER DETAIL**

Game	Pack Cost	Nbr Packs	Billed Amount
1219 PLATINUM 8'S	356.25	2	712.50
Total Packs Shipped			2
Total Amount of Order \$			712.50

**INVENTORY SHIPPED**

1219-0022814	1219-0022815
--------------	--------------

**ORDER NUMBER**  
04-10725776-01

**TRACKING NUMBER**  
1Z 788 6E4 03 3275 6258



---

Austin Regional Warehouse  
512-339-99814  
8828 Tuscan Way  
Bldg. #6 Suite 100  
Austin, TX 78754

**SHIP TO:** PAY N SERVE  
Phone: (903) 935-5919  
1001 POPLAR ST.  
MARSHALL TX 756701641

DIST-FSR-RTL-ORDER: --153530-021071995001  
(420) SHIP TO POSTAL CODE




(420) 756701641

**UPS GROUNDTRAC**  
TRACKING NUMBER

1Z 788 6E4 03 3273 5833



**INVOICE ENCLOSED** To confirm receipt, scan barcode or manually enter last 8 digits.

**PACKING LIST**

RETAILER: PAY N SERVE (153530)  
ORDERED: 4/1/2010 13:16  
FILLED: 4/6/2010 13:54

**ORDER DETAIL**

Game	Pack Cost	Nbr Packs	Billed Amount
1198 CASH BINGO	237.50	1	237.50
1210 LUCKY SLOTS	142.50	1	142.50
1215 \$50,000 PAYOUT	356.25	1	356.25
1285 VETERANS WINNINGS	237.50	1	237.50
Total Packs Shipped			4
Total Amount of Order \$			973.75

**INVENTORY SHIPPED**

1198-0080332	1210-0073249	1215-0081905
1285-0043852		

**ORDER NUMBER**  
02-10719950-01

**TRACKING NUMBER**  
1Z 788 6E4 03 3273 5833



**Ready to Ship:** The shipping labels reproduced here, one for an initial distribution and the other for a replenishment order, are printed right at the Pick Pack station, making the packing and shipping process even more efficient.

**Confidentiality Claimed**  
**Not released**

### **Plan to Stage and Distribute Daily Orders**

The staging and distribution plan for replenishment orders is very similar to that of an initial distribution. GTECH has a systematic and simultaneous process of continual packing for replenishment orders that are processed daily.

The pre-staging of materials, approach to assigning lines, physical placement of games, and efficient labeling of orders is performed simultaneously for both initial and replenishment games orders.

**GTECH has a systematic and simultaneous process of continual packing for replenishment orders that are processed daily.**

Replenishment games are also positioned closely to the Pick Pack lines for easy access, and more than 40 games are available for these orders at any one time. The most popular games, hot sellers, and recently launched games are available first, followed by closing games, and finally slow sellers. This hierarchy places the most active games in front of packers and closer to the lines for quick retrieval.

## Confidentiality Claimed Not released

### 103.4

#### **Warehousing and Distribution Methodology and Staffing Plan**

Our warehousing and distribution methodology is comprised of three major elements:

- People.
- Process.
- Technology.

#### **Our People**

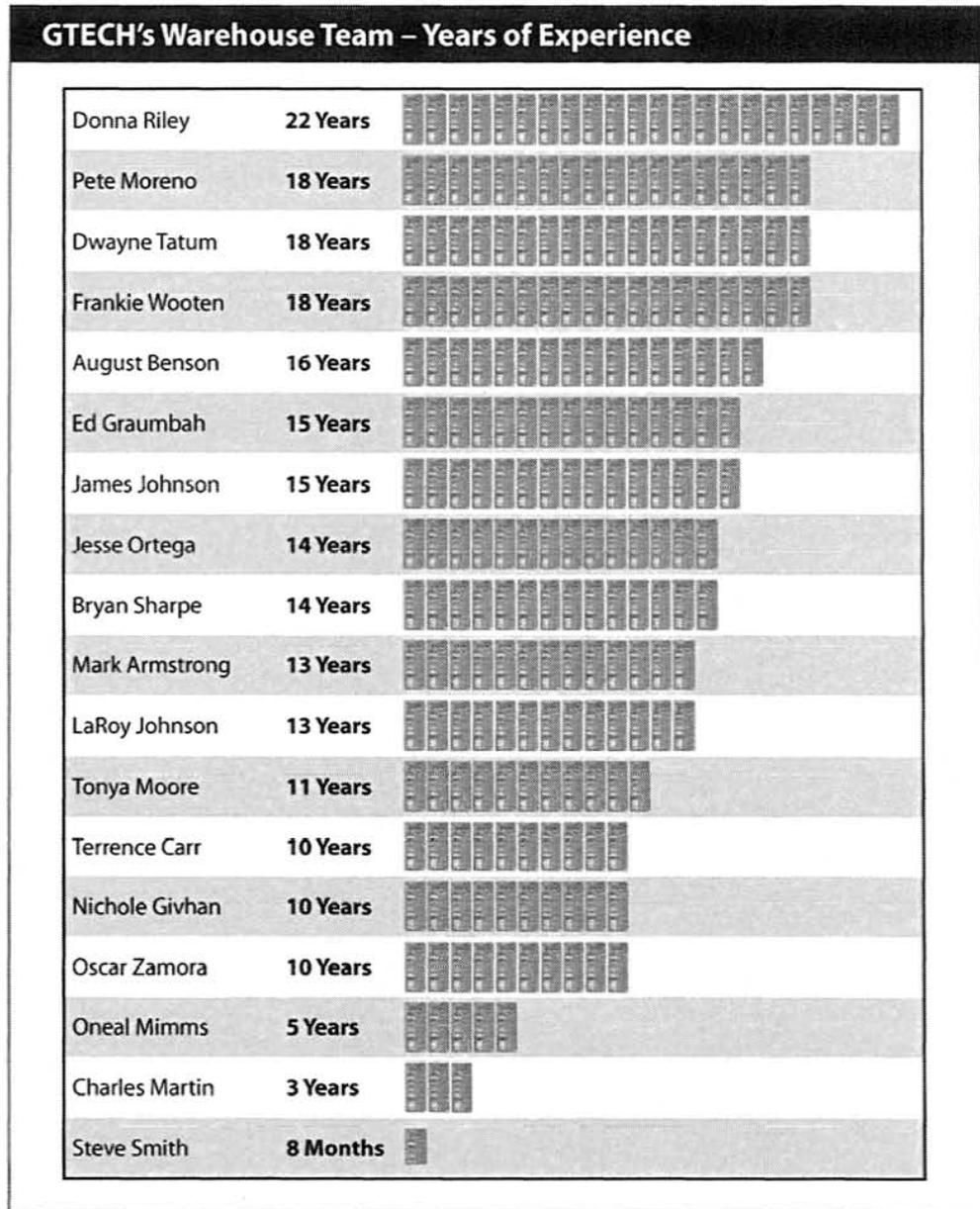
Our services are only as good as the people operating them, and the foundation for the success of our warehousing and distribution methodology is just that – our people. GTECH's superior qualifications lie in the Texas-specific knowledge, understanding, and familiarity its employees possess due to nearly 18 years of experience in Texas.

#### **The Core of Our Success**

GTECH Texas is, in one word, people. It's our personnel, the core of our company, who use technology to meet and exceed the needs of the TLC, its retailers, and Texas Lottery players.

Our warehouse team, led by Dwayne Tatum, consists of 18 staff members with a combined 225 years of experience. This experience and their efforts always result in Texas Lottery retailers receiving their Instant Ticket orders *on time*.

**Figure 9.2 – 16:**



**Longevity and Experience:** GTECH staff members in the warehouse have an impressive number of years of service, which can only mean one thing: unbeatable experience in warehouse operations for the Texas Lottery.

## Dwayne Tatum, GTECH's Own Industry Expert

Dwayne Tatum's familiarity with Instant Ticket warehousing and Texas Lottery operations is unmatched – he is truly a lottery industry expert and has spoken at industry conferences such as the North American Association of State and Provincial Lotteries (NASPL) conferences in Baltimore, Dallas, Washington, Denver, Louisiana, Montana, and New Mexico. In addition, Dwayne is a warehousing and distribution expert who attends professional supply chain management conferences and seminars, such as those held in Austin and St.Louis.

### **Unmatched Warehousing and Distribution Experience**

Dwayne is an invaluable GTECH employee, as demonstrated by his efforts and successes in setting up warehouses in various jurisdictions. From New York to South Africa, Dwayne has played a part in the success of more than 10 GTECH Instant Ticket warehouses.

- **Georgia:** Assisted with the training of Scientific Games International (SGI) staff on GTECH's Pick Pack System (ProSys) when Georgia went to ProSys; worked along side SGI managers, and assisted with training and trouble shooting; oversaw the introduction of new game launch to assure system familiarity before turning over to staff.
- **New York:** Assisted GTECH New York in the conversion from SGI; worked with New York staff on transferring Instant Ticket inventory to GTECH's warehouse and training on the ProSys Pick Pack system.
- **Louisiana:** Assisted Louisiana Lottery staff with Pick Pack process while converting to ProSys system; set warehouse to process Instant Tickets on ProSys system.
- **Tennessee:** Assisted SGI staff with warehouse training and Pick Pack process using ProSys system during Tennessee Lottery start-up.
- **North Carolina:** Project Manager for the Warehouse & Distribution portion of the North Carolina Lottery start-up; performed all functions of starting a warehouse operation, building location, inventory ordering, warehouse set-up, launch of first two Instant Games, hiring staff, and training.
- **Arizona:** Project Manager for the Warehouse & Distribution portion of the conversion from SGI to GTECH; ordered equipment, inventory of Instant Games from vendor; Pick Pack set-up; training and assisting in hiring of staff.
- **South Africa:** Project Manager for Warehouse training and procedures for Pick Pack; conducted introduction to GTECH ProSys system.
- **Spain, U.K., Jamaica, and Trinidad:** Support, via correspondence from Texas, (questions, procedure, and methods).

### **Doing It Right – Every Time**

The North Carolina Education Lottery had just 38 days to build and equip a distribution center from the floor up. GTECH asked Dwayne Tatum, Warehouse Manager, to take on the role of Lead Project Manager. Dwayne chose an existing facility, stripped it to its bare walls, secured the necessary equipment, selected and supervised the contractors, and got the job done on schedule. It was the fastest start-up in lottery history!

Dwayne attributes his success to his leadership training in the military, which taught him the value of a disciplined work ethic and a commitment to getting the job done. In addition, he demands and receives quality work from his contractors and his reports. Dwayne's favorite slogan is, "Do it right the first time."

### **Personnel**

Each member of the warehouse staff, regardless of position, is invaluable – individually and collectively – to the operation of GTECH's warehouse. This strong and trusted team manages 75 percent of the Lottery's revenue base with a 99-percent delivery accuracy rate. GTECH hires and retains its warehouse employees, and the proof is in the longevity of GTECH's Warehouse Team. They are extremely motivated to understand that ever-important and evolving relationship between Instant Ticket distribution and sales. The team has adapted over time to ensure that GTECH molds its processes to positively influence the sales that result from the way in which they package and ship games.

### **An Easy Expedite**

At the end of December 2009, the flexible nature of the warehouse staff was evident as two new games were scheduled for launch immediately after the New Year. The team received notice that United Parcel Service (UPS) would not pick up outbound ground packages on December 31, 2009. Factoring in these alterations to their schedule, they sprang into action and were able to pack 69,285 initial distribution packs in 14,999 orders in just three days, all while fulfilling the scheduled replenishment orders.

In an effort to meet the TLC's ticket inventory and sales requirements, GTECH was able to quickly load games (using Game Load, as discussed in Section 9.2, New Instant Ticket Delivery and Storage), and distribute the games based on the new date requested.

### *Staffing Plan*

GTECH's staffing plan consists of a combination of cross training and flexibility. Efficiency lies in having all staff members proficient in all warehouse tasks and planning staff loads based on the knowledge of orders incoming/outgoing for the next day.

**Having more than one person proficient in a particular task...provides an incomparable comfort level by knowing that someone is *always* there to handle the task at hand.**

The staffing plan for the next contract period looks much like the staffing we have in place today. The headcount will remain the same, and as new automation tools make their way into the warehouse, those staff members will adapt their daily tasks to fit new processes. To understand how critical cross training is for warehouse flexibility, consider this: It takes 176 man-hours to pack and distribute a standard \$1 or \$2 new game and 64 hours per day to pack and distribute average replenishment orders.

### *Staff Training Plan*

Redundancy within technology and in staffing positions is essential to complex Lottery operations. Having more than one person proficient in a particular task is a benefit for both the Lottery and our organization, as it provides an incomparable comfort level by knowing that someone is *always* there to handle the task at hand.

Each staff member brings his or her own unique contribution to the team. In addition, all warehouse employees are cross-trained and qualified to support the many staff functions within the warehouse.

All staff members are trained on warehouse equipment, from forklift to Return Auto-Scan, and multiple staff members are trained on key system functions, such as initial distribution. While most of the training is on-the-job, providing practical experience such as data processing, introducing new equipment yields a formal training class.

All GTECH employees assigned to our Texas warehouse are required to participate in a number of training sessions, including, but not limited to:

- Security.
- Fire safety.
- GTECH's Code of Conduct.
- TLC rules, regulations and security procedures.
- General warehouse procedures, including inventory control.
- Use and operation of the inventory and distribution system.
- Receiving procedures.
- Distribution procedures.

GTECH follows all Occupational Safety and Health Administration (OSHA) regulations, ensuring our warehouse team has the safest working environment possible. In addition, GTECH requires all employees to receive annual updates on certain topics including, but not limited to: TLC rules, regulations and security procedures; GTECH's Code of Conduct; fire; safety; and security. Certain staff will receive specialized training related to their specific duties, including:

- Forklift operation and annual certification.
- Warehouse Management module.
- Return ticket processing.
- Operation of the system (which supports the warehouse and internal sales).

## Process

Our knowledge of your unique warehousing and distribution dynamics has allowed us to develop an effective and streamlined process that complements our people and technology to provide you with optimal service. The key components of our process are:

## Security and Accountability

GTECH's ITS, warehouse, and sales organizations are entrusted to protect 75 percent of the Texas Lottery's revenue stream through proper processing and accountability of its Instant Ticket product. With a 99-percent accuracy rate, it is evident that the GTECH Texas team takes this responsibility very seriously. The task at hand for warehouse staffers is momentous – every ticket coming in and going out of the warehouse *must* be traced and accounted for. The sensitivity of Instant Ticket distributions calls for the utmost in stringent accountability practices.

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The TLC conducts yearly inventory audits of GTECH's Instant inventory warehouse down to the ticket level, in addition to monthly spot checks, to assure warehouse staff and the Lottery that the proper measures are being taken into account for all Instant Ticket packs, and that those measures are effective. We have successfully passed all of these audits.

Current and proposed technologies provide even greater levels of accountability. From its security grid to GTECH innovations provide visibility into the status and location of all Instant Ticket packs at all time. They ensure the full transparency that is so vital when handling a product as sensitive as the Texas Lottery's Instant Tickets.

### Staging

Staging is a major process in our warehouse and distribution methodology. As stated previously in this response, the first step in this process is to pre-stage materials. We then designate and assign lines according to game volume for both initial and replenishment orders. The proper staging of all materials allows for optimal distribution and ultimately, optimal returns to the Foundation School Fund.

### Inventory Workflow

Our inventory workflow includes four critical components. The process begins with receiving Instant Tickets from your Instant Ticket manufacturer, and continues through properly storing and staging, accurately packing and shipping and quickly processing returns.

To maximize production, we fine-tune our inventory workflow by constantly monitoring our processes. Monitoring within the warehouse, receiving feedback from the field on sales levels and orders, and overall performance data all provide opportunities to further streamline our workflow.

### Quality Assurance

To ensure accuracy in our entire warehouse and distribution operation, we have developed quality assurance measures that meet or exceed your security audit and operation regulations. For example, upon receipt of Instant Ticket deliveries, we perform a thorough inventory inspection. Every single pack of tickets that we send to retail undergoes a physical inspection of the contents of the shipment prior to release from the warehouse.

All Instant Ticket returns are checked for accuracy of physical inventory received, as compared to the system's return and in-transit record, and verified with the retailer signature receipt.

## Technology

The GTECH warehouse configuration and technologies work together to provide the most efficient warehousing and distribution inventory flow achievable in the industry. From the moment Instant Tickets are delivered from the vendor until reconciliation and destruction, packs are staged and processed to keep inventory moving.

As Instant Ticket games move through their life cycles, staging within the warehouse follows a strict configuration to ensure games are located in close proximity to their end function. In addition to optimizing warehouse layout, the following automation and technologies facilitate inventory workflow through the warehouse and into the field where returns to the Foundation School Fund can be realized:

- **Order Management**: Creates refined retailer orders, resulting in enhanced sell-through and fewer returns.
- **Order Display**: Displays orders to pack by predefined criteria.
- **Pick Pack Conveyor**: Decreases manual labor required to load replenishment order for delivery.
- **Inventory Visibility**: Provides greater visibility into and expedited processing of Instant Ticket returns and transfers.
- **LSR Visibility**: Provides visibility into LSR returned packs to transfer and warehouse inventory status.
- **Return Auto-Scan**: Expedites closed game returns and getting active games back into inventory faster.
- **Sales Reporting**: Provides insight into Instant Ticket Game sales for warehouse configuration planning.

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# 9.3

## Instant Ticket Delivery

### Introduction

A major reason for our continued successful service to the TLC is our understanding of and operation within a complicated, interdependent structure. Distribution is more than simply packaging tickets and sending them to a retailer. It is processes and staff that scale with demand, it's infrastructure and logistics that allow for condensed schedules, and it's the hard work of the GTECH Texas warehouse team that has delivered with a 99-percent accuracy rate for the last 18 years. The following graphic helps depict the varying levels of interdependencies throughout a complicated, yet seamlessly performed, distribution operation for the TLC.

**Confidentiality Claimed  
Not released**

In order to ensure successful distribution and support of the Texas Lottery's Instant Ticket games, all team members at every level of management; all pieces of hardware, from automated conveyer belts to shipping tape; and all pieces of software, from our , relate to, inform, and are dependent upon one another.

## **Table 106**

### **Instant Ticket Delivery Response Requirements**

#### **106.1**

##### **Roles, Responsibilities and Detail Requirements**

GTECH acknowledges and accepts the roles, responsibilities and detail requirements indicated in this section.

#### **106.2**

##### **Processing and Shipping Orders on Weekends/Holidays**

To provide timely and seamless support to the TLC, our team remains available and flexible above and beyond standard hours. The following graphic shows how orders always follow the same process – no matter how they are generated. Because of this, the TLC can be confident that our processes are rigorously followed for processing and shipping Instant Tickets, whether orders are placed normally or under special circumstances.

**Confidentiality Claimed**  
**Not released**

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Our new order automation tool, , takes holidays, weekends, and peak sales periods into account when scheduling processing and delivery. We designed the software to create proper order amounts to plan around and compensate for these special circumstances.

To meet the Lottery's demands, our warehouse team combines flexibility with a dedicated level of support in that team members keep standard hours but are always available. Standard operating hours for GTECH's Instant Ticket Warehouse are 8:00 a.m. to 5:00 p.m., Monday through Friday. But in the event that demands require the team to work beyond normal hours, they can and will operate overtime from Monday through Friday, and on Saturdays, Sundays, and holidays to ensure that all deliveries are made to retailers on schedule.

Retailers will also find support for ticket ordering, even on weekends or holidays. When Instant Ticket Specialists (ITS) are unavailable, retailers can call their orders in to the National Response Center (NRC). Our NRC staff takes the orders, and delivers the orders to an ITS when they resume business hours to review and process the orders.

supplies retailers with two to three weeks of inventory, which means that retailers will rarely need to place a last-minute call to order tickets. Ordering and distribution plans are created and adjusted to meet the TLC's Instant Ticket Game Plan, ensuring retailers are properly stocked with Instant Tickets to meet player demand even, and especially, on holidays, weekends, and other peak sales periods when players purchase the most.

### **106.3**

#### **Documenting Deliveries**

In 2009, we successfully shipped 5,730,331 replenishment orders and 2,871,020 packs in initial distribution to the TLC's retailer base. We deliver Instants with precision and attention to detail from the very second the ticket orders are picked up by the carrier to the moment a pack is confirmed by the retailer at his or her terminal.

**Confidentiality Claimed  
Not released**

## **Procedure and Process to Document the Delivery of Tickets**

We follow a dependable process to document the delivery of tickets and obtain signed delivery receipts from individual retailers. Because each order is checked into the carrier's tracking system, the TLC can track the movement of each order using the identification tracking number on the carrier's Website. And because each retailer must sign the carrier's electronic pad upon delivery, the retailer's signature is available in electronic format online on the carrier's Website immediately for any order.

### **Security Grid**

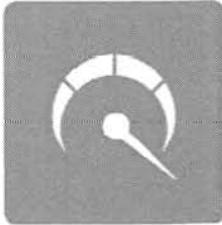
#### **(Automated Management Through System Statuses)**

Instant Ticket rules-based security grids not only provide full traceability of packs and tickets as they move through the Instant Ticket life cycle, but they also ensure the integrity and security of these packs and tickets by enforcing status movement rules. While many pack and ticket status changes require human intervention to move to the next status, some status changes are triggered by system event or time. Following are a few examples of statuses used to manage Instant Tickets.

**Confidentiality Claimed**  
**Not released**

## Confidentiality Claimed Not released

### Maintain Written Proof of Ticket Orders



*Exceeding* your detail requirement for written proof of delivery within four business hours, another safety feature is the carrier's signature tracking, which allows you to view the receipt signature in electronic format immediately after delivery. To ensure retailers receive their Instant Ticket orders on time and to provide an extra layer of resolution support, GTECH's ITS staff, LSRs, and management have visibility into Unconfirmed Orders exception reports generated through

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The Unconfirmed Orders exception report displays individual retailers, by territory, representative, or other specified criteria, whose Instant Ticket order packs are in an Assigned status for a designated period of time. LSRs will receive a mobile version of this report through . When viewing the Home screen for a retailer, the LSR will be alerted by the number of Unconfirmed Orders (if any) to review these orders and assist in the resolution of the issue. Many times, Instant Ticket orders are found within the store, and the issue is resolved then and there.

**This level of real-time visibility into the status of orders provides greater accountability and security of Instant Ticket orders and ensures Texas Lottery Instant Ticket games are available to sell at the right time.**

This level of real-time visibility into the status of orders provides greater accountability and security of Instant Ticket orders and ensures Texas Lottery Instant Ticket games are available to sell at the right time. For information on how ticket packs are securely returned, or how their statuses are managed in other rare events (such as "Lost" tickets), please turn to Section 9.3.1, Warehouse Instant Ticket Return Verification, and specifically Requirement 109.3, Instant Tickets in Various Statuses.

## **106.4**

### **Delivery Plan for Geographically Remote Retailers**

Our ticket order delivery plan is a direct product of our extensive experience with the unique shipping demands associated with a state the size and range of Texas. To ensure tickets are delivered to remote areas in the most expeditious manner, ticket orders are packed, staged, and prioritized based on geographical delivery zones. Our general operating rule for remote area ticket shipping is "farthest first," meaning those packages identified as being shipped to the farthest, most remote areas of the state are the first packages out the warehouse doors. Remote shipments for Initial Distribution orders are color-coded for each zone while in the warehouse to alert warehouse staff to move them quickly from the packing lines to the designated delivery trucks for long-distance delivery.

### **Processing Daily Ticket Orders**

As the TLC has read in Section 9.2, New Instant Ticket Delivery and Storage, we process all daily ticket orders received within the next working day to ensure ticket deliveries arrive on time. Our calendars are set and scheduled for orders received for processing at the central distribution warehouse Monday through Thursday to deliver to retailers within 36 hours of order receipt. Any orders received for processing at the central distribution warehouse on Friday are delivered to the retail location within 72 hours of order receipt.

## 106.5 Packaging Instant Tickets for Delivery

The GTECH warehouse team thoroughly prepares both procedurally and materially for each day's packaging work as described in Section 9.2, Requirement 103.3, Staging and Distribution Plan. To plan for the next day's orders, Warehouse Manager Dwayne Tatum and his team pre-stage the materials needed. They assemble the anticipated number of shipping boxes and make sure that packing tape – in different colors to distinguish initial distribution games from daily replenishment games – is readily available.

The materials used are:

- Right-sized boxes for proper ticket placement.
- Tamper-proof secure bags.
- Packing tape color-coded for easy recognition.
- Ready-to-print labels for delivery and tracking.

### Figure 9.3 – 5: Packing Orders



#### Efficiently Filling Orders:

GTECH's processes and procedures are designed to be as efficient as possible to get the right tickets to the right retailers at the right time.

## Alysia Friday and BAE: From Partnering with GTECH to Preparing Kids for School

Once the proprietor of a small office supply company, Alysia Friday now owns and operates an industry-leading packaging and manufacturing-services business called Business Assets Enterprises (BAE). Within the highly competitive packing and shipping industry, Alysia is one of just a few African American women to run such a large and flourishing enterprise, and she attributes this success to her relationship with GTECH.

### Figure 9.3 – 6: Alysia Friday



#### Entrepreneur and Philanthropist:

Alysia Friday built her packing and shipping enterprise with the help of GTECH, and continues to be an active member of her community.

## GTECH and BAE: Coming Together Through the TLC’s HUB and Mentor Protégé Programs

Years ago, a GTECH staff member suggested Alysia look into a packing and shipping company. Determined to win GTECH’s business, Alysia drove to the San Antonio Gaylord (now Temple-Inland) plant every day to learn as much as possible about packing and shipping, until she had a competitive yet profitable first product bid. BAE’s first offering to GTECH was a small, two-pack box, but a determined Alysia had bigger plans. Today, the company manages GTECH Texas’ packing and shipping supply inventory on site – no small feat, since about 20,000 packages move through the site each day.

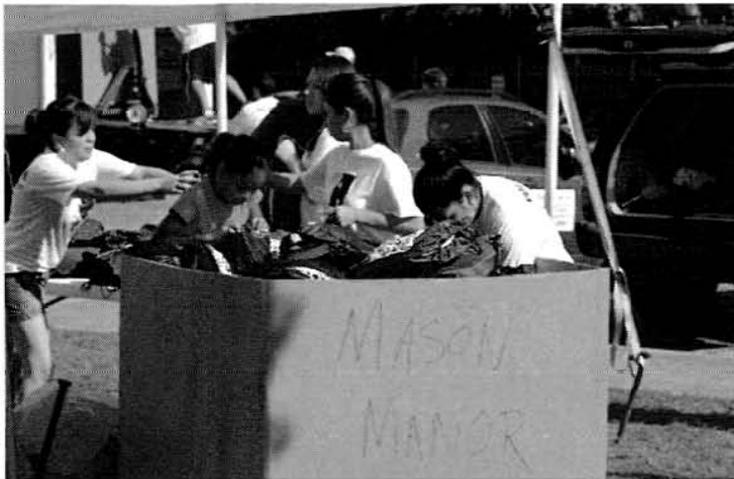
*“I’ve been waiting for an opportunity to tell the nation that I’ve found out what true partnership means by working with GTECH. Through good times and bad, GTECH is the one customer that I know will always be by my side.”*

– Alysia Friday

## Giving Back

Upon solidifying her business, Alysia wanted to give back to the community. In 2004, she returned to the public housing complexes on Austin's East Side, where she grew up, to distribute school supplies. The following year, she founded Reach Back to Launch Forward, a nonprofit organization that helps children start each school year right – with a day of fun and school supply distribution. And of course, GTECH Texas is BAE's largest contributor, donating approximately \$3,000 in supplies annually, with staff members readily pitching in to help out at the event. In 2009, Alysia and Reach Back to Launch Forward served 955 school children in five communities!

### Figure 9.3 – 7: Reach Back to Launch Forward



**Getting Ready for the Big Event:**  
Volunteers help sort and distribute school supplies to the school children of Texas.

## Invoice/Ticket Order Document Procedure

With our one-touch-packing procedure, the automated technology we use allows one person to complete all of the picking and packing per order. This decreases errors and expedites our packing process. At the same time the Pick Pack manifests are printed, a carrier shipping label is automatically printed with the delivery address and tracking ID number. The current shipping manifest, which is included in each ticket order package, has been approved by the TLC and provides all information necessary for successful shipping and receipt of Instant Ticket orders, but we understand that this document format is subject to TLC approval.

## Communication and/or Marketing Pieces

As is currently the case, GTECH will continue to support Texas operations by packing communication and/or marketing pieces with ticket orders as required by the Texas Lottery. We discuss these items in depth in Section 9.5, Promotional Item and Point of Sale (POS) Verification and Receiving, and Section 9.6, Promotional Merchandise Inventory.

### 106.6

## Preventing Omitted or Other Defective Packs from Being Shipped

### Omitted Packs Process

Typically, Instant Ticket manufacturers include a file of omitted packs with the delivery of a new Instant Game or reprint of an existing game. With preventing omitted packs from being shipped is as simple as loading this file into our system. As packs are processed for inclusion into orders, the system cross-references every pack against the Omitted Pack file, which includes but is not limited to inappropriately wrapped packs, mis-cut packs, or other defective packs, and will not allow omitted packs to be included in the completed order. This process ensures that we have pulled any omitted packs inadvertently delivered to the warehouse, before they are set to be packaged and shipped out.

### Defective Packs Process

Defective packs require visual inspection by thoroughly trained eyes. As we discuss in Section 9.2, New Instant Ticket Delivery and Storage, certain GTECH Texas warehousing and distribution functions rely on strong individuals, using critical thinking and know-how. During the packing process, our team visually inspects each and every pack. Because each team member has extensive training and multiple years of experience in Texas for Lottery distribution, they know what signs to look for in a defective pack.

#### Finding Defective Packs

In 2009, 43,921 packs were returned from the field as defective. Of those packs, 30,071 – or 68.38 percent – were from Game 1203, *Lucky 13*. This game was printed with a latex issue that made it difficult for players to scratch, a type of defect that is undetectable through visual inspection. When you take into consideration that the warehouse shipped 8,601,351 packs in this same year, the remaining defective packs returned from the field equate to only 0.16 percent of all packs shipped!

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Our orders are secured and checked for omitted and defective packs before they reach the field through our double redundancy process. We balance our processes between our strong system and our strong people.

## **106.7**

### **Methods, Procedures, Hardware and Software for Monitoring Inventory**

#### **GTECH Texas: Focus on Monitoring**

Our methodology makes the clear link between field data and inventory in order to support your game plan and overall marketing goals. This necessitates more than a simple review on a spreadsheet of what tickets are in a warehouse and what is in the field. We designed various pieces of our software to sync with reports and information available at various locations. Below, we detail our procedure for monitoring inventory that makes use of our software and hardware. This aids in our ability to make predictions on what should be moving and provides the TLC with transparency into our support of your plans.

#### **Monitoring Software and Reports**

To help the TLC gain visibility into operations, offers a variety of reports as described in Section 7.9, Reporting.

does more than just provide insight. It allows you to run reports, cross-reference data, and view at a variety of levels – even down to the individual retailer level – so you can note trends and optimize inventory appropriately.

The offers you the freedom to create reports that *you* find important, right when *you* need it. All Instant Ticket data is available to the TLC for analysis through the . Our software allows users to combine data in unique ways – ways that were previously just not possible. And as your supporting vendor, we will create reports that are specific to your needs. For instance, you can view a specific retailer’s price points, distribution of tickets, and history of sales, all through the power of

Following are a few examples of the various kinds of monitoring reports available to TLC through our tool kit. All these reports are available for LSRs via to make actionable decisions.

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The \_\_\_\_\_ allows the TLC and GTECH's support site team to perform thorough analysis going forward to make actionable decisions, based on detailed information, for the highest impact on sales.

Of course we will continue to provide the reports that have aided success thus far, with advantages of the \_\_\_\_\_ built into them:

- **The Da Vinci Report:** Offers the TLC a high-level report that aids in predicting when games are going to close, whether they reach their level (85 percent) or show a poor sales trend. As the TLC knows, the Da Vinci report is often used by the Instant Ticket Product Manager to help guide informed decision making on game life. Monitoring sales trends is a snap with the \_\_\_\_\_ Da Vinci Report.
- **Market Penetration Reports:** Offers the TLC a second-level, greater detail view into how many game packs are distributed in the field. It provides a snapshot of inventory, allowing users to drill down by district and LSRs to see game penetration. Analysis of this report helps identify Instant Ticket games that are not selling well in certain areas and allows for reallocation of these games to faster-selling markets.

## Software and Hardware for Field Mobility

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**Confidentiality Claimed  
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Optimizing Inventory

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And the best part? The TLC can monitor all of these pack movements from your desktop and see what the LSRs see and do in the field. For more information on this procedure and more, please turn to Section 9.2, New Instant Ticket Delivery and Storage, and Section 8.4.2, LSR Ticket Retrieval, Transfers and Returns.

### **9.3.1**

#### **Warehouse Instant Ticket Return Verification**

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**Confidentiality Claimed  
Not released**

**INSTANT TICKET RETURN PROCESS**

**Confidentiality Claimed  
Not released**

**Confidentiality Claimed  
Not released**

## **Confidentiality Claimed Not released**

### **Partial Pack Ticket Returns**

Partial pack ticket returns follow a similar process as full pack returns, replete with customized automation and focused manual handling for extra care. Please see “Full Pack Ticket Returns,” previously in this section, for a description of how partial packs move from retailer to warehouse.

### **Special Handling of Partial Pack Returns**

Once the partial ticket packs are set aside for manual scanning, a dedicated clerk will check and scan the first and last ticket, verifying that the same amount and range are returned as recorded by the LSR in the field. This validates that the partial pack quantity matches. The status then changes to Returned and GTECH hands over partial packs to the Lottery.

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We set clear parameters in our returns processing system, so that the system will not allow partial packs to be assigned to an order (reassigned). Once in Returned status, partials will never return to full status. They are held in the Returned Goods cage of the warehouse pending the reconciliation of the game after it is closed, under Lottery supervision.

Finally, the TLC will have visibility into partial pack returns through the . Partial pack reports will be pulled from the system and given to the TLC for viewing and processing.

## **Table 109**

### **Warehouse Instant Ticket Return Verification Response Requirements**

#### **109.1**

##### **Roles, Responsibilities and Detail Requirements**

GTECH acknowledges and accepts the roles, responsibilities, and detail requirements indicated in this section.

#### **109.2**

##### **Documenting and Storing Partial Packs of Returned Tickets**

As the TLC has read in Sections 8.4.2, LSR Ticket Retrieval, Transfers and Returns, and 9.3.1, Warehouse Instant Ticket Return Verification, we follow a rigorous procedure to document and track returned tickets. Through reports created in the , the TLC can verify that all partial packs received and manually scanned into the Lottery Gaming System have been relinquished for storage and reconciliation.

##### **Process to Track and Store Partial Packs**

Previously, in Section 9.3.1, under the heading Partial Pack Ticket Returns, we detail the tracking and security procedures we follow to ensure partial packs make a clear line back to the warehouse and that associated statuses are changed along the transit. Per the TLC's requirements, once partial packs are manually verified in range and count and scanned as returned into our system, we hand them over to the TLC's supervision. Any and all partial packs will be held in the TLC's Returned Goods cage pending the reconciliation of the game after it is closed; only the Lottery has access to this area.

### **Manual Returns Within 21 Days**

GTECH will return all manual (damaged, defective, etc.) full or partial pack tickets to the central distribution warehouse and process them for credit to the retailer's account within 21 days from retailer pickup. For more information on manual returns, please refer to Section 9.3.1, Warehouse Instant Ticket Return Verification.

### **Full Pack Returns Within 21 Days**

GTECH further agrees to return all full pack ticket returns (processed by terminal at retailer) to the central distribution warehouse within 21 days from retailer pickup. For more information on manual returns, please refer to Section 9.3.1, Warehouse Instant Ticket Return Verification.

### **Partial Pack Returns Within 21 Days**

Finally, we will return all partial pack ticket returns (processed by terminal at the retailer) to our central distribution warehouse within 21 days from retailer pickup. For more information on manual returns, please see Section 9.3.1, Warehouse Instant Ticket Return Verification.

## **109.3**

### **Instant Tickets in Various Statuses**

#### **Procedure for Handling Instant Tickets in Various Statuses for More than 60 Days**

The TLC will have visibility into every aspect of the business with our integrated solution set. This is especially critical when it comes to tracking tickets in varying statuses.

together provide integration for tracking and locating Instant Tickets in various statuses. The following table lists the various statuses and provides a description of each status and the corresponding GTECH processes and procedures.

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Our commitment to securing and locating Instant Tickets speaks for itself. In 2009, we recovered 87 percent of all Lost Retailer packs.

#### **Recovering Packs**

In 2009, 2001 packs in Lost Retailer status were recovered. That's 87 percent of all Lost Retailer packs.

#### **Change from "Hold" Status to "Stolen Warehouse" Status**

GTECH agrees to change pack status from Hold to Stolen Warehouse if, at any time during the return of an Instant Ticket pack to the warehouse, the pack is placed on Hold status for more than 90 consecutive days or at the end of validation date for the game.

#### **Change from "Lost Warehouse" Status to "Stolen Warehouse" Status**

We agree to change a pack placed on Lost Warehouse status to Stolen Warehouse if that pack is on Lost Warehouse status for more than 90 consecutive days, at the end of validation date for the game, or if a validation is attempted.

#### **Change from "Lost Retailer" Status to "Stolen Retailer Non-Chargeable" Status**

GTECH agrees to change a pack from Lost Retailer status to Stolen Retailer Non-Chargeable if, at any time during the return of an Instant Ticket pack to the warehouse, the pack is placed on Lost Retailer status for more than 90 consecutive days, at the end of validation date for the game, or a validation is attempted after the pack is placed in Lost Retailer status.

#### **Change from "In Transit" Status to "Stolen in Transit" Status**

If an Instant Ticket full or partial pack is placed on In Transit status for more than 30 consecutive days, we will change the pack status to Stolen in Transit.

#### **Responsible for Instant Tickets and Instant Ticket Packs**

GTECH maintains responsibility for damage to and/or loss of Instant Ticket packs and Instant Tickets in our care or custody.

### **9.3.2**

#### **Stolen and Damaged Instant Ticket Reporting**

Stolen and damaged Instant Tickets pose a serious risk to the TLC's brand image, retailers, and players. We handle these cases quickly, consistently, and professionally to help mitigate some of this risk, insulate your retailers from potential financial liability, and ensure players enjoy the Lottery experience they have come to expect.

#### **Table 112**

#### **Stolen and Damaged Instant Ticket Reporting Response Requirements**

##### **112.1**

##### **Roles, Responsibilities and Detail Requirements**

GTECH acknowledges and accepts the roles and responsibilities and detail requirements indicated in this section.

##### **112.2**

##### **Damaged and Stolen Ticket Processing**

GTECH has a thorough procedure for managing a situation in which a pack of tickets, or a range of tickets within a pack, takes a different path from the standard life cycle. GTECH's            has been designed to support these unusual situations in a clear, consistent manner, minimizing the need for manual or off-system programs. Our staff is trained to handle situations arising from damaged or stolen tickets with thorough execution.

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## Damaged Ticket Processing

As detailed in Section 109.3, Instant Tickets in Various Statuses, previously in this section, GTECH proposes a secure, traceable solution to processing and tracking damaged Instant Tickets through our manual returns process.

By processing damaged tickets in the same manner as other manual returns (with the exception that the TLC must first approve the damaged packs to be returned), the TLC and GTECH ensure transparency and security of these packs. In some circumstances, packs may be damaged beyond game and pack recognition. In these instances, the electronic return form will allow LSRs to put in as much detail as possible about the damaged packs being returned to provide a record to cross-reference upon receipt.

Once received in the warehouse, damaged packs are relinquished immediately to TLC personnel for processing and reconciliation. As with all other manual returns, specialized exception reports can be created to assist the TLC with the tracking and reporting of damaged pack returns throughout the process.

## Stolen Ticket Processing

We take stolen tickets seriously, which is why our NRC is available 24 hours a day, 7 days a week, 365 days a year for the intake of reports and the documenting of stolen and/or damaged tickets. When a retailer calls the NRC, our hotline staff act immediately. We follow a set procedure to gather all of the appropriate information, contact our operations staff, and have the ticket status changed in the system to Stolen. Our NRC staff even looks up the inventory to review and determine which tickets from a pack or range have been stolen.

The following outline is a live set of procedures the NRC follows when a retailer calls about a stolen ticket(s):

- Verification of retailer information.
- Completion of Stolen Instant Ticket Report form.
- Ticket Status Process.
- Verification of Status Process.
- Texas Stolen Ticket Database Entry.
- Documentation of Call.
- Client Services Management Application.
- Podium Log.

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Using \_\_\_\_\_, authorized staff will mark full and/or partial packs of tickets as either Stolen or Missing, as appropriate. Once so marked, tickets from these packs will no longer be eligible for validation. However, winning tickets from any portions of the partial packs that are *not* marked Stolen or Missing will remain eligible to be cashed and/or claimed.

When tickets are reported stolen or missing, an authorized user assigns a unique case number to the incident. This facilitates the progress of an investigation by enabling the loss or theft to be easily tracked. As the investigation proceeds, findings will be entered under the assigned case number. Authorized users use this case number to monitor the progress of the investigation.

The Stolen Ticket Case Status screen shown in the following figure is used for this purpose.

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Additionally, all attempts to cash a ticket from a pack or range of tickets that have been marked as stolen or missing will show up on the system ) that is provided to the Lottery Security. Furthermore, in the event a stolen ticket or pack of tickets (in Stolen status) is returned to the central distribution warehouse, we immediately send them to the Lottery.

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### **Accountability**

also supports ticket-level accountability for stolen and partially settled packs (returned tickets). Authorized staff can mark full packs, multiple ranges of tickets within a pack, and even individual tickets as Stolen or Returned. Tickets from packs or portions of a pack so marked that are presented for validation will not be approved for prize payment. Winning tickets from the remainder of these packs will continue to be eligible for validation. Typically, is configured to perform a settlement automatically when a partial pack is either returned or marked Stolen. This simplifies accounting in these situations by automatically charging the retailer for the part of the pack that had been sold or not stolen. Manual adjustments are not required in these situations.



# 9.4

## Instant Ticket and On-Line Ticket Stock Destruction



# 9.4

## Instant Ticket and On-Line Ticket Stock Destruction

### Introduction

Ensuring the integrity of the TLC is something GTECH does each and every day, and an essential part of doing so is ensuring the proper destruction of Instant Tickets and On-Line Ticket stock. GTECH goes to great lengths to make certain that closed Instant Games and On-Line Ticket stock are not accessible to the public. We begin by ensuring close coordination with the TLC.

**In 2009, GTECH worked with the TLC to destroy more than 380,000 pounds of material – the equivalent of nearly 130 U.S.-produced automobiles.**

Initiated only by the TLC and operating as a fully transparent process, destruction is carefully monitored and occurs several times throughout the year. In 2009, GTECH worked with the TLC to destroy more than 380,000 pounds of material – the equivalent of nearly 130 U.S.-produced automobiles. This important undertaking is one that we do not take lightly. GTECH sees to it that complete destructions are handled properly.

### **Table 114** **Instant Ticket and On-Line Ticket Stock Destruction** **Response Requirements**

#### **114.1** **Roles, Responsibilities and Detail Requirements**

GTECH acknowledges and accepts the roles and responsibilities and detail requirements indicated in this section.

## **114.2 Ticket Destruction**

### **Destruction at Your Discretion**

GTECH will continue to welcome the TLC's engagement and strictly abide by the Lottery's requirements for the destruction of Instant Tickets, On-Line Ticket stock, and other materials. All decisions, requests, and approvals are managed by the Lottery while GTECH provides the destruction services.

GTECH initiates the destruction process only when directed by the Lottery, as the determination of which games are to be destroyed and when destruction should occur is completely at the TLC's discretion. Games and stock held by the TLC prior to destruction include partial returned packs, which are secured until the game is closed, and unissued and normal returned packs, which are placed in GTECH's warehouse area. Partial On-Line roll stock is also held in the locked, secure area, and is released for destruction by the Lottery when there is enough to destroy.

Once a game has been closed and the reconciliation of packs is completed, the TLC provides GTECH with the appropriate information for destruction, such as pallets to be shredded and pack number ranges. Based on the Lottery's schedule, GTECH then sets a date and time for destruction. Both parties jointly sign a form that logs the items to be destroyed.

The TLC's involvement in the destruction of materials is evident throughout the entire process. TLC staff is present when games and roll stock that have been released to GTECH for destruction are loaded onto trucks for delivery to the destruction site, and as the games are transported, Lottery and GTECH staff members follow the truck to monitor the transfer. Following destruction, a certificate is signed by all parties, and each retains a copy to ensure proper documentation.

## **114.3 Destruction of Instant and On-Line Ticket Stock**

To maintain the integrity of the Lottery and its processes, ensure security, and avoid conflict of interest (or perceived conflict of interest), GTECH uses an independent vendor for shredding and destruction of Lottery material. All third parties have worked together to ensure that these processes are efficient and strictly adhered to.

The sensitive nature of this task requires GTECH to ensure the highest levels of security throughout each step of the way, especially considering the volume of materials that proceed to destruction. In 2009, the TLC and GTECH oversaw the destruction of more than 380,000 pounds of paper materials, at a cost of between \$0.18 and \$.33 per pound for an average of nearly \$0.26 per pound. The following figure quantifies each of the seven shreds in 2009. All destruction and disposal has met State of Texas environmental requirements and will continue to do so for the next contract period.

**Figure 9.4 – 1:  
2009 Instant Ticket Shred Record**

Date	Weight (lbs)
2/28/2009	53,188
4/30/2009	38,500
5/31/2009	40,177
6/30/2009	35,218
7/31/2009	114,389
8/31/2009	17,450
9/30/2009	81,080
Total	380,002

**Proof of Destruction:** GTECH facilitated the destruction of thousands of pounds of Texas Lottery materials last year.

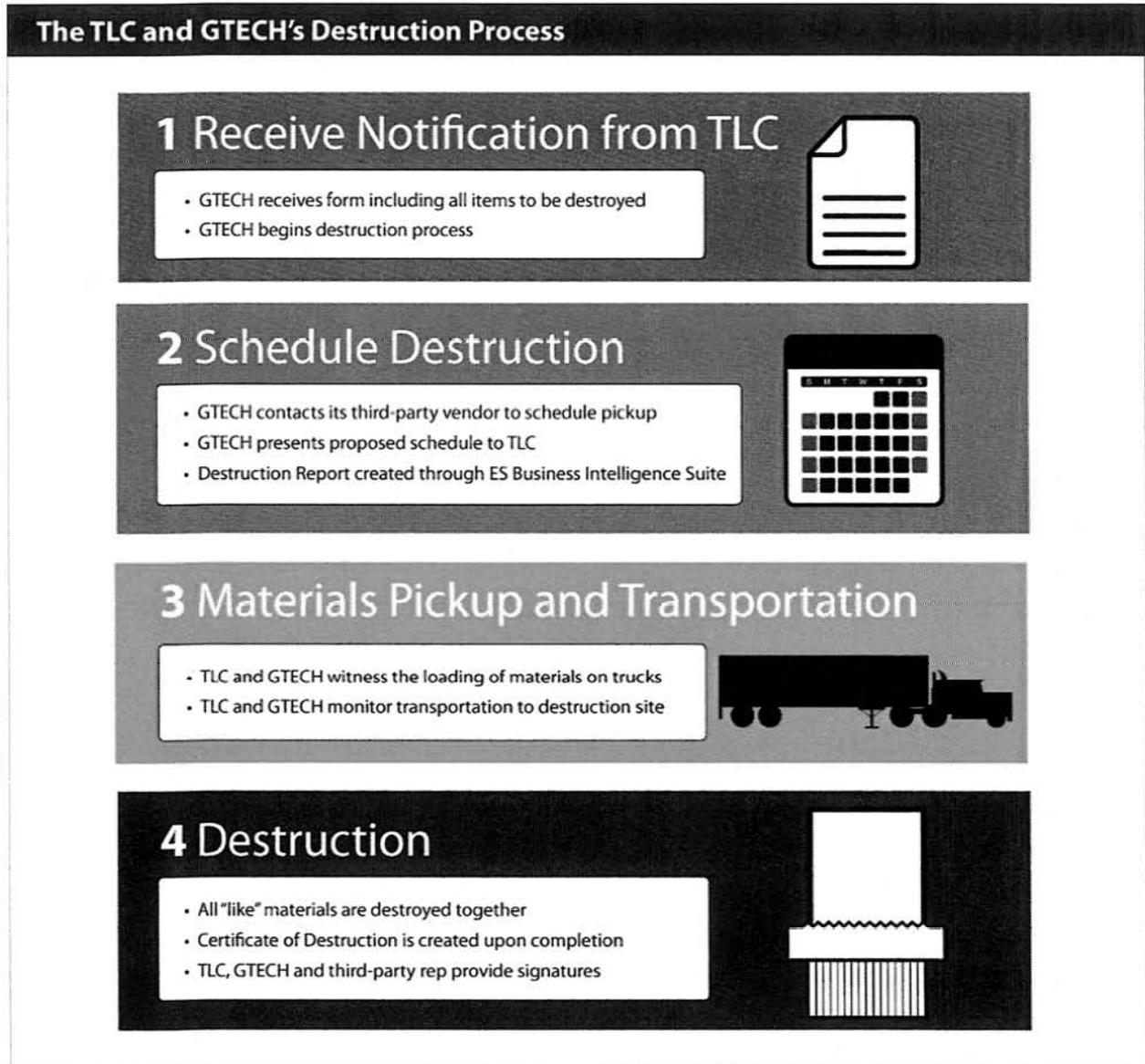
### **Destruction of Unsold, Returned, or Unused Instant Tickets and On-Line Ticket Stock**

Lottery materials that are not used, such as packs of games and On-Line roll stock that are partially used by a retailer, packs that were never issued to the field, and so on, are all securely disposed of.

Destructions are scheduled several times throughout the year; however, unsold, returned, and unused Instant Tickets and On-Line Ticket stock may come into the warehouse at any time. Because of this, GTECH provides a secure location for these materials to ensure that they are not accessible while being stored. The Lottery will reconcile, box, and lock partial packs and roll stock in the TLC’s protected area within GTECH’s warehouse, where they will stay until the next round of destruction is scheduled.

Below are the steps that GTECH and the TLC follow for the secure destruction of materials.

**Figure 9.4 – 2:**



**Process Makes Perfect:** By following these necessary steps, GTECH ensures the secure destruction of sensitive Lottery materials.



GTECH then schedules the destruction dates and supplies them to the TLC.

### Step Two: Schedule Destruction

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GTECH will schedule a pickup of the materials to be destroyed. When scheduling occurs, a Destruction Report will be generated within the

### Step Three: Materials Pickup and Transportation

On the scheduled destruction date, GTECH's materials identified by the TLC will be picked up at the warehouse. Both the Lottery and GTECH witness the loading of the materials onto the trucks and will monitor the transportation to the destruction site by following the vehicles containing the materials.

### Step Four: Destruction

GTECH's approach to destroying these materials in the most secure way is to group them together, so that all "like" materials are destroyed at the same time. For example, all Instant Tickets will be shredded together, roll stock will be jointly destroyed, and even the cartons transporting the materials will be disposed of.

#### *Destruction Equipment*

The destruction equipment used is secure, thorough, and capable of handling the large volumes of Lottery materials as presented by the TLC and GTECH. Tickets are cross-cut and double-shredded in just one pass – this is the only machine in Texas offering a proven process that the Lottery has already validated. This machine, which is one of three with this capability, is used specifically to meet the needs of the TLC.

Once the destruction is complete, a Certificate of Destruction, as shown next, is drawn up and signed by all parties present.

**Figure 9.4 – 4:  
Sample Signatures and Certificate of Destruction**

<u>Releasing Signatures</u>		<u>Receiving Signatures</u>	
<i>Daniel Ware</i> Lottery Representative	1/20/10 Date	<i>Daniel Ware</i> Lottery Representative	1/20/10 Date
<i>O. E. May</i> Security Representative	1-20-10 Date	<i>O. E. May</i> Security Representative	1-20-10 Date
<i>[Signature]</i> GTECH Representative	1/21/10 Date	<i>[Signature]</i> GTECH Representative	1-20-10 Date
		<i>[Signature]</i> Receiving Representative	1-20-10 Date



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## CERTIFICATE OF DESTRUCTION

Iron Mountain certifies that all materials related to the shredding services included on this invoice have been shredded per the terms of the customer agreement.

Company Name G-TECH      Signature *[Signature]*  
 Invoice Number                           Name Matthew Fricchetto  
 Invoice Date ~~1-20-10~~ 01-20-10      Title PM

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**Life Cycle Complete:** These signatures and certificate formally document the destruction of Lottery materials as initiated by the TLC and GTECH.

## **Destruction of Other TLC Materials**

The destruction of other materials, such as promotional coupons and void tickets, will be handled by GTECH upon TLC request.

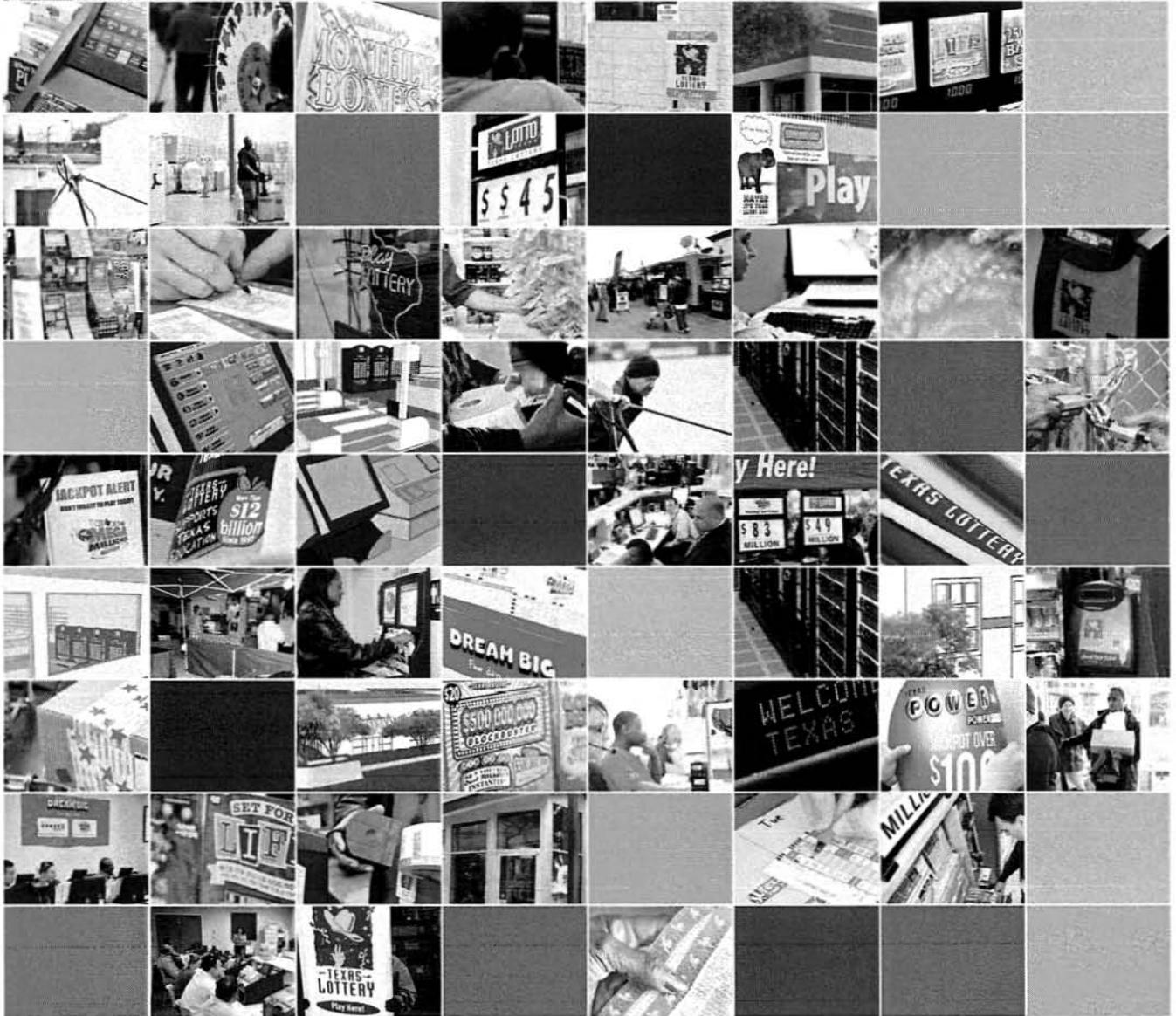
## **Strict Security**

The TLC, which plays a significant part in every step of the destruction process, can be confident that GTECH fully considers the security of destruction and takes the proper precautions when carrying out its procedures. By keeping the entire process transparent and following the Lottery's destruction requirements, GTECH sees each game's life cycle through to the end.



# 9.5

## Promotional Item and Point of Sale (POS) Verification and Receiving



# 9.5

## **Promotional Item and Point Of Sale (POS) Verification and Receiving**

### **Table 116 Promotional Item and POS Verification and Receiving Response Requirements**

#### **116.1 Roles, Responsibilities and Detail Requirements**

GTECH acknowledges and accepts the roles, responsibilities, and detail requirements indicated in this section.

#### **116.2 Receiving, Storage and Distribution of Promotional Items**

##### **Delivery and Installation of Materials**

GTECH will deliver and/or install promotional and POS materials to retailers as directed by the Texas Lottery.

Every promotional campaign undertaken by the Texas Lottery represents a significant investment of both resources and capital. The anticipated return on that investment is only realized by complete accountability throughout the entire supply chain life cycle for each and every promotional and POS advertising item – from initial order to the point of contact with the Lottery player. Timely distribution of these items into the retail environment is vital to supporting new campaigns and game launches. If field execution is not in synch with the Product Team's incentive programs or the Advertising Media flights, then the impact of the POS is limited.

Success in managing just such a supply chain is a daily deliverable for GTECH Texas. To date, GTECH's rate of Instant Ticket delivery accountability and accuracy for the delivery of Instant Tickets in Texas stands at 99 percent. This commendable record of success is the result of our unique knowledge of your business and our Texas-customized technology and processes. These same attributes will again deliver a high standard of performance in the integrated supply chain management of the Lottery's promotional and POS items.

### **GTECH's Integrated Supply Chain Management**

GTECH will receive, verify, store, and distribute promotional items and POS materials through its Integrated Supply Chain Management process. This process begins with receipt of a purchase order for such materials from the Lottery to the GTECH Central Warehouse Database. As soon as the purchase order is received, an order record for the particular merchandise is created. Upon delivery by the supplier, GTECH will inspect the merchandise on receipt according to the parameters determined by the Lottery (e.g., inspect every third box of merchandise, inspect five items from every box received, etc.).

**GTECH's rate of Instant Ticket delivery accountability and accuracy in Texas stands at 99 percent.**

All material will be received and stored initially in the central warehouse. Through an ORDER>FULFILL and RETURN>ACKNOWLEDGE methodology, promotional and POS items will then be distributed to either one access point or a combination of access points including District Warehouses, District Sales Representatives, and/or retailers as dictated by the Lottery's promotional campaign requirements.

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**Not released**

The true complexity of this supply chain model is only realized in the real-time operations of launching, promoting, and sustaining game sales. With at least five points of access, 400 Instant Games (on average) in the field at any one time, seven On-Line Games, and a new game launched regularly, the execution of a precise and sophisticated supply chain business process is critical to ensuring maximum efficiencies for the Texas Lottery.

The number of potential points of failure within this supply chain can multiply with each variable of product and point of access. Our success in managing the distribution of your Instant Tickets confirms our ability to proactively manage against potential points of failure, foreseeing and avoiding disruptions in the delivery process.

We know from our experience in managing your Instant Ticket inventory that success in verifying, receiving, tracking, and distributing product requires precise coordination, business expertise, dependable technology, and adherence to proven processes. The complexity and magnitude of the undertaking is significant. Distribution operations must be properly sequenced to enable the required interdependencies. And – at all times – the investments of the Texas Lottery must be protected and traceable.

Our automated, integrated supply chain management process will duplicate for all Lottery promotional and POS items the product traceability and distribution accuracy currently realized in managing your Instant Ticket products. The process allows:

- Product tracking access to the Lottery for all product inventory and statuses via the GTECH
- Step-by-step accountability for each phase of the product life cycle from initial purchase order placed by the Lottery to delivery to the retailer via an ORDER>FULFILL and RETURN>ACKNOWLEDGE methodology.
- Total collaboration through the central repository of the central warehouse database to each potential point of access to products: suppliers and Lottery staff, central warehouse staff, District Sales Managers/district warehouse, LSRs, and retailers.
- Expansion of product management opportunities through connectivity between the central warehouse inventory database and LSRs via the

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Not released**

**Confidentiality Claimed**  
**Not released**

## Confidentiality Claimed Not released

The key input to the entire promotional/POS tracking process is the Lottery's strategic promotions plan, which will be led by the Lottery Products team and the Advertising team. With the approved promotions plan in hand, GTECH's integrated supply process will account for each and every promotional or POS advertising item at every step of the supply chain.

Our supply management process is designed to optimize and automate the Lottery's inventory control process. The operational improvements and advantages of our methodology include:

- Increased accountability in terms of use and placement of promotional/POS materials at all levels.
- Cohesive management from District Sales Manager to LSRs for maximum effectiveness in promotions/POS support.
- Proactive control of promotion/POS inventory to fully support campaigns.
- Significantly improved accountability for special event items through creation of a Special Event ID that tracks event items ordered and returned by LSRs.
- Improved placement of materials via in-the-field collaboration between LSRs using GTECH's \_\_\_\_\_ to redistribute materials for maximum impact.
- Efficient, auditable, and accountable order fulfillment at every operational level – at the central warehouse, at district warehouses, from the warehouse to the District Sales Manager, from the warehouse to LSRs, from the warehouse to retailers, between LSRs via \_\_\_\_\_, from the LSR to the District Sales Manager, from the District Sales Manager to the warehouse, and from an LSR back to the warehouse.

Information Redacted  
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## **Added Advantage: A Powerful Promotion Analysis Tool**

Perhaps one of the greatest benefits of our detailed promotions and POS item-tracking tool will be the promotions/POS item database that will develop over time. We will be able to measure the effectiveness of promotions by analyzing the correlations between promotion products and retailer locations/sales. With this data in hand, we will be able to increase ongoing efficiencies in the use of Lottery promotion dollars to improve sales and decrease costs. Data analysis will allow for assessment of which promotions were successful, which should be improved upon, and where certain patterns appear that may be indicators of best practices for future opportunities.

Because we will have the data, we can perform cross-functional sales analysis across the entire supply chain and target promotions to better drive sales as well as discover where promotions/merchandise may have been ineffective. You will be better able to budget and plan upcoming events, as you will have visibility into all existing inventory levels. You can have confidence that all goods are accounted for and records for inventory placement are accurate.

### **116.3**

#### **Process for Verification, Receiving and Ongoing Inventory of Promotional Items**

##### **Receiving Activity and Warehouse Location**

GTECH's process for verification, receipt, and ongoing inventory of promotional items begins with our audit of all incoming inventory. Once items are verified according to the Lottery's orders to the supplier, GTECH will log receipt of the items into the central warehouse database.

We will continue the current practice of auditing incoming inventory. As part of this process, we verify the match between our purchase orders and the Lottery's purchase orders. Based on order tracking, GTECH will know where any item is at any given moment. We will reconcile our tracking records quarterly and verify the inventory of promotional items, no matter where an item is in the system.

Our inventory system will function as a virtual warehouse function. We will know where these items are located, when they were received, and where they were shipped. Our process will comply with the Lottery's requirements for verifying and receiving all Texas Lottery property delivered to GTECH's facilities including district offices and warehouses.

GTECH will use data from this system to provide the Texas Lottery with monthly, perpetual promotional item inventory.

The receipt/verification process will begin with the receiving activity. When the goods are received at our warehouse, the items will be entered into our inventory tracking system. Critical tracking data to be entered at this point will include:

- Verification that shipments received match original purchase orders.
- Update to Purchase Order (PO) status.
- Quantities received.
- Location of receipt for all goods received.

After a purchase order is recorded, and the goods are shipped to our warehouse, we will perform a "receiving" function that includes the following:

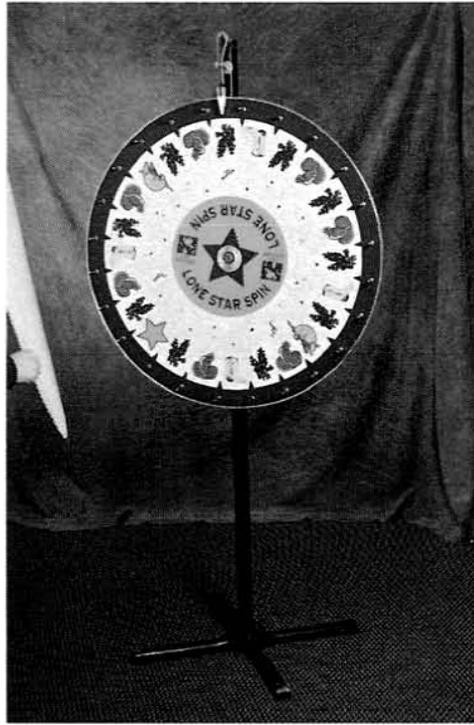
- Inspection of materials shipped.
- Recorded ownership of material shipped.
- Rejection of any damaged goods received.
- Placement of accepted goods in a secure storage area of the warehouse.
- Update of the inventory system by entering date, quantity received, and location.
- Log of current records and stored images of Bill of Ladings in our system.
- Issuance of a Field Receiving Report to the TLC within five (5) days of receipt of goods.

### **Secure Storage Space**

As we have for nearly 18 years, GTECH will maintain secure storage at its warehouse locations for all promotional materials, equipment, and POS. Promotional inventory is stored in a separate, secure area, called a "cage." Access to this area is limited to the District Sales Manager and Swing Representative.

The District Sales Manager and Swing Representative will access this area when storing a promotional item shipment they have received or for allocating promotional items to LSRs for retailer promotions or any Lottery function as specified. Control and distribution of all promotional materials is the responsibility of the GTECH Promotions Coordinator.

**Figure 9.5 – 4:  
Secure POS Storage**



**Protected Materials:** Promotional inventory, such as the item pictured here, can be secured in the caged area of GTECH's warehouse.

### **Your GTECH Marketing Professionals**

Promotions for Texas Lottery retailers lie in good and capable hands with GTECH Marketing personnel, as described in the following paragraphs.

#### **Shannon Plum, Marketing Manager – 15 Years of Experience**



Responsible for retailer-focused, strategic marketing and field plans, Shannon will manage the overall strategy for all retailer promotions. She will work closely with the Promotions Manager/Coordinator to ensure that all Texas Lottery promotions are delivered in a timely manner.

## TBH, Promotions Manager/Coordinator

The Promotions Manager/Coordinator will be the primary liaison between GTECH and the Texas Lottery for all retailer promotions (Selling Events, Lone Star Spins, Customer Appreciation Days, 2nd Chance Drawings, and Ask for the Sale). This individual will ensure that all retailer promotions are conducted as required and all retailer promotion evaluations are completed accurately and then submitted to the Texas Lottery for review.

The Promotions Manager/Coordinator will oversee the promotional item, POS, equipment inventories, and promotional item receipt policy for all shipments, as well as ensure that all promotional items are secured, transferred, and distributed according to all Texas Lottery guidelines.

They will assist in coordinating annual Texas Lottery audits of promotional items in all GTECH district warehouses and run a variety of statewide weekly reports, verifying them for accuracy, and sending them electronically to high levels of management for the Texas Lottery, GTECH, and all district sales offices.

**Confidentiality Claimed  
Not released**

## **TLC System Interface**

We will provide a direct feed into the TLC SAGE MIP Accounting system. The transfer of information will enhance reporting annual inventory of measurements. This information is necessary for the TLC to prepare its annual financial statements. You will receive detailed inventory reports. Our reports will include the following detail:

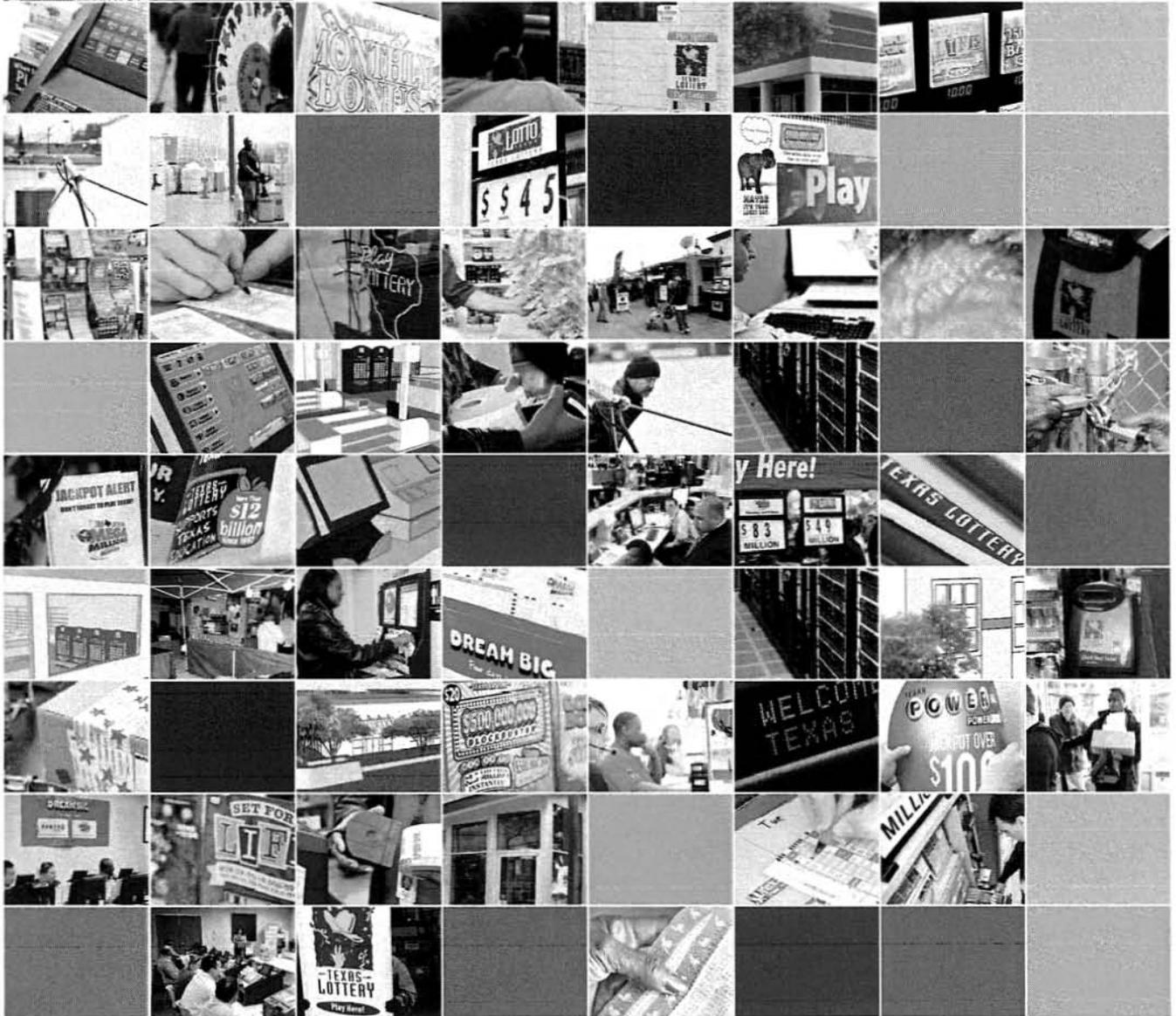
- Purchase order number.
- Status of purchase order:
  - Open purchase order (goods not received).
  - Closed purchase order (goods received).
- Item description.
- Quantity on hand.
- Location of goods.

In delivering our integrated supply chain process to the Texas Lottery, we have combined the right technology with the best management processes and practices and personnel expertise to effectively execute a supply chain management system. We have extensive experience in managing the supply chain process – and can assure the Texas Lottery that it will continue to be properly and securely managed.



# 9.6

## Promotional Merchandise Inventory



# 9.6

## Promotional Merchandise Inventory

### Introduction

For each promotional campaign undertaken by the Texas Lottery, success is dependent on the culmination of a multitude of details – a precise game portfolio analysis; an in-depth understanding of players’ habits, interests, and preferences; and knowledge of what products and marketing techniques will best support the goals of a new campaign. Promotional merchandise serves as a fundamental tool in executing sales-generating campaigns and represents an important capital investment by the TLC.

GTECH’s Integrated Supply Chain Management system will protect the Lottery’s promotional merchandise investments by providing precise product tracking at every storage and distribution point. Our process captures all incoming and ongoing inventory details for all promotional merchandise, allowing the Lottery to realize the maximum return on its promotional investment dollars.

Our support of the TLC includes strict adherence to its extensive and highly detailed business processes. To enhance the service we provide, we have reviewed these processes and identified areas where our proposed solutions can increase efficiencies and add functionality in the coming contract. The insert on the following page, entitled **Promotional Materials Tracking**, illustrates how our solution will enhance your promotional materials capability.

## **Table 118**

### **Promotional Merchandise Inventory Response Requirements**

#### **118.1**

##### **Roles, Responsibilities and Detail Requirements**

GTECH acknowledges and accepts the roles, responsibilities, and detail requirements indicated in this section.

#### **118.2**

##### **Process for Handling Incoming and Ongoing Inventory of Promotional Merchandise**

Consistency in asset management promotes both the greatest efficiency and the highest reliability in distribution and inventory processes. All of GTECH's asset management processes follow the same ORDER>FULFILL and RETURN>ACKNOWLEDGE procedures directly through the ES System Portal and Reporting and Analytics capability via the Enterprise Series (ES) Business Intelligence Suite.

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**Not released**

**Confidentiality Claimed  
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Each inventory item in each asset category is logged to the appropriate tracking group within the supply management module. As is the case for every Lottery asset, including management of promotional merchandise, detailed itemized inventory recording occurs at every point in the life cycle of the promotion campaign.

### **Processing Incoming Promotional Merchandise**

The process for handling incoming inventory begins with the placement of a purchase order by the Lottery's Marketing Manager. From the moment of order authorization, GTECH's Merchandising Manager will work in close collaboration with the Lottery Marketing Manager to record the type, number, specifications, and identified supplier of each piece of promotional merchandise. All data is logged to the purchase order management database, the purchase order is produced, and the order is confirmed with the supplier. Each step in progression of order fulfillment, from supplier to shipment to the Central Distribution Warehouse, is recorded in the Purchase Order Management Database.

**Providing an automated method of document management ensures accuracy and expedites delivery of both product and status to GTECH and Texas Lottery personnel.**

Upon arrival at the Central Distribution Warehouse, promotional merchandise is inspected according to the guidelines established by the Lottery and logged as "received" into the Central Distribution Warehouse Inventory Management Database. As part of the intake process, GTECH's Warehouse Manager reconciles the received inventory with the original order within the Purchase Order Management Database. When "items received" are confirmed to align with "items ordered," the merchandise is made available for distribution to the field.

This process is the same process identified for the distribution of all permanent promotional/POS items detailed in Section 9.5, Promotional Item and Point of Sale (POS) Verification and Receiving.

**Confidentiality Claimed**  
**Not released**

## Ongoing Promotional Inventory Management

The real complexity of inventory management of promotional merchandise begins at the point of distribution from the warehouse. From that point forward, the ever-changing needs of the marketplace inevitably affect the predefined distribution plan, mandating the need for a supply chain system that is flexible yet precise in design. GTECH's Integrated Supply Chain Management system is accurate, transparent, and flexible, allowing for communication from each stakeholder along the distribution path.

Ongoing inventory of all Texas Lottery promotional merchandise is tracked by location and recorded as being with any one of the following:

- Central warehouse storage.
- GTECH LSR.
- GTECH District Sales Manager (at a district warehouse).
- Retailer location.

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**Not released**

**Confidentiality Claimed**  
**Not released**

As the illustration demonstrates, the distribution of promotional merchandise can be complex with many potential points of loss. Ironically, the greater the number of participants in the merchandise distribution process, the greater the potential for both *losses* and *success* in a promotional campaign. Involving as many stakeholders as possible to leverage each potential point of sale opportunity ensures optimal field distribution. Nevertheless, the more that merchandise is exchanged, the greater the chance of misplacement.

By requiring that all parties in the promotional merchandise supply chain adhere to an ORDER>FULFILL>CONFIRM and RETURN>ACKNOWLEDGE methodology, GTECH is able to bring the Texas Lottery a system that has the flexibility to capture each promotion opportunity while providing a precise merchandise inventory tracking tool that protects the Lottery's investment in promotion campaigns.

### **Added Accountability Through Rigid Oversight**

Overseeing the placement of all promotional merchandise is GTECH's Marketing Manager who is responsible for all allocations, including:

- **Facility Allocations:** A piece of promotional merchandise is assigned by the Marketing Manager to a specific district warehouse for distribution by District Sales Managers. Merchandise is tracked in and tracked out as identified by location.
- **Event Allocation:** Multiple items are allocated by category such as a specific event or specific promotion. These items are then assigned directly by the Marketing Manager to specific LSRs in support of particular promotional events.
- **Prize Package Allocations:** The Marketing Manager allocates particular prize packages to particular retailers. Serialized tracking of items is monitored and includes verification of delivery at the retailer location to minimize security concerns. These allocations will include both Instant Ticket packs that retailers may win as incentives as well as Lottery provided prize packages.

## Confidentiality Claimed Not released

Using this process, we can precisely track and support the Lottery's directive to have particular promotional materials and Instant Tickets delivered to particular retail locations. In fact, it may now be possible to create specific bundled promotional packages, for specific key accounts, such as HEB, which may include a collection of promotional items (particular HEB stores may be targeted to receive 20 game packages of Game X with 40 T-shirts and five posters). With far more details available concerning which retailers received exactly which merchandise, how many and when, the Lottery will have far more precise and reliable feedback for future promotion planning (see Section 9.5, Promotional Item and Point of Sale (POS) Verification and Receiving, for additional information).

### Monthly Physical Inventories

#### Conduct Inventory in Accordance with TLC Requirements

In addition to the precise recording of merchandise location on a per order basis, GTECH will also perform physical inventory counts and reconcile the recorded balances with the physical counts on a monthly basis, or otherwise requested by the Texas Lottery. This procedure will be in accordance with all TLC requirements.

#### Prepare Summary of Item Condition

As part of our monthly physical inventory counts, we will note the condition of all goods in our system. This status information will be available through our reporting solution, giving the Lottery direct visibility into our warehouse to monitor all inventory status.

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## **Interface with Inventory/Financial Management System**

### **TLC System Interface – Perform Data Entry for Merchandise**

GTECH's system is capable of fully interfacing with the Texas Lottery's inventory/financial management system. We will provide a direct feed of inventory results into the TLC's SAGE MIP Accounting system for ongoing accounting/auditing operations. The transfer of information will enhance reporting for annual inventory measurements and enable TLC to prepare its annual financial statements.

### **Available Reports**

In addition to the direct access to the status of promotional merchandise provided through the Graphical User Interfaces (GUIs), the Lottery will also receive detailed inventory reports, including:

- Purchase order numbers.
- Status of purchase orders.
  - Open purchase order (goods not received).
  - Closed purchase order (goods received).
- Item description.
- Condition (status) of goods.
- Quantity on hand.
- Location of goods.

## Comprehensive Inventory Management System

Our automated, Integrated Supply Chain Management system provides reliable product traceability and distribution accuracy. The comprehensive inventory management system, capable of tracking incoming and outgoing inventory by location, allows:

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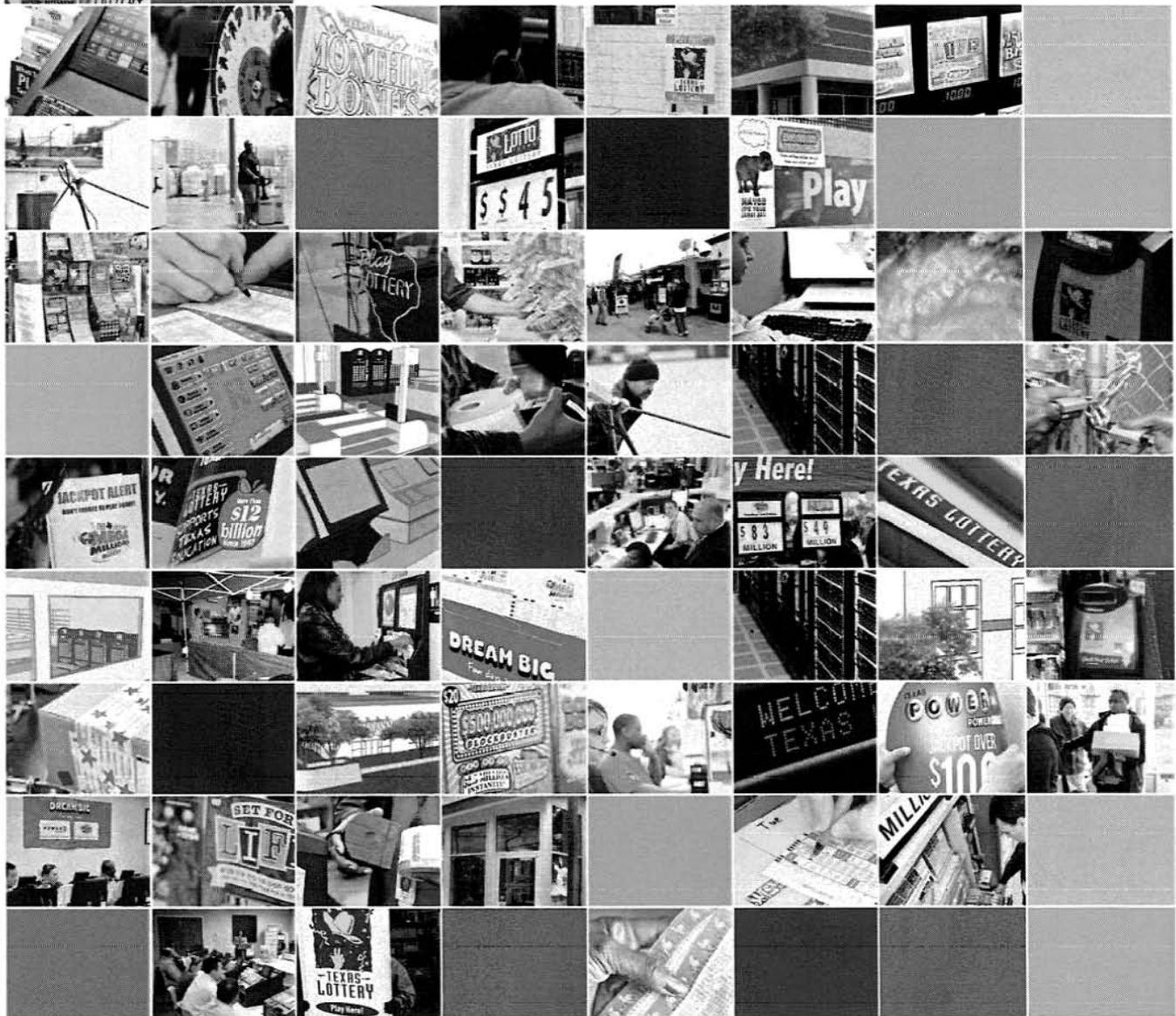
- Product tracking access to the Lottery for all product inventory and statuses via GUIs.
- Step-by-step accountability for each phase of the product life cycle from initial purchase order placed by the Lottery through to delivery to the retailer via a mandatory ORDER>FULFILL>CONFIRM and RETURN>ACKNOWLEDGE methodology.
- Total collaboration through the central repository of the central warehouse database to each potential point of access to products: Suppliers and the Lottery Marketing Manager, Central Warehouse staff, District Sales Managers/District Warehouse, Lottery Sales Representatives, and Retailers.
- Expansion of product management opportunities through connectivity between the central warehouse inventory database and the LSRs' handheld devices.
- Capability of fully interfacing with the Texas Lottery's inventory/financial management system.

The Lottery's investment in the merchandise selected to support a successful promotion campaign will be protected and auditable throughout the product life cycle.



# 9.7

## Warehouse and Distribution General Requirements



# 9.7

## Warehouse and Distribution General Requirements

### Table 120

#### Warehouse and Distribution General Response Requirements

##### 120.1

##### **Roles, Responsibilities and Detail Requirements**

GTECH acknowledges and accepts the roles, responsibilities, and detail requirements indicated in this section.

##### 120.2

##### **Process for Instant Ticket Order Processing and Packing**

To guarantee the most efficient workflow possible, GTECH's processes to accomplish Instant Ticket order processing and packing at its warehouse, as detailed in Part 9, Warehouse and Distribution, are fully streamlined. Consisting of manual procedures and convenient, automated tools, these processes have helped our warehouse staff achieve an average accuracy rate of greater than 99 percent. The insert on the following page, entitled **Instant Ticket Order Process**, illustrates these processes.

##### **Order Generation**

Whether ordering new games or replenishing a retailer's three-week inventory, our ) ensures the right games are getting to the right retailers at the right time. Through GTECH's , orders are sent automatically to the warehouse for fulfillment the next morning.

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## Order Fulfillment – Packing Orders Through Pick Pack

Regardless of how an order is generated, all orders placed on a given day automatically display on the warehouse Pick Pack screen the next morning. Warehouse staff can view Initial Distribution or Replenishment orders, sorted by geographical area, oldest order, or a number of other criteria. While the Pick Pack Order module automatically displays orders in a predefined sequence, it also gives warehouse staff the flexibility to modify this sequence to adapt to rapidly changing initiatives or process emergency orders as necessary.

**Figure 9.7 – 1:  
Your Current Pick Pack Line**



**Packed and Ready to Go:** Completed orders have been through the Pick Pack line and are ready for shipment to retailers.

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Now, with automated scanning, the clerk assigns the pack to the ticket order. The system produces the order forms so packers will quickly see the manifest for the game, including game pack numbers and total value. The Order Fulfillment screen provides all the information warehouse staff need to fill an order, alleviating any breaks in the pack and ship flow. Included in the logic behind the Order Fulfillment module are visual cues to alert the packer to any discrepancies or issues in the order packing process.

## Instant Ticket Order Process



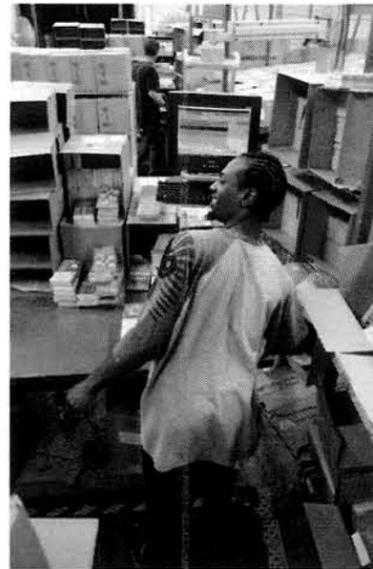
**6:00 pm**

Warehouse is staged for next day's orders.



**12:30am – 6:00am**

ADIS generates Instant Ticket Orders for Retailers based on designated call schedule and shortage calculation.



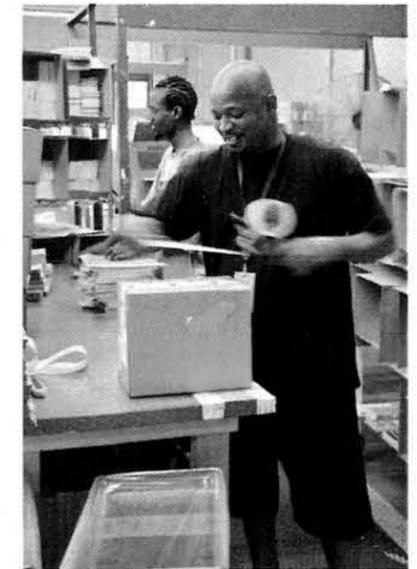
**7:00am**

ES IPS merges all replenishment orders into a single queue, grouped by Retailer District and zip code. Replenishment and Initial distribution orders can be packed at any of the 7 available lines. Warehouse Clerk, Steve Smith, assembles ticket packs for an order displayed on a workstation screen.



**7:06am**

After assembling the packs in order, Steve scans the barcodes and inserts them, along with the shipping manifest, into an already prepared packing box. With Pick Pack, this process is simple because it does not require pre-assigned pack numbers.



**7:10am**

The order is completed by sealing the package and affixing the pre-printed, bar-coded shipping label to it. Another clerk, Brian Sharp, completes this task.



**7:13am**

As replenishment orders are packed, they are loaded directly into the shipper's truck for delivery to Retailers. Since orders are packed and loaded by zip code, they are pre-sorted for expedited delivery through the carrier's depot. The current roller-based conveyor shown below will be replaced with an automated conveyor belt to decrease manual labor associated with loading replenishment orders.



**7:15am – 4:00pm**

Using ES IPS, Warehouse clerks continue to Pick Pack Retailer's Instant Ticket Orders throughout the day. Warehouse Clerks Mark Armstrong, August Benson and James Johnson work diligently to fill the day's orders.



**5:30pm**

Carrier leaves GTECH Centralized Warehouse with daily orders for distribution. Overnight, all Retailer orders are routed and tracked as they make their way to their final destination.



**1:02pm**

Carrier's deliveryman arrives at a Retailer location with an order.



**1:05pm**

Retailer acknowledges receipt of the Instant Ticket order by confirming its delivery and acceptance on the Lottery Sales terminal. A single scan accepts the entire contents of the package. Additionally, the Retailer signs the carrier's electronic receipt for delivery. Instant Tickets are now ready to sell!

To eliminate errors and expedite our packing process, our automated One Touch Packing procedure allows only one person to complete all of the picking and packing per order, minimizing the potential for human error. At the same time, the Pick Pack manifests are printed, and a carrier shipping label is automatically printed with the delivery address and tracking ID number.

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**The Order Fulfillment screen provides all the information warehouse staff need to fill an order, alleviating any breaks in the pack and ship flow.**

### Inventory Conditions Preventing Order Fulfillment

GTECH will notify the Texas Lottery, within one (1) hour, of any inventory conditions that may result in the inability to process retailer Instant Ticket orders for a particular game, as well as any general inventory issues.

### Pick Pack Conveyor

With its ergonomic design and carefully planned-out space in our warehouse, our new Pick Pack conveyor belt system automates packages down the pack line. Packers used to have to walk away and push packages toward the trucks before this electronic conveyer belt was introduced. The new system significantly decreases the time and manpower required for replenishment orders. In fact, the conveyer takes orders all the way into the back of the distributing truck!

### Order Delivery

Instant Ticket orders are expedited through the distribution chain, thereby reaching the retailer sooner, thanks to GTECH's innovative pre-sorting process and integration with shipping label generation.

### 120.3

#### **Process for Preventing Theft of Instant Tickets and Rolls of On-Line Ticket Stock**

To prevent theft of Instant Tickets and rolls of On-Line Ticket stock, we base our security measures on the mature processes and best practices prevalent in both the lottery and computer industries. Specifically:

- In the lottery industry, GTECH closely monitors, and participates in, the activities of the World Lottery Association (WLA) Security and Risk Management Forum, the Multistate Lottery Association (MUSL), the North American Association of State and Provincial Lotteries (NASPL), and various security seminars conducted by law enforcement agencies.
- In the computer industry, we follow the guidelines of the International Organization for Standardization (ISO) 27001, Statement on Auditing Standards 70 (SAS70), and Payment Card Industry (PCI) standards concerning computer security.

Our focus on security is broken down into three areas: prevention, physical security, and detection.

#### **Return of Instant Ticket Inventory**

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#### **Manual Pack Return Process**

We handle manual returns, regardless of reason, with the utmost care and security until final processing in the warehouse. For damaged and defective packs, the TLC must grant approval before these packs are removed from the retailer's possession. Unlike standard, system-generated pack returns, packs included in the manual returns process are considered live and could result in validation of winning tickets.

**Confidentiality Claimed  
Not released**

**Confidentiality Claimed  
Not released**

### Partial Pack Return Process

Partial pack ticket returns follow a process similar to that for full pack returns, complete with customized automation and focused manual handling for extra care. Please see the subsection, Full Pack Return Process, above, for a description of how partial packs move from the retailer to the warehouse.

Once the partial ticket packs are set aside for manual scanning, a dedicated clerk checks and scans the first and last ticket, verifying that the same amount and range are returned as recorded by the LSR in the field. This validates that the partial pack quantity matches. The status then changes to Returned and GTECH hands over partial packs to the Lottery.

So that the system will not assign partial packs to an order (reassigned), we set clear parameters in our returns processing system. Once in Returned status, partial packs are prohibited by the system to move to a sellable status. They are held in the TLC's Returned Goods cage at the warehouse pending reconciliation of the game after it is closed, under Lottery supervision.

As we aim to do with all areas of our business, the TLC will have visibility into Partial Pack Returns through the . Partial Pack Reports will be pulled from the system and given to the TLC for viewing and processing.

### **Annual Instant Ticket Inventory and Audit Reports**

We have created a series of Instant Ticket reports to meet the TLC's annual Instant Ticket inventory and auditing needs. These include the following:

- Open Carton Report.
- Ticket Count Report.
- Short Carton Report.

Each of these is available by game for all available inventory in the central distribution warehouse.

### **Annual Instant Ticket Inventory Report**

We will provide the TLC with an annual Instant Ticket inventory report that will include the status of all inventory, by game and by pack. We will submit our inventory report to the Texas Lottery Controller's office within two working days of the Texas Lottery's August 31 fiscal year end.

**An individual retailer, LSR, or district office can track possession from the time a full or partial roll of On-Line Ticket stock leaves the retail location until the time it is relinquished to the TLC.**

### **On-Line Ticket Roll Stock Return Process**

To mitigate risk, we will handle On-Line Ticket roll stock return processing carefully and according to stringent security standards, such as MUSL Rule 2. We handle both full and partial rolls, as detailed in the following paragraphs. An individual retailer, LSR, or district office can track possession from the time a full or partial roll of On-Line Ticket stock leaves the retail location until the time it is relinquished to the TLC.

## Full Rolls

- Full rolls are documented on the form by the bar code number and returned to the district office within five days. They are returned to the district office, except in the case of a Change of Ownership.
- Rolls are scanned upon receipt and stored in a secure storage area in the district office.
- From the district office, full rolls are redistributed to another retailer.

## Partial Rolls

- Partial rolls are recorded on the same form using the first visible serial number on the back of the roll.
- Partial or non-bar coded rolls will be verified by the District Sales Manager (DSM) and sent to the centralized warehouse with documentation.
- Partial or non-bar coded rolls will be returned to the centralized warehouse with a copy of the form using the same procedures as above.

It is important to note that the DSM will verify that all rolls with a bar code on the form are documented correctly. All rolls (bar-coded or non-bar-coded) that cannot be scanned back into the district office will be returned to the centralized warehouse along with a copy of the ticket roll stock return form. Once received at the warehouse, rolls (full and partial) will be verified and relinquished to the TLC for destruction.

## Staff Training – Prevention at Its Best

All GTECH employees assigned to our Texas warehouse are required to participate in and successfully complete a series of training sessions. These sessions include training focused on security and conduct and include the following:

- Security.
- Fire safety.
- GTECH Code of Conduct.
- TLC rules, regulations, and security procedures.
- General warehouse procedures including inventory control.
- Use and operation of our inventory and distribution system.
- Receiving procedures.
- Distribution procedures.

**Figure 9.7 – 2:  
Certified Employees**



**Trained and Knowledgeable Staff:**  
GTECH warehouse employees are required to complete training sessions in a variety of topics.

Refresher training and individual instruction are held when necessary. GTECH procedures require that all employees receive annual updates on certain topics, including, but not limited to: TLC rules, regulations, and security procedures; GTECH Code of Conduct; fire; safety; and security. We ensure every member receives training that will aid in prevention and detection of unauthorized, suspicious, or fraudulent activity.

### **Verification Process – Prevention in Action**

We will cooperate and assist with physical inventories conducted by the Texas Lottery Auditors or authorized designees. As a matter of due diligence, Lottery staff will continue to be present during the following activities:

- Delivery and receipt and/or return of Instant Ticket games from/to the Instant Ticket manufacturer.
- Loading of Instant Tickets assigned for destruction.
- Destruction of all returned On-Line Ticket roll stock and designated Instant Tickets.
- Control of partial pack return storage.

## Physical Security

As detailed in Section, 6.6, Facilities Support Services, all of our warehouse locations maintain strict security procedures. Security guards are in place at the centralized warehouse in Austin to ensure compliance with all security procedures. The security features at the central distribution warehouse will allow for remote monitoring from the Texas Lottery headquarters and dedicated space.

### Figure 9.7 – 3: Secure Warehouse



**Clean and Auditable:** The sensitivity of lottery products warrants an organized and secure facility.

Our field service offices and warehouses also comply with MUSL Rule 2 and contain the following security features:

- Access-control devices at all entrances with intrusion detection alarms.
- Enclosed cage with double-locking system to secure roll stock.

To enhance security, roll-stock-enclosed cages are secured with two physical locks. Each lock and each person is designated as an “A” or “B” group. The *two-man rule* requires one person from each group to be present to unlock the secure cage. Additionally, security cameras capture all activity, ensuring a complete audit trail.

## Instant Ticket Storage

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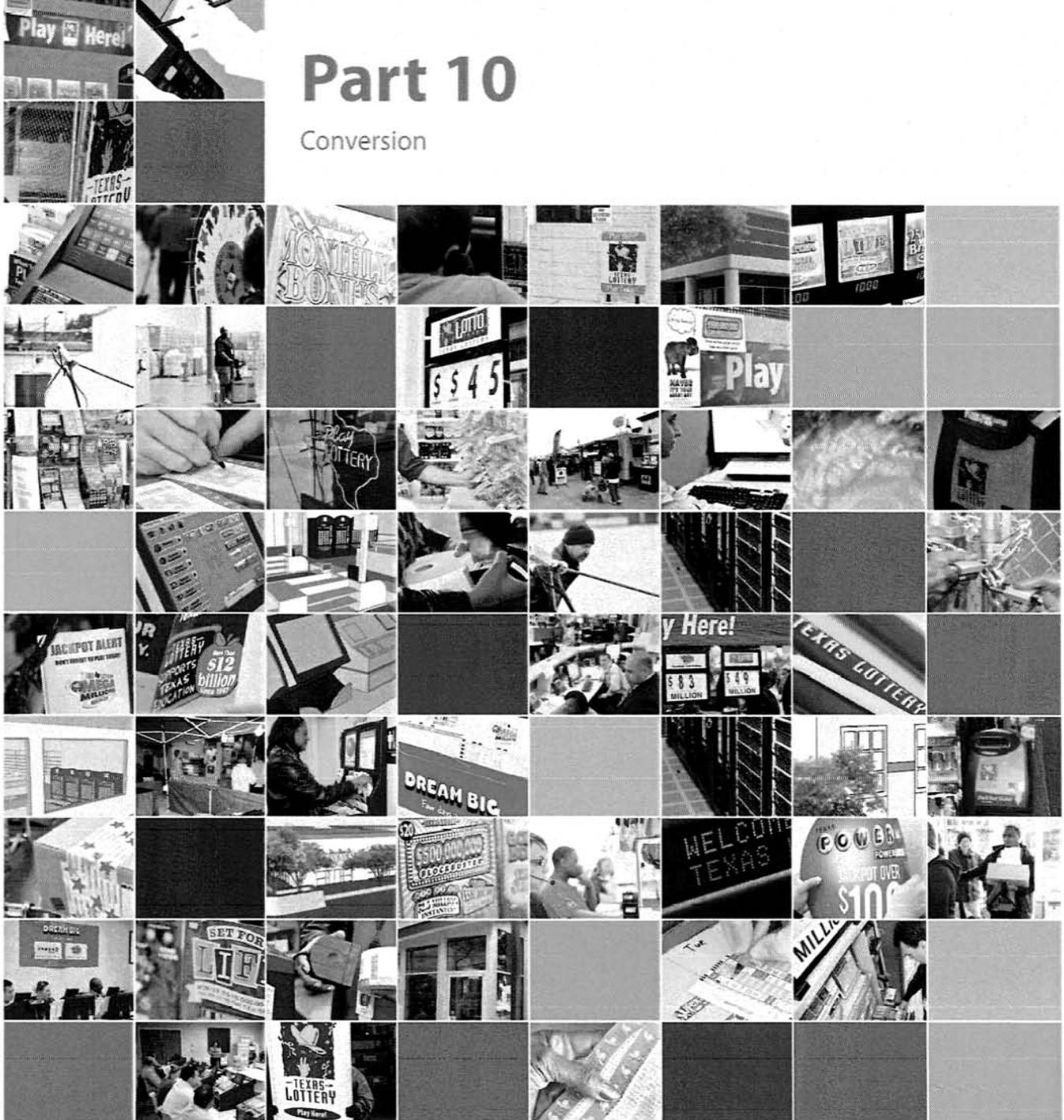






# Part 10

Conversion





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#### Invited Option Icon

This icon indicates where we have responded to an Invited Option.



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#### Specified Option Icon

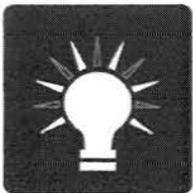
This icon indicates where we have responded to a Specified Option.



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#### Offered Option Icon

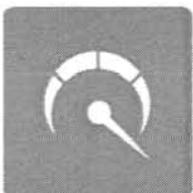
This icon indicates where we have proposed an Offered Option.



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#### New Innovation Icon

This icon indicates where we describe a new, GTECH-designed product or feature that represents GTECH's commitment to industry innovation.



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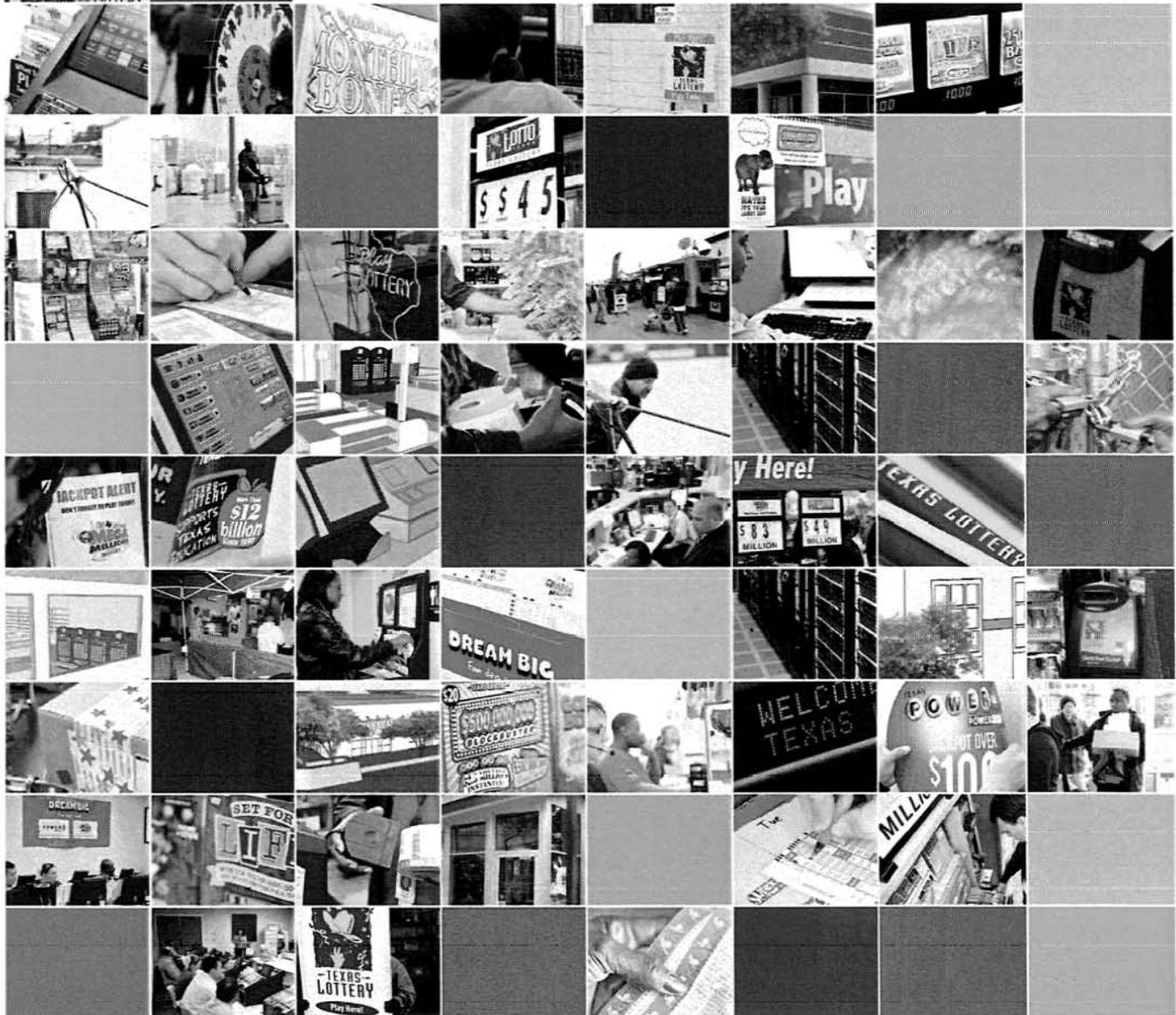
#### Exceeds Icon

This icon indicates areas in which GTECH exceeds the requirement.



# 10.1

## Conversion Plan





By starting early, we've completed 80 percent of your system conversion, including all Texas Lottery business rules and processes and "as-is" functionality.

Thanks to our emulation software, your new communications network and terminals will go live as soon as they are installed in a retail location. Thus, Texas Lottery retailers will be the beneficiaries of new sales devices prior to the conversion of your central system.

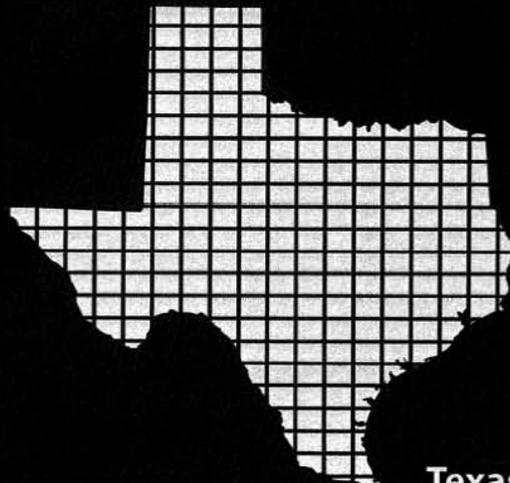


The certifications we have achieved govern our testing process through transparency, verification, and sign-off of vital artifacts to ensure that the system we give you to test has first met our own stringent standards.



Through our experience with comparable projects, we are able to identify risks early and then evaluate them throughout the project lifecycle to minimize the impact on the schedule.

RISK	MITIGATION
<p><b>Project Management:</b> Vendors without experience delivering large-scale conversion projects and that have not developed or worked with an implementation plan containing thousands of tasks for a project with the size and complexity of Texas will struggle to meet milestones and deliverables.</p>	<p>GTECH will apply the experience it has gained in prior successful conversions of the Texas Lottery, as well as other large sites such as California and New York. In addition, GTECH offers the PMO to oversee all project management activities according to proven industry-standard best practices that GTECH has utilized in many successful conversion efforts.</p>
<p><b>Requirements:</b> Lottery business needs are not completely and accurately documented, including version controls. For vendors without experience delivering large-scale conversion projects, this will contribute to incomplete requirements in the implementation plan resulting in missed milestones and deliverables.</p>	<p>GTECH Business Analysts (BAs) utilize industry-standard processes and tools, such as DOORS, to ensure requirements tasks are accurate and complete. The Lead BA will remain assigned to the project for the duration of the implementation to ensure consistency and tracking of all changes through a well-documented change control process.</p>



**Texas Ready**

## 10.0 Overview

By the time proposals are submitted in response to your RFP, GTECH will have expended more than 100,000 hours on your gaming system conversion.

# Texas Lottery Core Values...

## *Honored*

**Integrity and Responsibility:** Business rules are the foundation of the TLC operation, and we have already identified, documented, and converted more than 7,000 discrete rules to minimize risks associated with a conversion of this scope and size.

**Innovation:** To identify and convert the 7,000 business rules, we took on the task of identifying and documenting more than 120 TLC business processes to ensure absolute alignment between our two organizations.

**Fiscal Accountability:** Because a major portion of work associated with a traditional conversion will be completed prior to the start of the transition, our respective project teams can focus on implementing new functionality and system enhancements, increasing their efficiency and boosting your productivity.

**Customer Responsiveness:** The methodical conversion plan that we are proposing, which includes retailer training and new equipment installations, guarantees minimal disruption to the TLC, its retailers, and its players, all the while protecting your revenue stream.

**Teamwork:** Our GTECH Texas team, comprised of more than 320 individuals, as well as our assigned transition team, will work closely with the TLC to achieve our common goal: the successful, on-time implementation of your new Lottery Gaming System and all related solutions and services.

**Excellence:** This Conversion Plan is custom-made for the Texas Lottery and will be managed by two experienced project managers as well as our GTECH Texas General Manager.

# 10.1

## Conversion Plan

### A Conversion Almost Two Years in the Making

By the time proposals are submitted in response to the Texas Lottery's RFP, GTECH will have expended more than 100,000 hours – that's 11 man/person years – on your gaming system conversion. It is important to achieve a seamless conversion that will not disrupt the Lottery's complex, daily operations and revenue stream. So we took the **extraordinary step** of converting the majority of your system (approximately 80 percent) in advance.

Certain basic facts about the sheer volume that makes the Texas Lottery one of the largest in the world are generally known:

- \$3.6 billion in annual sales.
- 1.15 billion transactions.
- Nearly 17,000 retail locations.
- 9.1 million Instant Ticket packs activated annually.
- \$3.2 billion worth of active Instant Ticket inventory on the system at any one time.

Other facts that are critical to your Conversion Plan are only found through vigorous research. For example, the Texas Lottery operates according to:

- More than 7,000 discrete business rules.
- 120 discrete business processes.
- Thousands of customizations made to the system.

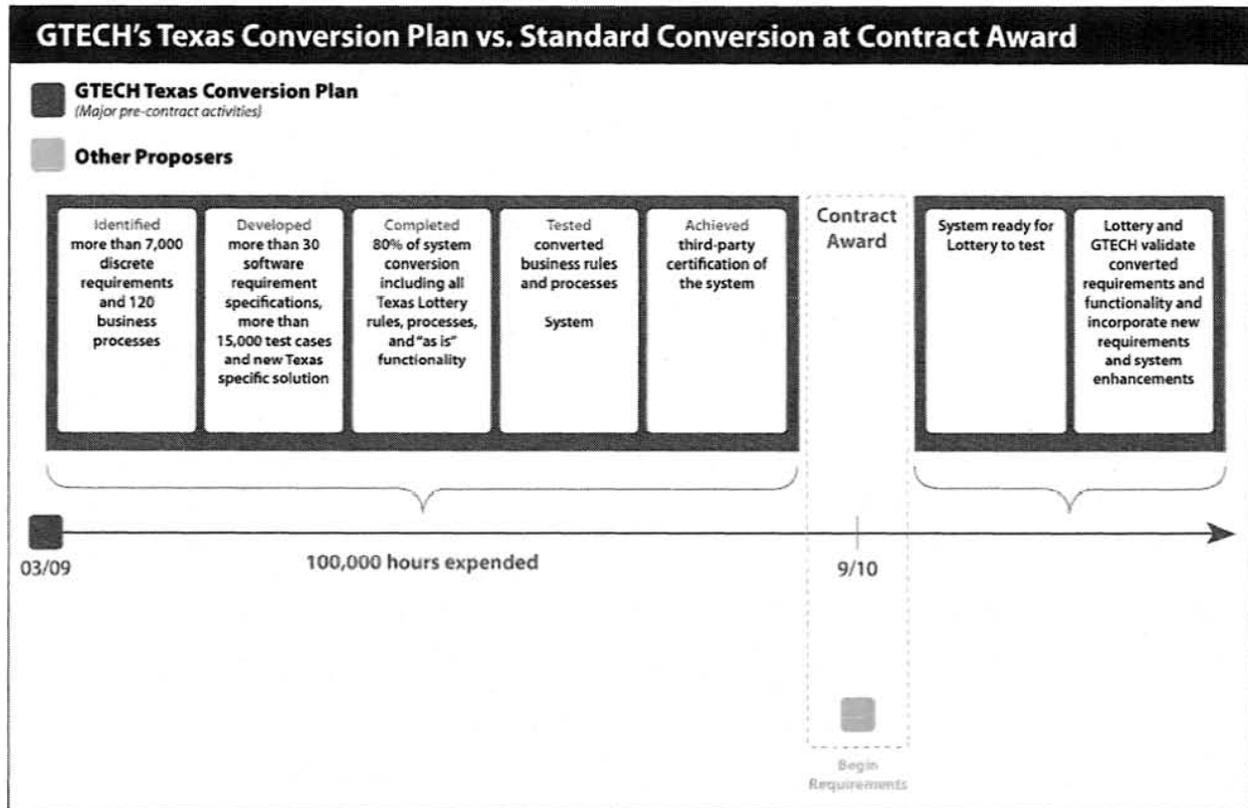
We know this because of the extensive pre-award efforts we have already completed, as shown in the following figure:

**Figure 10.1 – 1:  
 Pre-Award Activity = Conversion 80 Percent Complete**

Action Taken	Pre-Award Activity Completed
Identified	<ul style="list-style-type: none"> <li>• All Texas Lottery business rules and business processes</li> </ul>
Performed	<ul style="list-style-type: none"> <li>• Extensive business process analysis and mapping</li> <li>• Analysis of Texas Lottery policies and procedures</li> <li>• Analysis of Texas Lottery future requirements and needs</li> <li>• Customer interviews to gain valuable insight into your requirements</li> </ul>
Developed	<ul style="list-style-type: none"> <li>• More than 30 Software Requirements Specifications (SRSs)</li> <li>• More than 15,000 test cases</li> <li>•</li> </ul> <p style="text-align: center;">Single Ticket Accounting, and more</p>
Tested	<ul style="list-style-type: none"> <li>• The converted business rules and processes on the new system before migrating them to the system</li> <li>• System balancing and invoicing</li> <li>• System capacity and performance</li> <li>• System features and functions against documented business processes</li> </ul>
Implemented	<ul style="list-style-type: none"> <li>• New, unified reporting solution</li> </ul>
Preserved	<ul style="list-style-type: none"> <li>• All Texas Lottery business rules and functionality</li> </ul>
Achieved	<ul style="list-style-type: none"> <li>• Third-party certification of the system from Deloitte &amp; Touche</li> </ul>
Completed	<ul style="list-style-type: none"> <li>• 80 percent of system conversion, including all Texas Lottery business rules and processes and other "as is" functionality</li> </ul>

The result? The Texas Lottery's Conversion Plan is far ahead of where a traditional 12-month plan would start at contract award. The following figure demonstrates the difference.

Figure 10.1 – 2:



**The Benefit of Being Ahead of Schedule.** With so much of the conversion already completed pre-contract, the Texas Lottery will have more time to test its new system throughout the conversion period – *beginning at contract award.*

Our early conversion tasks give *you* more time to test *your* new system's functionality, stability, performance, and reliability, and suggest changes well before Go Live. As a result of this and other aspects of the Conversion Plan detailed within Part 10, Conversion, we have significantly reduced or effectively removed major risks from the process. Your conversion will be seamless. For all intents and purposes, much of it is complete.

Our Conversion Plan for the TLC will include all activities needed to transition from our current system to a new GTECH gaming system by August 31, 2011. During conversion, GTECH will continue to provide contract services to the TLC at a consistently high level without interruption.

## **Table 123**

### **Conversion Plan Response Requirements**

#### **123.1**

##### **Roles, Responsibilities and Detail Requirements**

GTECH acknowledges and accepts the roles, responsibilities, and detail requirements indicated in this section.

#### **123.2**

##### **Conversion Plan and Process**

### **The Process of Creating the Texas Lottery Conversion Plan**

Operation of the Texas Lottery depends on an intricate weave of interdependencies between human resources, sales, and technology. Its conversion will require the most robust methodology for aligning and managing risk and multiple streams of work. A one-size-fits-all Conversion Plan will not suffice.

And that's why we started converting so early – to bring you the following ultimate benefits:

- Identification of the more than 7,000 discrete business rules.
- Identification of the 120 discrete business processes.
- Generation of more than 30 SRSs.
- Execution of more than 15,000 test cases on your Information Redacted §552.101/466.022/552.139 converted system.
- Early capture and testing of your “as is” functionality, including screens, reports, and online data, on a new system.
- Careful management of interdependencies for efficient carryover of your daily business operations to the new system.
- Immediate Go Live for communications and retailer equipment, beginning seven months before system conversion, thanks to completed emulation software that enables the new terminals to communicate with the existing system.
- The ability to tap into a deep pool of more than 300 existing Texas-experienced, Texas-based management and staff, and the full support of the organization’s corporate resources.
- The opportunity for the Lottery to have additional time to validate our results and test the system’s capabilities.

This approach reflects and upholds the TLC’s core values (per RFP Section 1.5, Our Core Values) – maintaining integrity, innovation, accountability, and customer responsiveness – that are the mainstays of both of our businesses.

We are committed to this plan, which will also offer transparency throughout to allow the Texas Lottery to review and monitor progress. We know of no other instance in which the majority of a system conversion was completed prior to proposal submission.

**We know of no other instance in which the majority of a system conversion was completed prior to proposal submission.**

This section provides an overview of the building blocks – relevant experience, the process, highlights, and resourcing – of GTECH’s Conversion Plan for the Texas Lottery.

### Relevant Experience

Previous experience with “comparable” lottery conversions is critical evidence of our ability to contribute to the Lottery’s Conversion Plan in a meaningful way. Only a handful of U.S. and international lotteries can be considered comparable to Texas in size or scope. Please refer to the following figure, which depicts the comparable experience GTECH will bring to the Texas Lottery’s Conversion Plan.

**Figure 10.1 – 3:  
Relevant Experience: Successful Conversions of  
Comparable Lottery Systems**

Jurisdiction	Terminals at Last Conversion (approximate)	Vendor (from Vendor)
New York – 2010*, 2002, 1993, 1987	18,500	GTECH (from GTECH system)
Michigan - 2009	11,000	GTECH (from GTECH system)
California - 2004, 1993	19,700	GTECH (from GTECH system)
United Kingdom - 2009	26,500	GTECH (from GTECH system)
Poland – 2002, 2006 (terminals)	12,000	GTECH (from GTECH system)

\* Underway

First-hand Texas Lottery experience also adds a meaningful dimension to your Conversion Plan and process. We’ve used everything we’ve learned in Texas over the past 18 years, and combined this knowledge with our mature project management organization and process, to create your Conversion Plan.

## Iterative Process

The Conversion Plan will consist of thousands of individual tasks. The creation of the plan will be an iterative process that needs ongoing input from both the Lottery's and GTECH's teams. The first activity after contract award will be to schedule and orchestrate the project kick-off meeting for TLC and GTECH project team members. This will start the process that will eventually result in the finalization and the Lottery's approval of the Conversion Plan.

While your RFP requires us to provide a detailed Conversion Plan within 45 days of contract award, we present one, in the form of a Microsoft Project Gantt chart, with this proposal. Please refer to **Exhibit 19, Detailed Conversion Plan and Time Chart**, which is located in the Exhibits Volume. We expect to use this version of the plan to gain the Lottery's input toward development of the final Conversion Plan. We will update it based on your feedback and re-submit it for your final approval. We will also provide you with Microsoft Project so that you can easily monitor project activity. All other supporting schedules and documents will be developed using Microsoft Office applications, which we will also provide to the Lottery.

## Overview of the Conversion Plan

Management and execution of the Conversion Plan is also an iterative process involving multiple, concurrent, and interdependent work streams, plans, processes, tools, and artifacts. The following pages contain a high-level overview of the major Conversion Plan tasks, followed by a description of its highlights and benefits to the Lottery. The tasks are grouped according to those listed in Response Requirement #1 in Part 10.5, Conversion Milestones.

A detailed account of our proposed TLC Conversion Plan can be found in Part 10.4, Conversion Plan General Requirements.

### Construction Requirements

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Another proposer will have to begin the process of learning about your lottery and planning the customization to their baseline system during the requirements phase. GTECH will present the TLC with an test system *at contract award*, already loaded with current Texas Lottery functionality that has been converted to the format. As you validate current functionality, we will work with you on the requirements definition tasks that focus on the enhanced functionality. This will enable you to have a system at Go Live that incorporates enhancements and *exceeds* your basic requirements.

## *Facilities*

Our Conversion Plan calls for maintaining the TLC's Primary Data Center (PDC) operations in GTECH's Data Center of the Americas (DCA) in Austin, Texas, and moving the Backup Data Center (BDC) from its current location to a site in the San Antonio, Texas, area. The central distribution warehouse will remain where it is. There will be other facilities as well, including the 14 facilities across Texas that will serve as bases for warehousing, training, and field service operations.

## *Computer Hardware and Software Installation (Infrastructure Platform)*

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GTECH will finalize the production specifications for the computer hardware and software that will comprise the new gaming systems. With an test system already built to the TLC's required specifications, the TLC will have the opportunity to see first-hand how features will work on the new system and to make changes as necessary during the conversion period.

## *Communications Network Activities*

The Conversion Plan includes a communications strategy that ensures coverage regardless of a retailer's location or logistics. We will connect 30 percent of your retailers using GTECH's Inside technology (either a combination of VSAT+3G or two diverse 3G networks), and the remainder using single source VSAT or Frame Relay connections.

## *Terminal Platform*

GTECH will develop and build the Lottery's new network of retailer sales, mid-range, and handheld terminals, and provide an array of peripheral devices.

## *Lottery Vending Machines (LVMs)*

GTECH's terminal platform will also include the implementation of 3,500 LVMs.

## *Equipment Delivery*

All equipment, including communications devices, retailer terminals, infrastructure hardware, etc., will be shipped to Texas and stored in warehouse and regional facilities in preparation for installation. We use secure carriers to ensure that all equipment arrives safely and undisturbed.

## Software Engineering

The test system we will present to the Lottery at contract award was developed from the extensive “as is” system analysis we have already completed. In doing so, we have preserved your business rules, business processes, and historical data that are not expected to change. Going forward, GTECH will develop your new technology solution based on results gained from your being able to use the test system to exercise functionality, validate requirements and, basically, bring the SRSs to life early in the conversion process.

**The test system we will present to the Lottery at contract award was developed from the extensive “as is” system analysis we have already completed. In doing so, we have preserved your business rules, business processes, and historical data that are not expected to change.**

The development of the software is critical to the content and quality of the final gaming system solution as it goes through all stages, from planning and testing to production. Through this process, we will work with the Lottery to modify and fine-tune the solution until it meets all of your requirements and expectations. Although we have already converted the Lottery’s rules and regulations on the new system we have built, we will further enhance or modify the system as necessary to conform to the Lottery’s business rules and regulations prior to conversion.

## Installation

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## Testing

- 
- 

## User Training

### *Retailer Training*

We will provide Train the Trainer training to GTECH resources who will train the Texas Lottery's retailers. Retailer training will be scheduled to occur just prior to installation of the communications network and retailer terminals so that retailers can immediately use what they have learned. We will conduct classroom-style training, the TLC's preferred training method. The handful of retailers who have to travel more than one hour to reach a training class will be trained in their stores during the installation visit.

**GTECH's world-class training organization is composed of trainers who are Subject Matter Experts (SMEs); they work closely with the software and hardware developers that create the technology behind our customer solutions.**

### *Lottery Staff and End-User Training*

The Texas Lottery's management and staff will receive training that will ensure the continuity of its business operations. Keeping GTECH as your Lottery operator means that there will be little change in familiar processes. The modifications made will be enhancements that make your jobs easier and help the Lottery to operate at a more efficient level. Since your new system will be available for testing earlier than with any other proposer, you can begin training and becoming proficient on your new system sooner.

GTECH's world-class training organization is composed of trainers who are Subject Matter Experts (SMEs); they work closely with the software and hardware developers that create the technology behind our customer solutions. They will provide classroom training for all Lottery staff and end users on general operating procedures, Lottery equipment, and inventory/financial functions. Each class will focus on the specifics of using the applications that GTECH is providing, and will include hands-on practical exercises and online activities with a training system that will emulate the production environment. Ongoing refresher training will be available online.

### Data Conversion

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With a large sample of your data already converted and synchronized on the test system, our operations staff will focus on converting your daily transactions and historical data files in the weeks leading up to Go Live. GTECH will convert all data files into an ES-compatible format, and then run the transactions on the new system.

### *Parallel Processing*

After converting all remaining static transaction and historical data to the new ES-compatible format, we will perform approximately two weeks (two invoice periods) of parallel processing. This will ensure that all data on the new system is synchronized with the existing system with complete accuracy to further ensure a seamless conversion at Go Live.

#### **Handling the Unexpected During Parallel Processing**

Developing and managing a project of this size and scope brings with it the understanding that there are some things you can't control. For example, during the parallel processing phase of our 2002 conversion in New York, the Lottery experienced its highest jackpot to date. In the course of synchronizing data between the existing and new systems at end of day for a two-week period, GTECH's new system processed 36 million additional transactions, without a hiccup. ***This is especially important in Texas, as the system will be ready even if there are high Powerball® and Mega Millions® jackpots.***

GTECH will be able to demonstrate the results of parallel processing before contract award. This exercise, along with all parallel processing that will be performed during conversion, is a vital link to consistency for Texas Lottery retailers and Lottery staff with respect to data. By ensuring that the data is accurate, we are preserving and protecting their key financial functions and the Lottery's revenue stream.

## Documentation of the Proposed System

Throughout conversion, GTECH will provide the Lottery with system documentation including, but not limited to, the following:

- SRSs.
- Software Design Documents.
- Release Notes.
- Test Plan.
- Test Cases.
- Test Incident Reports (TIRs).
- Weekly Status Reports.
- Test Summary Status Report.
- Business Cycle Test Script.

## Operations Support

We will support the conversion and ongoing operations with a depth of resources, including experienced professionals from the data center, software, and engineering. For more information about GTECH's proposed operations support, please refer to Section 4.3.2.b, Data Center/Operations.

## Highlights and Benefits of the Proposed Conversion Plan

The highlights of our Conversion Plan enable your management, staff, and retailers to do their jobs, during and after conversion, with no interruption. From the moment you award the contract, GTECH's proposed Conversion Plan will differentiate itself from the plans of other proposers, with:

- **Early requirements validation:** The requirements task will be performed using an test system loaded with *converted TLC data*, not a start-from-scratch baseline system.
- **Equipment live on installation:** Communications devices and retailer terminals will be installed *and will go live on installation*, early in the conversion process. Existing equipment will be removed immediately.

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## Requirements Commence on a "Converted" System

As shown in Figure 10.1 – 2 on page 3, our proposed conversion plan for the Texas Lottery differs significantly from a standard conversion process. For example, your requirements will begin at a very advanced stage. The following figure depicts the difference.

**Figure 10.1 – 4:  
Difference in Requirements-Gathering Task at Contract Award**

GTECH's Proposed Texas Lottery Process	Standard Conversion Process
<ul style="list-style-type: none"> <li>• Two phases:               <ul style="list-style-type: none"> <li>- Validating current requirements and functionality</li> <li>- Incorporating requirements for system enhancements</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Requirements gathering begins at the beginning, using baseline system specifications</li> </ul>
<ul style="list-style-type: none"> <li>• Begins at contract award but at a very advanced stage, creating more time in the schedule for QA and UAT</li> </ul>	<ul style="list-style-type: none"> <li>• Takes approximately three or four months or approximately 4,000 hours, beginning at contract award, to gather and document your requirements</li> </ul>
<ul style="list-style-type: none"> <li>• Already incorporates your business processes and their interdependencies</li> </ul>	<ul style="list-style-type: none"> <li>• Takes time to learn about your business processes, understand their interdependencies, and incorporate them into requirements documentation</li> </ul>

**We're Ready to Work on System Enhancements**

While other proposers will begin the requirements task with the question, "What do you do?" GTECH will begin by asking "With your 'as is' functionality already converted, what else do you want in your new system?"

The first step in the requirements process will be to validate the converted functionality already residing on the test system, including, for example:

- Graphical User Interfaces (GUIs). **Information Redacted**
- Preserved functionality. **§552.101/466.022/552.139**
- Additional functionality, such as Business to Business (B2B), Lottery Services Portal (LSP), Single Ticket Accounting, sales force automation, expanded retailer services, retailer sales terminal applications, a consolidated reporting solution, and more.
- Business rules.
- Historical data.
- Reports.

Information Redacted  
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This effort ensures that we will not have to start from scratch. Rather, we will provide you with an system and set of SRSs that will enable us to begin discussing system enhancements as soon as you award the contract. Within a standard conversion process, those discussions might not be able to take place until months or even years after your new system goes live.

#### **A Built-In Quality of Evidence**

In creating this opportunity for the TLC, we have preserved all previous decisions. We have made decisions only when the business rules were clear. Thus, we are ready to proceed at contract award with a built-in quality of evidence.

Ultimately, these steps will provide the roadmap for enhancing or modifying the Texas Lottery's system and achieving a stable system at Go Live with the least amount of risk. The main risk that remains is the conversion of retailer equipment and the new system itself. As the following pages attest, our strategy reduces that risk as well.

#### **Early Migration of Retailer Equipment**

Another significant advantage to our proposed conversion plan will be the implementation and migration of the major gaming system components, including retailer terminals, peripherals, and communications network devices. As described earlier in this section, your major new components will *go live on the existing production system as soon as they are installed*, thanks to emulation. This is a huge advantage for the TLC, because it means you will not have to wonder on August 31, 2011, whether another proposer's network connections, terminals, and new system will work at start-up. Any problem at that time can cost the Lottery millions in sales.

#### **Retailers Are "Live" Five Months Before Go Live!**

Between September 1, 2009, and February 28, 2010, GTECH gradually installed and introduced the New York Lottery's new communications devices and retailer terminals and equipment into the 16,600-retailer network. All installed devices are successfully communicating with and operating on our legacy host systems, with new system Go Live still five months away! **There was no interruption of sales and no barrier to the almost simultaneous implementation of Powerball in New York.**

For the TLC, this demonstrates that your sales and revenue-generating activities will continue uninterrupted as the major components of your new system are being upgraded. This approach also benefits the TLC’s daily operations, as the following regular daily activities will continue with no impact:

- Lottery Sales Representatives (LSRs) will continue to follow their schedule of two visits per month per retailer.
- Changes of ownership can be handled.
- New retailers can be added.

These highlights of GTECH’s proposed TLC Conversion Plan only begin to demonstrate the significant differences between our proposal and the higher-risk, logistically difficult approach other proposers may say is best for you.

### **Low or No Adverse Effect on Retailers, Players, and the Lottery**

Our proposed Conversion Plan will culminate in the seamless system conversion with little or no impact to any users of the TLC’s gaming system. For example:

<b>Audience</b>	<b>Effect</b>
<p><b>No Delays for TLC Departments</b></p>	<p>We propose to go live with the new system on Sunday, August 28, 2011. The fact that it is a Sunday will automatically lessen any impact on TLC departments. Please refer to the paragraph entitled On-Time Completion of Conversion after this figure for details.</p> <p>The risk of coming up without key system functionality is eliminated because major components will be introduced into production in advance of Go Live and throughout the project life cycle. Outside of the agreed upon schedule there will be no unnecessary curtailing of gaming hours in order to convert the system – we don’t have to.</p>

Audience	Effect
<b>Key Conveniences for TLC Retailers</b>	<p>New communications devices, terminals, and peripherals will be live in production early, so there will be no retailer equipment issues when the new system goes live.</p> <ul style="list-style-type: none"> <li>• In the majority of cases, there will be only one visit to the retailer sites necessary to install the communications devices, terminals, and peripherals</li> <li>• Once the new terminal is installed, the old terminal will be removed. There is no need to have an idle, offline terminal sitting on or under crowded countertops or in a back room for weeks or months before it can be started up and used</li> <li>• There are no additional tasks placed on busy retailers on Go Live day. They simply come to work, sign on their lottery terminals, and proceed with business as usual</li> <li>• The task of parallel processing, which we propose to perform for two weeks to ensure accuracy of converted data, is designed to minimize any conversion impact to retailers and players</li> </ul> <p>As a result, players will be able to purchase and validate their tickets during business hours at any TLC retail location throughout the conversion period. In addition, we will perform every task for retailers in a manner that is convenient for them and enables them to remain focused on their primary business.</p>
<b>Playing Opportunities for Players</b>	<p>Ticket sales and validations will not be affected during or after the conversion. It is critically important that no player is turned away when purchasing, checking, or validating a ticket.</p>
<b>TLC Vendors and Subcontractors</b>	<p>Our Conversion Plan will preserve the business processes that TLC vendors and their subcontractors follow on a daily basis. For example, the flow of Instant Tickets from the TLC's vendor to the warehouse, and the shipping involved from the warehouse to the retailers will be unchanged.</p>

## **On-Time Completion of Conversion**

We will manage your conversion to a successful conclusion – going live with full functionality within the agreed-upon time frame. While the current contract ends on Wednesday, August 31, 2011, and thus the RFP requires the new system to go live no later than that date, we believe that it's in the best interests of the Lottery and its retailers to conduct the Go Live in the early hours of Sunday, August 28, 2011. Sundays are characterized as low-volume sales days and, in Texas, Sunday is the start of an invoice period. We believe that these two facts will make an August 28, 2011, Go Live more convenient for the Lottery, its retailers, and its players when compared to a mid-week conversion that could impact high-volume sales.

### **123.3 Project Management Process**

Everything you have read thus far in Section 10.1, Conversion Plan, could not happen without exceptional project management maturity, leadership, and expertise. GTECH's project management organization operates with one major goal in mind – to ensure timely and seamless conversions with no interruption to sales or services. We will present our proposed project management process and structure, as well as our proposed project oversight structure, to the Lottery for review, comment, and approval. Our project management process will also include working with any third-party representatives designated by the TLC as part of the oversight of the conversion project.

**GTECH's project management organization operates with one major goal in mind – to ensure timely and seamless conversions with no interruption to sales or services.**

GTECH's project management process has been perfected over 20+ years of global deliveries and as part of a continuous improvement program. Our PMO strives to be the best in the business, in terms of both individual and group qualifications as well as quality deliveries and a "customer first" approach to what is normally a stressful time for Lottery employees. We are confident that our attention to detail and experience presents the TLC with the optimal choice to lead this conversion.

## **Overview of Project Management at GTECH**

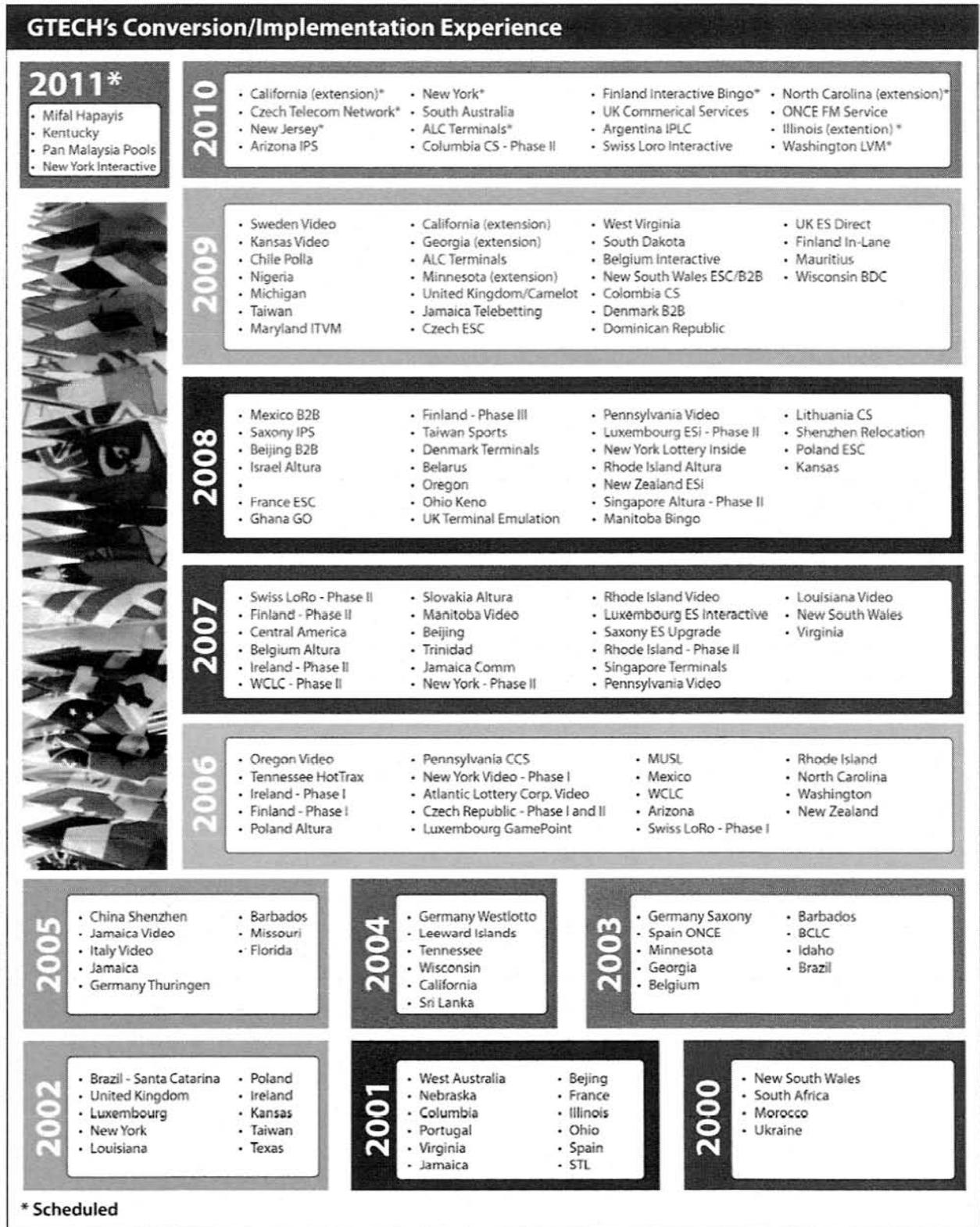
As we present an overview of our Conversion Plan and project management process, we direct the TLC's attention to those areas from which we derive the expertise to plan and execute your project. They include:

- Overall and relevant experience.
- Mature organization.
- Sound and proven processes.
- Tools.

### **Overall and Relevant Experience**

We bring to the Texas Lottery the lessons learned from the nearly 150 system, product, and service projects we have completed just since 2000, as indicated in the following figure.

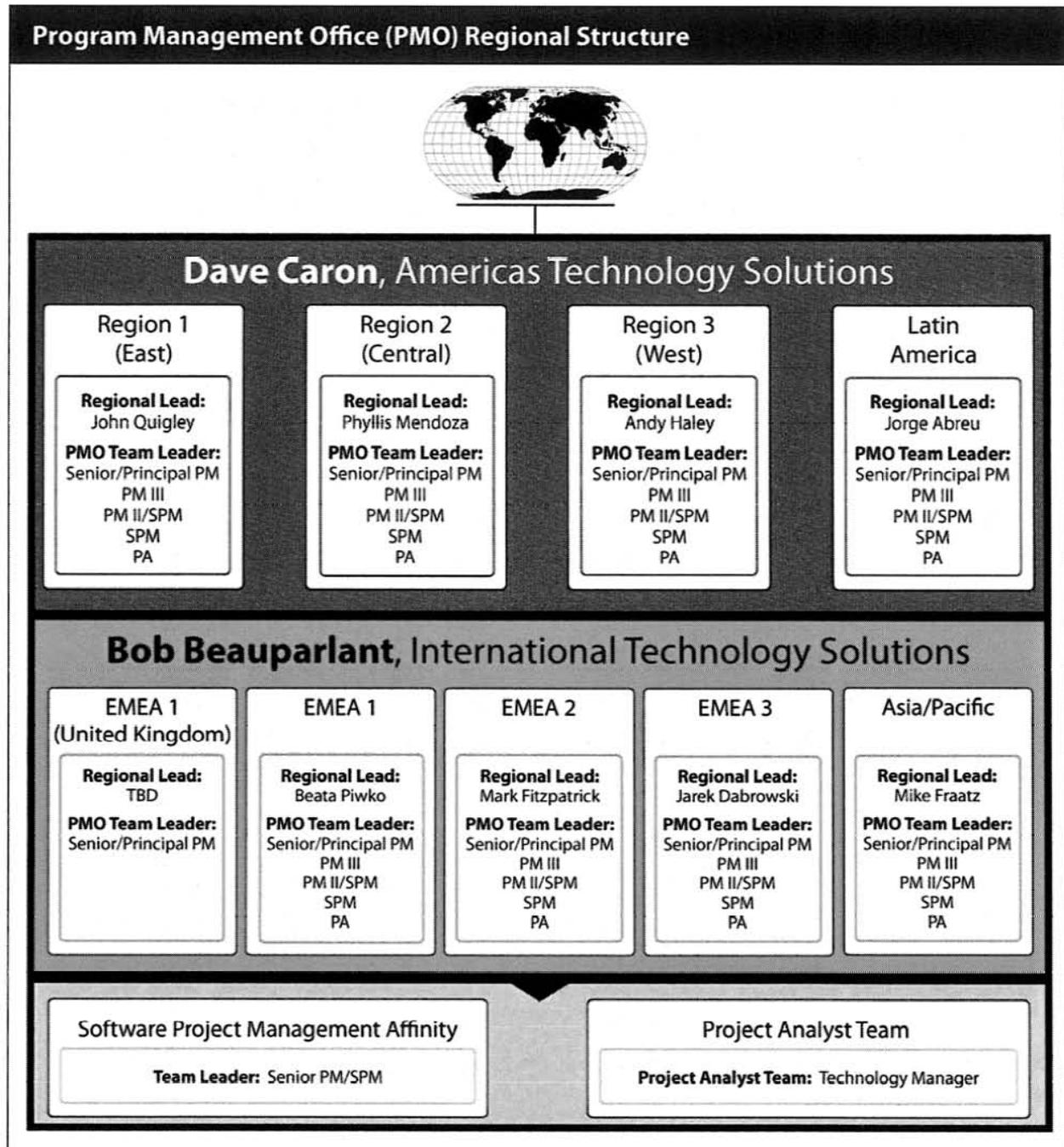
**Figure 10.1 – 5:**



## Mature Organization

The Program Management Office (PMO) consists of more than 2,500 product, project delivery, and service personnel who are allocated across GTECH's eight global regions. By regionalizing our structure, we offer our customers critical continuity of and access to specific resources, from the start of the project through the contract period. The regions are depicted in the following figure.

Figure 10.1 – 6:



**Expert Resources in All Corners of the Globe:** The structure of this organization and the oversight it provides ensure that each project receives the appropriate level of experienced leadership and continuity between project and ongoing services throughout the life of the contract.

The PMO standardizes project management practices, facilitates global project portfolio management, identifies and mitigates risk, and determines methodologies for repeatable processes.

#### **Relevant Experience for the Job**

The project management team GTECH has assigned to the Texas Lottery conversion bring more than 300 years of relevant experience. Fourteen of the assigned project leaders are already based in Texas; collectively, these individuals bring more than 60 years of Texas Lottery experience to this job.

We look at each implementation project from every possible angle. We then create a plan that meets that lottery's stated objectives and ensures minimal impact to its retailers, players, and revenue. The PMO reports directly to the Global Technology Solutions organization, which is accountable for delivering all services and solutions.

#### ***PMO Benefits and Responsibilities***

The PMO is responsible for the following:

- Defining, planning, and controlling GTECH project management standards and best practices to ensure compliance with Capability Maturity Model Integration (CMMI) software and Project Management Institute (PMI) standards.
- Working with core project teams in a mentoring and consulting capacity to guide project delivery teams in achieving project objectives.
- Monitoring all active project teams and facilitating executive status reporting for all projects.
- Ensuring quality in terms of deliveries executed on time, on budget, and with high customer satisfaction.
- Maintaining a repository of project-related information for reference.
- Training project managers, mandating Project Management Professional (PMP) certification, new Project Manager (PM) on-boarding, and conducting monthly Lunch & Learn sessions for professional development.
- Escalation point for projects with immediate access to GTECH executives for quick problem resolution.

The PMO provides the following benefits:

- **Project Support:** Provides project management guidance to project managers in business units.
- **Project Management Process/Methodology:** Develops and implements a consistent and standardized process.
- **Training:** Conducts training and certification programs.
- **Internal Consulting and Mentoring:** Advises employees about best practices.
- **Project Management Software Tools:** Selects and maintains project management tools for use by employees.
- **Portfolio Management:** Organizes a series of projects into a single portfolio to review project objectives, costs, schedules, resources, and risks.

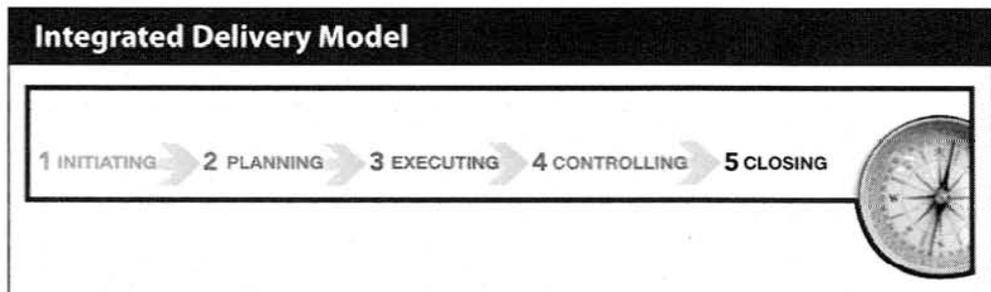
*"The Lottery and GTECH delivery teams worked in a partnership to deliver the product we expected. While it was a challenging project, it was handled professionally and was quite successful."*

– Anita Wooten, Deputy Commissioner of Administration, Michigan Lottery

## Sound and Proven Processes

The Conversion Plan GTECH prepares is built around the Integrated Delivery Model (IDM), which has five distinct phases as depicted in the following figure.

**Figure 10.1 – 7:**



Project managers follow the five phases to ensure the project follows our standards and industry best practices. The following figure provides an overview.

**Figure 10.1 – 8:  
Integrated Delivery Model Steps**

Phase	Description of Steps
Initiating	<ul style="list-style-type: none"> <li>• Opportunity capture</li> <li>• Technical strategy</li> <li>• Costing</li> <li>• Proposal</li> <li>• Contract negotiations</li> </ul>
Planning	<ul style="list-style-type: none"> <li>• Gap analysis</li> <li>• Requirements</li> <li>• Risk analysis</li> <li>• Resourcing</li> <li>• Scheduling</li> </ul>
Executing	<ul style="list-style-type: none"> <li>• Coordination</li> <li>• Implementation</li> <li>• Go Live activities</li> </ul>
Controlling	<ul style="list-style-type: none"> <li>• Change management</li> <li>• Risk management</li> <li>• Financial management</li> <li>• Schedule management</li> <li>• Reporting</li> <li>• Compliance</li> </ul>
Closing	<ul style="list-style-type: none"> <li>• Internal transition</li> <li>• Customer transition</li> <li>• Post-project review</li> <li>• Tool closure</li> <li>• Budget closure</li> </ul>

There is much more to the IDM than an overview of its major phases. For more details about the resulting steps and actions, please refer to Section 10.4, Conversion Plan General Requirements.

***Project Condition Reporting (ProCon)***

To ensure successful functioning of all systems and software at the time of Go Live, we employ an oversight and escalation procedure, Project Condition Reporting (ProCon). ProCon ensures “all eyes” availability of key resources and Senior Management during the Go Live period. ProCon was developed by GTECH as a mechanism to facilitate resource availability, identify project risk, formalize escalation and management procedures, and provide accurate project status reporting during a project’s most critical phases.

For more details about ProCon, please refer to Section 10.4, Conversion Plan General Requirements, Table 130, Subsection 130.4.a, Project Management. For more details about GTECH's approach to conversion risk management, please refer to Section 10.4, Conversion Plan General Requirements, Table 130, Subsection 130.4.g, Risk Management and Mitigation.

## Tools that Are Pertinent to the Project

Another key to effective project planning and management is the set of available tools we use to plan, schedule, and manage project activities.

### *Shared Tools*

- **MS Project:** Project schedule planning, tracking, and reporting.

### *Internal Tools*

- **Documentum:** Document repository and version control.
- **Clarity:** Project financial forecasting/resource tracking and labor allocation.
- **System Analysis and Programming (SAP):** Financial planning, tracking, and reporting.
- **processMax:** Process workflow tool for software and QA-related processes to ensure CMMI compliance.
- **MS Outlook:** Email and calendar.
- **PMO Website:** Affinity information and source for processes, templates, forms, and policies.
- **PMO Calendar:** Calendar for all active projects, information, and scheduling.
- **DOORS:** Requirements capture and management.
- **Wiki Website:** PM Frequently Asked Questions.
- **eRoom:** Weekly project status reporting.
- **Collaboration Tools:** MeetingPlace, video conferencing.
- **Quality Center:** Quality management.
- **GTECH.com:** Program and process management.
- **OPSWare:** Configuration management.
- **Alien Brain:** Code management.

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#### **Project Management with "Clarity"**

GTECH's PMO uses a tool called Clarity, an application that is integrated with Microsoft Project. Through this tool, we now manage and maintain all project implementation plans in accordance with Work Breakdown Structure (WBS) elements for reporting and forecasting project hours per resource. Clarity further assures the Lottery that we will successfully manage its conversion project on time, and with full transparency throughout.

## Project Manager Quality

All of our project managers are required to achieve PMP certification from the PMI. PMI is the internationally recognized organization that governs standard principles and procedures for project managers worldwide. The PMP certification is the project management profession's most globally recognized and respected certification. The high number of PMP-certified professionals at GTECH demonstrates the value we place on project management experience, education, and continual quality improvement. We invest in our project managers annually to complete advanced project management certification courses (e.g., risk management, problem resolution, organizational finance, etc.).

**The high number of PMP-certified professionals at GTECH demonstrates the value we place on project management experience, education, and continual quality improvement.**

The benefit of a PMP-certified project manager lies in the understanding that managing a project requires more than schedule management. It also encompasses quality and risk management. We like to point to risk management as a value to the Texas Lottery. Our expertise in establishing contingencies and mitigation strategies means that risks are less likely to impact your conversion process.

### 123.4

#### Proposed Conversion Staff

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#### Identify Conversion Staff

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Barb Tedrow, your full-time Conversion Plan Project Manager, is and will remain an integral member of the Texas leadership team long after the project is done. Michael Thornton, your corporate Conversion Plan Project Manager, brings a wealth of prior large-scale, global project conversion delivery experience (e.g., Camelot Interactive, and Wisconsin, GTECH's first-ever conversion to ) as well as PMO organizational management experience to the team.

### **Highly Qualified Project Team Leaders**

Your project team leaders, Barbara Tedrow and Michael Thornton, have been selected from among the more than 100 certified Project Management Professionals (PMPs) and 13 Certified Associate in Project Management (CAPM) professionals in our project management organization and elsewhere within the company.

Experience matters to the TLC. And there is no other proposer that can provide the level of experience needed to achieve a successful conversion of a Texas-sized system. The team we propose, which is also discussed in Section 4.3.2.f, Transition Team, will be ready to work on the day you award the contract because:

- **They are Texas-experienced.** Of the full-time conversion staff, more than a dozen have worked in some capacity on the Texas Lottery account.
- **They are already based in Texas.** Having that level of Texas-experienced personnel and expertise close by means that issues are identified and problems solved quickly by people you know.
- **Each local team member is paired with corporate counterparts.** The corporate resources will support the project through their expertise, accessibility, and ability to escalate issues or provide additional resources.
- **Their project work is regionalized.** They are assigned to the Western region in which Texas is located and, as such, offer continuity of access and service during conversion and throughout the contract period and any extensions thereafter.
- **They are committed to success in Texas.** As native Texans or long-time residents, their commitment to their home state is a significant plus when compared to teams made up largely of personnel from out of town or outside the United States.

### **Experience You Already Trust**

GTECH gives you the advantage of a team of Texas-based, TLC-experienced people, including Hal Walker, Eric DeFazio, Nick Watts, Jim Brannon, and more, and the support of Regional Lead Andy Haley and corporate project management resources and executives actively engaged in the management and overall oversight of the Texas project.

### **Full-Time and Other Conversion Staff**

Please refer to **Exhibit 1, Resumes**, which is located in the Exhibits Volume, for the resumes of our proposed conversion staff.

GTECH has assembled counterpart teams from its Texas and Corporate organizations to ensure that your project is managed by people who know your operation, are subject matter experts within their respective disciplines, and/or can access senior management or any additional resources the project may require. The following insert, **Transition Team Organizational Chart**, depicts the core project leadership team that will be assigned to the Texas conversion on a full-time basis until their respective responsibilities have been completed.

Each of the people assigned to these roles, as described in the following figure, is critical to the conversion’s ultimate success. The figure designates which personnel are assigned to the project on a full-time or otherwise basis.

**Figure 10.1 – 9:  
Description of Conversion Staff Roles**

Project Role	Texas Resource	Experience	Corporate Resource	Experience
Project Manager	Barbara Tedrow*	<ul style="list-style-type: none"> <li>• 15 years at GTECH, 8 as project manager</li> <li>• Based in Texas</li> <li>• Most recent project was Michigan Lottery conversion</li> <li>• PMP-certified</li> </ul>	Michael Thornton	<ul style="list-style-type: none"> <li>• Total of 15 years at GTECH</li> <li>• PMP-certified professional</li> <li>• Led PMO for 3 years</li> <li>• Former director of operations for GTECH-California</li> </ul>
Systems Engineer	Nick Watts*	<ul style="list-style-type: none"> <li>• 11 years at GTECH</li> <li>• Designed and developed sales force automation solution</li> <li>• Implemented Business Process Management framework</li> <li>• Designed Single Ticket Accounting and activations at the point of sale</li> <li>• Conversion experience in Finland, the United Kingdom, New Zealand, South Australia, Western Australia, and New South Wales</li> <li>• Information Technology Infrastructure Library (ITIL)-certified</li> </ul>	Dan O’Connell	<ul style="list-style-type: none"> <li>• 19 years at GTECH</li> <li>• Technology Lead for 2009 U.K. conversion</li> </ul>

Project Role	Texas Resource	Experience	Corporate Resource	Experience
Network Rollout Manager	Hal Walker*	<ul style="list-style-type: none"> <li>• 24 years at GTECH</li> <li>• Instrumental in ISYS® conversion for TLC's 16,000 retailers</li> <li>• Regular interaction with NRO, NRC, and sales force functions</li> </ul>	Dustin Larson	<ul style="list-style-type: none"> <li>• 7 years at GTECH</li> <li>• NRO Senior Project Manager</li> <li>• Conversion experience in New York, Michigan, West Virginia, South Dakota, Florida, and many other U.S. and international sites</li> </ul>
Software Project Manager	Jim Brannon*	<ul style="list-style-type: none"> <li>• 11 years at GTECH</li> <li>• PMP-certified professional</li> <li>• Successful system and software rollouts in Chile, New Jersey, Oregon, Missouri, and more</li> <li>• CMMI software upgrades in Washington, Missouri, Illinois, Minnesota, and New Jersey</li> </ul>	Joyce Johns	<ul style="list-style-type: none"> <li>• 14 years at GTECH</li> <li>• PMP-certified professional</li> <li>• Conversion experience in nearly 10 GTECH sites</li> </ul>
Terminals Project Manager	Hal Walker*	<ul style="list-style-type: none"> <li>• Oversaw ISYS conversion</li> <li>• Oversaw ITVM upgrade, and Self-Service Terminal (SST), Enhanced Parallel Port (EPP), and GamePoint installations</li> </ul>	David Modelane	<ul style="list-style-type: none"> <li>• 10 years at GTECH</li> <li>• Responsible for ITVMs</li> <li>• Experience in New York, New Jersey, Michigan, and Florida</li> <li>• Currently leading Connecticut project</li> </ul>
Retailer Training Project Manager	Charles Howard*	<ul style="list-style-type: none"> <li>• 18 years at GTECH</li> <li>• Sales and training experience in Texas and other GTECH sites</li> </ul>	Jonathan Dumont	<ul style="list-style-type: none"> <li>• 11 years at GTECH</li> <li>• Langevin Learning and Project Management-certified</li> <li>• Widely experienced (28 U.S. and international sites)</li> </ul>
Infrastructure Project Manager	David Schwalm*	<ul style="list-style-type: none"> <li>• 13 years at GTECH</li> <li>• Leads local team of 10 senior Information Technology (IT) professionals</li> <li>• Projects include Texas satellite hub, data center conversion, sales and QA staff relocation, Annual Technology Planning Cycle, <i>Powerball-Mega Millions</i></li> <li>• ITIL-certified</li> </ul>	Javaid Vendal	<ul style="list-style-type: none"> <li>• 6 years at GTECH</li> <li>• PMP-certified professional</li> <li>• Experience includes New York, Michigan, Colombia, West Virginia, Kansas, Kansas Video, Mexico, Virginia, Oregon, and Manitoba</li> </ul>

**Confidentiality Claimed**  
**Not released**

Project Role	Texas Resource	Experience	Corporate Resource	Experience
Communications Project Manager	Patrick Moore*	<ul style="list-style-type: none"> <li>• 22 years at GTECH</li> <li>• Texas projects include satellite communications for the first Texas ticket printed on a Lottery terminal for the Texas AMBER Alert, installation of a 4.5- meter satellite earth station, Texas Lone Star project, expansion of Texas wireless retail locations from 232 to 5,300 sites</li> </ul>	Tom West	<ul style="list-style-type: none"> <li>• 19 years at GTECH</li> <li>• Total of 30 years technical and field engineering experience</li> <li>• Technical advisor on more than 40 GTECH projects, including Texas</li> </ul>
Facilities Project Manager	Gary McIlroy*	<ul style="list-style-type: none"> <li>• 1 year at GTECH</li> <li>• Experience with BDC buildouts in Wisconsin, New York, and New Jersey</li> <li>• Managed DCA power upgrade and building expansion</li> </ul>	Quentin Chafee	<ul style="list-style-type: none"> <li>• 2 years at GTECH</li> <li>• 24 years of construction and development experience</li> <li>• Oversaw electrical and cooling expansion project at the DCA in Austin</li> </ul>
Operations Support Project Manager	Eric DeFazio*	<ul style="list-style-type: none"> <li>• 12 years at GTECH</li> <li>• Direct responsibility for SAS70 audits</li> <li>• Conversion experience in California, Israel, France, United Kingdom, and more</li> </ul>	John Anderson*	<ul style="list-style-type: none"> <li>• 20 years at GTECH</li> <li>• Experience with more than 30 conversion and startup projects</li> <li>• Expertise includes site, QA, operations support, and infrastructure.</li> <li>• Director of the DCA.</li> </ul>

Project Role	Texas Resource	Experience	Corporate Resource	Experience
Quality Assurance Project Manager	Ray Castillo*	<ul style="list-style-type: none"> <li>• 16 years at GTECH</li> <li>• Multiple software and IS certifications</li> <li>• Experienced at engineering integration and system tests for systems</li> <li>• Supports UAT and software release management</li> </ul>	Ken Perry	<ul style="list-style-type: none"> <li>• 13 years at GTECH</li> <li>• Recent project work includes New York, New Jersey, Michigan, West Virginia, South Dakota, United Kingdom, and Finland</li> <li>• Experienced in CMMI and the Standard CMMI Appraisal Method for Process Improvement (SCAMPI)</li> <li>• Certified for NASPL Standards Initiative (NSI) Best Practice for Quality Assurance in Requirements Definition and Development Process</li> </ul>
Requirements Lead	Homer Diaz*	<ul style="list-style-type: none"> <li>• 14 years at GTECH</li> <li>• Certified Business Analyst</li> <li>• Lead analyst for California Extension and Oregon conversion.</li> <li>• Analyst for United Kingdom system conversion</li> </ul>	Doreen DeLuca	<ul style="list-style-type: none"> <li>• 13 years at GTECH</li> <li>• Recent project work includes United Kingdom, Oregon, New York, West Virginia, Michigan, South Dakota, Chile, Saxony, Beijing, Taiwan Sports Betting, Virginia, North Carolina, Kansas, and New Jersey</li> <li>• Oversees the group that will write Texas Lottery requirements</li> </ul>
Human Resources Lead	Daisy Bolivar*	<ul style="list-style-type: none"> <li>• 2 years at GTECH</li> <li>• Served Texas and six other sites</li> <li>• Works on Texas Lonestar newsletter, <i>iSpeak</i></li> <li>• Provides monthly reports to the TLC</li> <li>• Certified HR professional</li> </ul>	Dorothy Costa	<ul style="list-style-type: none"> <li>• 12 years at GTECH</li> <li>• Supports the Western Region on issues relating to compensation, organizational planning, performance management, recruitment and staffing, employee relations, safety, and training and development</li> </ul>

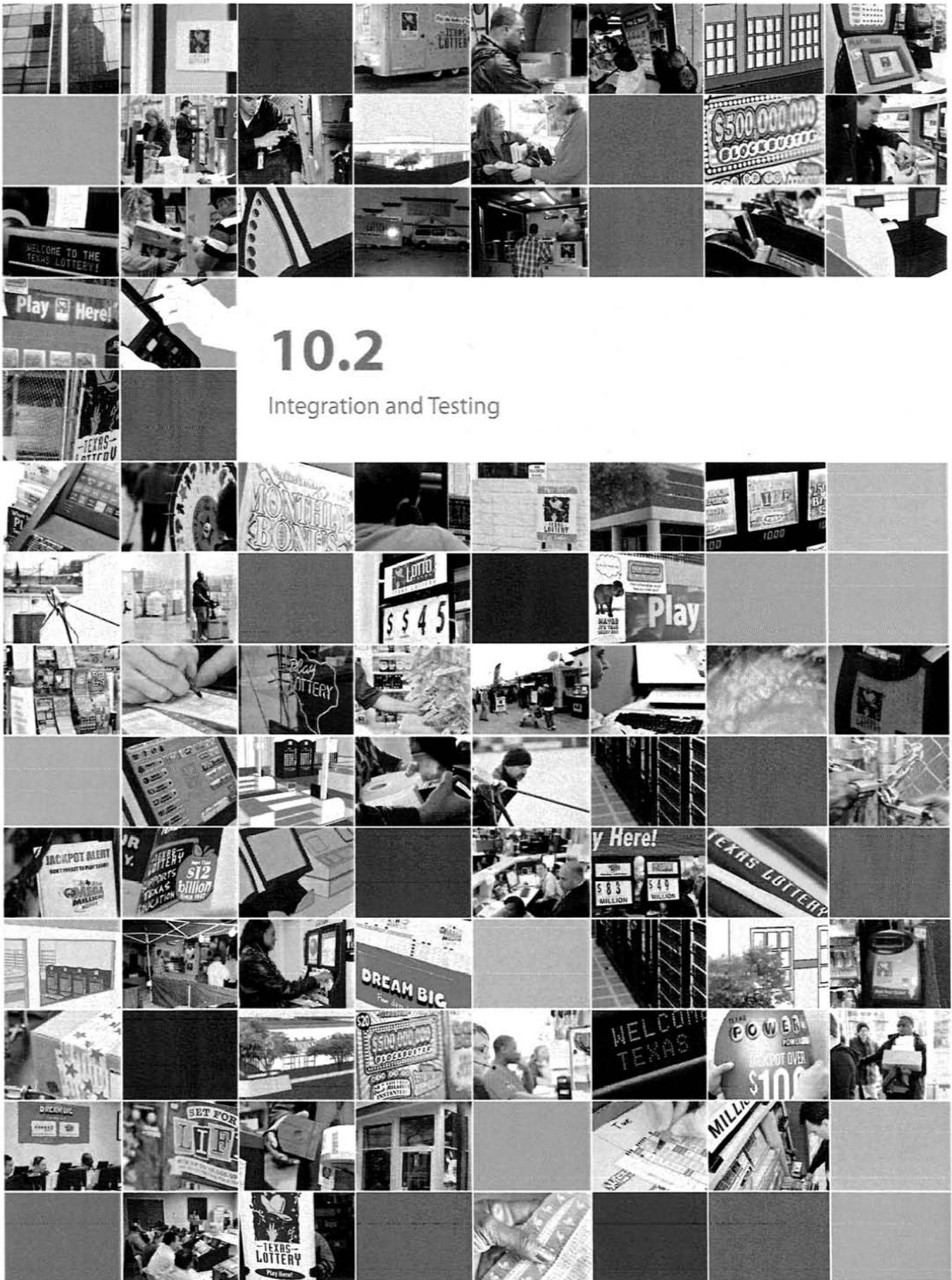
\*Indicates full-time assignment to the Texas Lottery's conversion project.

Your conversion will be managed by certified professionals whose project management expertise has been honed from years of relevant experience. They will use project management best practices and tools and keep you always apprised and engaged. We will also offer continuity of service to the Lottery in that members of the team that deliver this project will continue to be accessible to the Lottery during conversion *and* throughout the contract period.

### Other Conversion Staff

As indicated in the previous figure, we have assembled a project team that consists of Texas-based and corporate resources. The corporate team comprises the “other staff” that may not be assigned to the TLC conversion project on a full-time basis.

In summary, the Texas Lottery can be confident that GTECH’s conversion planning, project management processes and organization, and assigned conversion staff will, in cooperation with the TLC, perform a seamless conversion that upholds your core values and enables business as usual, both during the conversion and on the Go Live day.



# 10.2

## Integration and Testing

# 10.2

## Integration and Testing

### Introduction

The Texas Lottery will gain a huge advantage with GTECH's Conversion Plan. Due to the fact that we began converting your large, complex gaming system more than 18 months ago, you will be able to have a test environment available as soon as you award the contract. Thanks to our precontract work, you will be able to begin exercising the system right away on a system already capable of selling tickets.

We have processes, personnel, and tools in place to support the Lottery's acceptance tests. We will have the testing site facilities at our Data Center of the Americas (DCA), in Austin, which is within 30 miles of the State Capitol, and we will provide the ability for the Texas Lottery to test from its headquarters building. The testing facility will contain all necessary and required computer hardware, communications hardware, software, and at least six test sales terminals representing each planned retailer sales terminal type and appropriate attachments. It will also include six additional non-sales terminals installed and operational for integration, system, and acceptance testing to be completed prior to the scheduled conversion.

We will schedule acceptance testing support into the Conversion Plan to begin no later than June 1, 2011. We will also support your acceptance testing of the Backup Data Center (BDC) in the San Antonio area, and the required Internal Control System (ICS) interfaces, which will take place prior to conversion.

### **Table 126** **Integration and Testing Response Requirements**

#### **126.1** **Roles, Responsibilities and Detail Requirements**

GTECH acknowledges and accepts the roles, responsibilities, and detail requirements indicated in this section.

## 126.2 Integration and Testing Process

Our Conversion Plan for Texas includes all of the tasks required for integration and testing of all of the components and applications of your new lottery gaming system.

GTECH uses established guidelines for integration and testing processes. These guidelines provide directional and operational guidance for our delivery teams. Certified to Level 4 of the Capability Maturity Model Integration (CMMI-DEV) for life cycle software services, GTECH's Texas conversion team will leverage the CMMI best practices and the Project Management Body of Knowledge (PMBOK) for Project Quality Management and International Organization for Standardization (ISO) 9001 and 9126 fundamentals for Quality Planning, Assurance, and Control processes and procedures.

**GTECH benchmarks its certification level against companies such as Accenture, Daewoo, Lockheed Martin, Ricoh, Siemens Automotive, and more, across a broad spectrum of industries.**

GTECH benchmarks its certification level not just in the lottery industry but against some of the best companies, such as Accenture, Daewoo, Lockheed Martin, Ricoh, Siemens Automotive, and more, across a broad spectrum of industries. The full list can be found at <http://sas.sei.cmu.edu/pars/pars.aspx>.

### Overview of the Integration and Testing Process

GTECH's approach to system delivery integration and testing is to iteratively build and test the system, and assess and replan as necessary throughout the delivery. The steps we follow are presented in the following list:

1. **Planning:** Project planning, risk assessment, quality strategy, and test planning.
2. **Requirements:** Business process decomposition into technical requirements.
3. **Build-Test-Correct (BTC):** Feature development, and functional and integration testing.
4. **Functional System Testing:** End-to-end feature/function and business process tests.
5. **Non-Functional System Testing:** Production-ready performance, anomaly, and security testing; data conversion; and parallel processing against production system and data.
6. **Acceptance Testing:** Customer/business (user) acceptance.

GTECH governs this process through transparency, verification, and sign-off of vital artifacts created by the process itself. Artifacts may include planning documents, such as the Conversion Plan, Software Development Plan, and Test Plan; they may include specifications such as Software Requirements Specifications (SRSs), designs, and test cases; and they may include status documents, such as metrics, the Traceability Matrix, and test results.

Although not a complete list of the full Integrated Program/Project Management artifacts, the following processes and artifacts specifically relate to GTECH's integration and testing processes for Texas. Many artifacts are updated and maintained throughout the remaining phases as situations dictate, and therefore are repeated within multiple phases.

**1. Planning:**

- Project Plan.
- Risk Plan.
- Test Plan.
- Configuration Management Plan.
- Acceptance Criteria and Acceptance Test Plan.

**2. Requirements:**

- SRSs and Reviews.
- Non-Functional (Integration, Capacity, Availability, Security, Data/File) Test Requirements.
- Traceability Matrix.
- Metrics and Key Performance Indicators.

**3. Build-Test-Correct:**

- BTC (Release) Plan.
- Designs and Reviews.
- Test Cases and Sets.
- Test Construction Status.
- Test Execution Status.
- Pass Rates.
- Traceability Matrix (Requirements).
- Software Release Notes.
- Bug Details, Statistics, and Find/Fix/Close Rates.
- Key Performance Indicators.
- Phase Readiness Reviews.

#### **4. System Testing:**

- Functional System Test Script and Logical Day Scenarios.
- Performance, Anomaly, Failover, Backup, and Security Test Cases and Sets.
- Data Conversion Test Cases.
- Parallel Processing Test Cases.
- Test Construction Status.
- Test Execution Status.
- Pass Rates.
- Bug Details, Statistics, and Find/Fix/Close Rates.
- Key Performance Indicators.
- Phase Readiness Reviews.

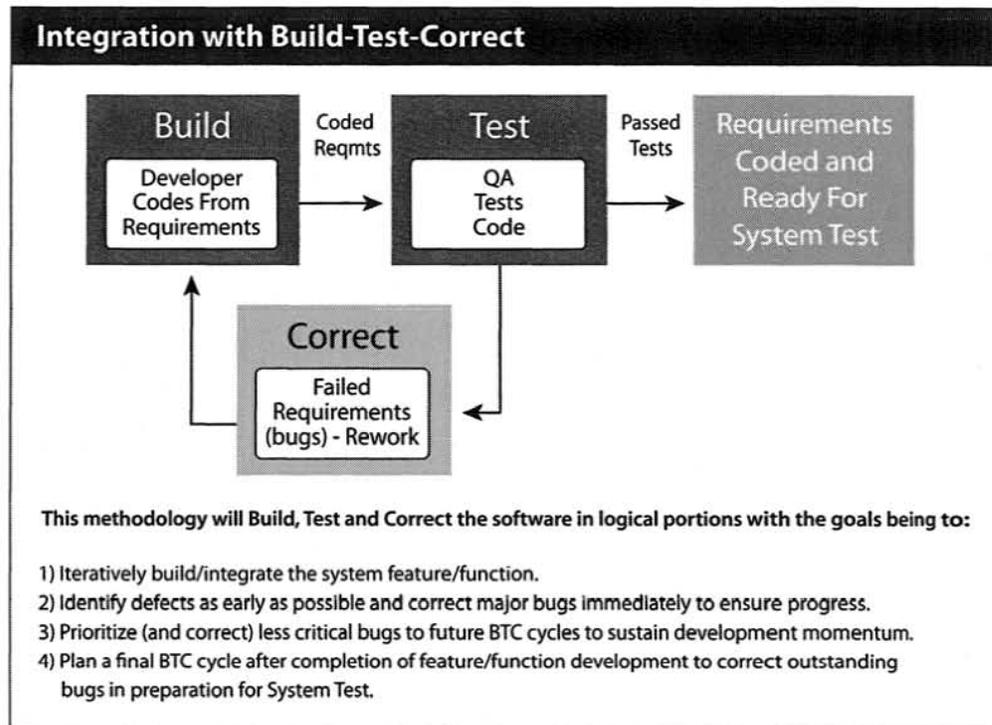
#### **5. Acceptance Testing:**

- Acceptance Test Cases, Sets, Script, and Scenarios.
- Test Construction Status.
- Test Execution Status.
- Pass Rates.
- Traceability Matrix (Requirements).
- Bug Details, Statistics, and Find/Fix/Close Rates.
- Key Performance Indicators.
- Phase Readiness Reviews.

At the heart of GTECH's integration and test approach is the BTC method, an iterative approach to creating software and verifying it against the Lottery's business requirements to ensure that any defects are corrected as early as possible.

The following figure depicts how the BTC cycle will assure the Lottery that the new system will match its requirements.

**Figure 10.2 – 1:**



**Ready for Testing:** GTECH will use Build-Test-Correct for software integration to ensure that the system matches the Texas Lottery’s basic and customized requirements.

### Release Notes

We will provide release notes for each release of software we present to the Lottery for testing. Our release notes will demonstrate good configuration management practices, and every release will be identified by a version number. Any changes will be clearly defined. GTECH will provide release notes during the conversion period, and throughout the entire contract.

The following paragraphs provide an explanation of GTECH’s release notes guidelines.

#### *Release Notes Guidelines*

Release notes, a release description document, must be prepared to identify the content and any changes made for each software release. Release notes are required because they detail the content and all the changes made in a particular software release. This helps the tester and/or the TLC to determine which areas and/or items must be verified or retested.

Release notes enable software engineers to convey to the test group (and others) the exact code that was changed, the reason the code was changed, and any special testing conditions that the test group should exercise. Information relating to the code reviews and design reviews for the released software must also be included within the release notes.

Release notes are required for all software and firmware deliveries. There are no exceptions. Release notes must be supplied to the test group before software is released for testing. The test group will reject any software release if release notes are missing or incomplete.

## Quality Management

The PMBOK model for quality management provides insight into GTECH's preparation and execution of project quality management activities and is comprised of three main process areas:

- **Quality Planning:** Identifies which quality standards are relevant to the project and determines how to satisfy them.
- **Quality Assurance (QA):** Evaluates overall project performance on a regular basis to provide confidence that the project will satisfy relevant quality standards.
- **Quality Control (QC):** Monitors specific project results to determine if they comply with relevant quality standards and identifies ways to eliminate causes of unsatisfactory performance. (*Source: PMBOK.*)

The following pages describe these processes and their benefit to integrating and testing the Texas Lottery's new system.

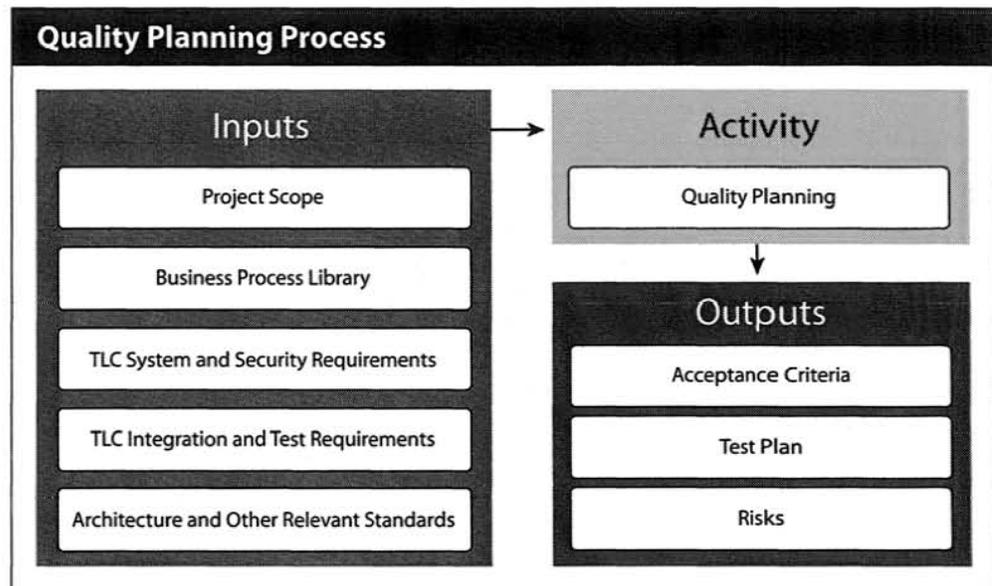
## Quality Planning

Quality planning starts at the inception of the project. GTECH Subject Matter Experts (SMEs) assess the scope of the project and the quality standards required to meet Texas Lottery requirements. They then translate them into a plan of activities, tasks, staffing, resources, and control measures to ensure the proper conduct, oversight, and reporting of quality assurance and control activities.

The following figure depicts the Quality Planning Process that is part of our Integration and Testing Process.

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Figure 10.2 – 2:



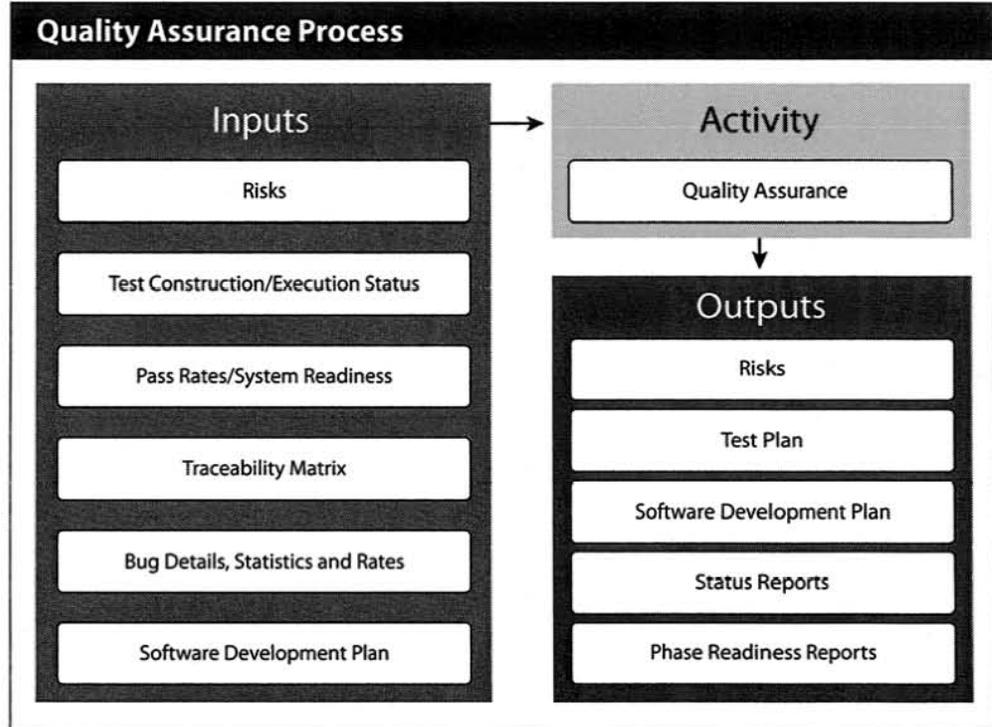
### Quality Assurance

GTECH applies a structured approach to management information and status reporting during a project. This will ensure that we are providing appropriate quality assurance transparency to internal GTECH management and Texas Lottery personnel. Such a structure also facilitates continuous monitoring not only of the project's health and progress but also of the quality of your new system as the deliverable components progress through their respective requirements definition, design, development, and test phases.

Quality assurance activities occur throughout the project life cycle. It is important to constantly monitor the current status of the project through Key Performance Indicators and metrics, reassess risks, and make necessary adjustments to the plan to ensure success.

The following figure depicts quality assurance in the Conversion Plan.

Figure 10.2 – 3:



### Quality Control

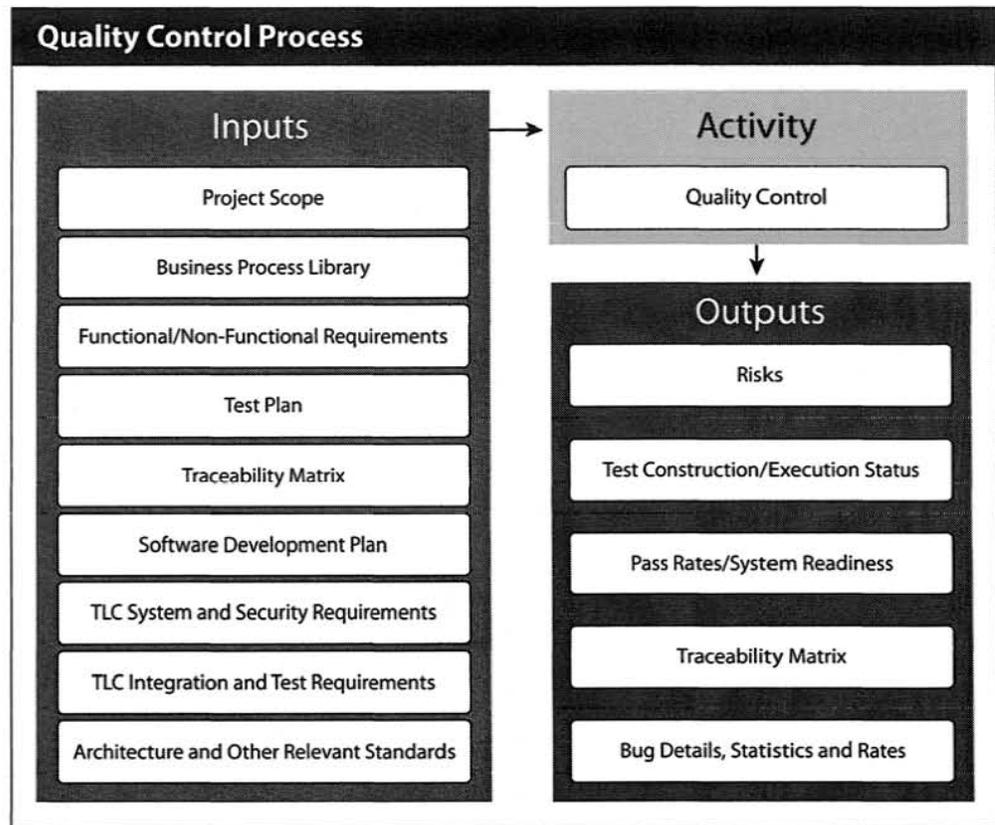
GTECH’s approach to quality control and testing methodology is designed from acceptance and drives backward through the different phases of the conversion project life cycle. The reason for this approach is to ensure we are primarily and continuously focused on assessing the quality and status of your new system from the end-business-user perspective while maintaining the security, data integrity, and other essential system standards that you have set forth.

As the most experienced technology provider in the lottery industry, and with 18 years of service to the Texas Lottery, GTECH knows that one of its primary objectives has to be to provide you with the technology that will drive your business in the most efficient and effective manner possible. We believe your new system will achieve that goal, and our integration and testing processes are geared to ensure your business processes have been implemented to meet your requirements. Therefore, establishing acceptance criteria and acceptance tests up front will enable the Texas Lottery and GTECH to collaborate and establish the proper expectations for system acceptance. As a result, there will be no doubt, once acceptance has been successfully achieved, that all risks have been addressed for going live with your new system.

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The following figure depicts our quality control process for Texas.

**Figure 10.2 – 4:**



The test design process applied by GTECH delivery teams is built around industry best practices for test portfolio management and adheres to our CMMI-DEV framework. The guidelines prescribe a consistent approach to test design to ensure test reusability, enhanced management, and customer visibility into the quality of the software deliverables.

The following figure provides a detailed look into how the test design process combines integration and test planning, BTC, and the three quality phases.

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**Figure 10.2 – 5:**

## Tools

These guidelines will help us to implement a requirements-based approach, whereby business processes captured in the Business Process Catalog are decomposed into technical requirements and captured within DOORS, GTECH's preferred requirements management tool. In addition to serving as the trusted source for all Requirements Definition and Management processes, including Change Control, DOORS serves as the main input for test coverage analysis and construction.

### **How DOORS Improves on Past Requirements Tools**

- DOORS is more reliable and not likely to experience downtime issues.
- It also has an active user community through which GTECH can participate in solving problems.
- It improves response time through its database design.
- It has flexible output formats that do not require the use of complex macros.
- It helps avoid work-around solutions thanks to its robust and flexible features.

GTECH uses industry-leading, top-tier tools for manual and automation testing of functional requirements. Documentation for using these tools provides the overall end-user instruction for tool features. The test automation suite/tool maintains an extensive online documentation library comprising application user guides, tutorials, articles, user discussion forums, alerts, news archives, and educational services. GTECH uses a majority of these standard practices out-of-the-box with very limited customization limited to workflow, fields, and lists.

Each project maintains strict requirements management, including change control, of approved customer requirements. The requirements are housed within the DOORS requirements management tool, where they are exported to the test management tool for test design and management activities. The requirements structure in the test management tool is kept consistent with the structure synchronized from DOORS, whose structure is based on each application's SRS. Any necessary changes to requirements will go through our Change Management process, and with full accountability.

## Testing Support Personnel

We apply a collaborative approach to quality, with all functional areas contributing to a successful quality assurance program. The QA Lead role, along with the Lead Business Analyst, System Engineer, Technical Leads, and Software Project Management, is responsible for achieving a high-quality delivery. For Texas, this means that the quality of your system will be driven by people like Ray Castillo, Homer Diaz, Nick Watts, Jim Brannon, and other long-time, Texas-experienced technical resources. This team, and thus the Texas Lottery, will have the support of corporate testing and technical resources to assure you of a new gaming system of the highest possible quality.

Our testing support personnel will be capable of modifying the system and the support systems during acceptance testing. They will be assigned to the Texas Lottery on a full-time basis (at least 40 hours per week) during acceptance testing. Each of them is already familiar and experienced with the hardware and software being tested.

GTECH's Texas-based QA team will prepare and complete the QA Test Plan through peer review approval using the template provided. The QA Lead and the team will then analyze requirements in the test management tool to ensure attributes are correctly set and allocate the requirements to the appropriate Test Engineer personnel for construction and execution of Test Cases.

QA Test Engineers design manual tests within the test management tool using standard practices for Test Case construction. Those practices include but are not limited to the following:

- Clearly describing the intent of the test. If the test proves an error is presented, the description must identify the error being injected and the ability of the system to present an error message when the action is complete. If the test proves a success scenario for a function, the description must include these goals.
- Ensuring preconditions and additional instructions needed for preparing to execute the test are clearly articulated. Examples include predecessors (datasets), ticket stock, terminal printers, signs, etc. All preconditions must be identified.
- Adding Post Conditions, when applicable, to ensure explicit expected results most directly matching the intent of the test. Other statements may be made if multiple expected results occur; however, the first statement must cover the main intent of the test.
- Identifying applicable Values to Required Test Fields to ensure the test is carried out within control limits.
- Adding Instruction Steps and Expected Results.

Tests are then mapped to the source requirement. As a standard practice, GTECH Test Engineers strive to achieve a three-to-one relationship between Test Cases and requirements. This three-to-one relationship, although not always applicable, ensures that we are covering normal flow(s) of a feature or function, alternate flow(s), and exceptions (error handling). It has proven to be highly successful in identifying not only defects that may have been introduced in the coding phase, but potential design and/or requirements defects that may have been overlooked.

The test management tool facilitates linkage of test coverage to requirements for traceability, which is at the heart of GTECH's methodology for requirements-based testing. Transparency is provided through standard report capability inherent within the test management tool. This will assure the Lottery that requirements are traced throughout the testing phase, and that we will report out on testing progress and system readiness via successful test execution.

Once tests are constructed, reviewed by senior Test Engineers and approved for execution, they are arranged in sets to facilitate the execution stage. Aligning test sets to match the software release schedule ensures an efficient test management approach to successively integrating system functionality through an iterative BTC process until all requirements have been delivered and tested.

GTECH Test Engineers are encouraged to design a series of tests that will have a high likelihood of finding errors, a high likelihood for reuse, and a low likelihood for rework. The steps toward achieving this goal include implementing black-box Test Case design techniques that exercise the requirements of the software and implementing white-box Test Case design techniques that exercise the internal logic of software components. The black-box strategy bases tests on requirements documents and functional design specifications. The white-box strategy bases tests on internal design specifications or code. The following list identifies a breakdown of the recommended test methods.

- **Black-Box Tests:** Provide functional requirements coverage. Ensure coverage for equivalence classes and code path coverage as well as boundaries between equivalence classes, the edges of each class, and beyond the edges.
- **Risk-Based Tests:** Provide sufficient coverage on high-risk areas of the system using generic risk lists.
- **Usability Tests:** Design tests ensuring the intended user can meet his or her goals using the system being tested.
- **White-Box Tests:** Design tests covering the internal actions of the system such as daily processing or protocol handling, focusing on interfaces not typically covered by client applications.
- **Scenario Tests:** Build test sets that are realistic and that combine multiple features similar to what a real user would attempt.

For Texas, it is important to note that the test management tool contains functionality that enables us to design automation test suites around a business process. Manual tests, as described previously, are used as the basis of coding the business process components using the test automation suite/tool. Once the components are coded, Test Engineers are able to build business process tests that target a specific business process, trace it to system requirements, and execute automatically via interface control of the test automation test tool. Execution status is sent back from the tool to the test management tool and collated with manual test results to provide a single, cohesive view into test results. This is meaningful to the Lottery as it will enable your management, staff, and retailers to perform “business as usual” during and at the time of conversion.

## The Benefits of Test Automation

GTECH has made significant investments in the use of technology for test automation. Although the primary goal of test automation is to expand test coverage, an additional benefit is to decrease the test duration to achieve the test coverage. The decrease in testing time is accomplished by eliminating manual labor by leveraging simulators to send the multitude of (and ever-expanding) permutations of wagers and transactions that cater to the TLC's sophisticated players.

### Improvements and Efficiencies from Test Automation

For recent system deliveries for New York and New Jersey, GTECH has implemented test automation tools to increase coverage of transaction permutations covered during system testing by 10 times while decreasing the time to accomplish this coverage by more than 50 percent.

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The automation tool portfolio that our QA Test Engineers currently use contains tools to automate gaming functions, initialize core ) functions through remote procedure calls, and export selected reports to a user's PC for balancing configurable financial data across a report set.

GTECH builds a set of industry-recommended test automation tools that facilitates the delivery of quality solutions and services. This automated process has decreased manual Test Case definition time from weeks to hours.

With the implementation of QA and engineering best practices for all its automated testing of software product lines, GTECH delivers lottery solutions with exceptional quality and within minimal time lines. The automated game matrix provides the ability to automatically create game transactions based on your game matrix via a transaction simulator real-time connection with the GTECH . Test automation provides a great opportunity to automate within product and in solution deliveries, thus reducing the overall effort required to perform quality testing in product, implementation, and services projects.

We recognize the importance of implementing a secure, controlled and well-organized quality program. Having personnel and testing resources committed to our deliveries ensures that proper oversight and control are maintained for the test environments and the software configuration management required to meet your needs. We will support your testing efforts until you deem the system ready – when all hardware and software items are installed and configured to operate in the Lottery’s environment and according to the Lottery’s standards.

We will support your testing until it is successfully completed – in other words, when all components of the system have been tested and all significant issues identified during testing have been resolved by GTECH and validated by the Lottery. The Lottery will have our support in developing and agreeing upon detailed criteria to be met prior to the system being accepted and put into production. The following section describes our acceptance testing process and criteria.

### **126.3 Acceptance Testing Process and Criteria**

Within this section of the RFP, the Texas Lottery has provided many detailed requirements regarding its expectations for acceptance testing and criteria. Within the RFP, you have also requested that proposers provide further insight into proposed acceptance testing processes and criteria. GTECH acknowledges that the Texas Lottery will take a comprehensive approach to acceptance testing and will conduct any acceptance testing that the Lottery deems necessary. We will work with you as you determine any acceptance test as passing or failing after the results determine whether or not you accept an application or a change to an application.

As described in the previous section, we will perform and document extensive self-testing, debugging, security testing, and quality assurance on all software prior to submitting it to the Lottery for acceptance testing. All software we submit to you will be fully operational and principally ready for production use, and the Lottery reserves the right to reject the software.

Any system we present for acceptance testing will be identical to the gaming system. If the Lottery requires documentation of the nature of the system, GTECH will provide it. The system will have all security controls and encryption schemas in place during all tests. The system used for acceptance testing will also have working interfaces that are identical to those in the production system.

### **GTECH's Approach to Acceptance Testing**

We would like to propose an approach to the acceptance testing process that we feel makes efficient and effective use of validation and verification techniques widely accepted within the technology industry as a whole and consistent with the lottery industry's best practices as described in the NASPL Standards Initiative (NSI) Best Practice for Quality Assurance of Product Development in the Lottery Industry. This best practice provides a set of processes and procedures that address quality assurance requirements throughout the hardware and/or software production cycle – from requirements specification through design, implementation, and testing, to acceptance and deployment. NSI has defined the scope of this best practice set generally enough for many software and hardware production environments while addressing several quality assurance aspects that are specific to the lottery industry. These consist of the following:

- **Requirements Definition:** The requirements for the system or system components must be defined, documented, agreed-upon, and approved by both the supplier and customer of the system. Best practices need to validate that this process happens, the correct information is specified, and the right processes are used in reaching agreement between vendors and the Lottery.
- **Development Process:** We use a development process that covers design, implementation, testing, problem tracking and resolution, change control management, and release and installation. The process needs to include adequate documentation and approval phases.
- **Acceptance Testing:** We utilize a defined acceptance testing process and plan that is typically agreed upon during requirements definition and carried out in a controlled environment during acceptance test execution.

GTECH is currently certified under the NSI Quality Assurance Best Practices for Requirements Definition and Development Process. By applying these and the NASPL best practices for acceptance testing, both the Texas Lottery and GTECH will benefit through the use of consistent standards and terminology common to the lottery industry. In addition, they will follow an approved and repeatable method for the purpose of meeting the goals and objectives of the Lottery through hardware and software deployment.

NSI's suggested method for creation of an Acceptance Test Plan includes the following steps:

- Analyze the product to be tested (in this case, the system conversion), including performing a risk analysis.
- Determine the testing strategy.
- Identify entry, suspension, resumption, and acceptance criteria.

GTECH has provided various acceptance testing support throughout our history, including in Texas. Our acceptance testing support ranges from operation support of the system while the customer conducts testing, to actual conducting of acceptance testing test cases and reviewing results with customers. GTECH will have on-site, dedicated QA, software, infrastructure, and User Acceptance Testing (UAT) resources available to support your team during UAT.

## Acceptance Testing Criteria

The following pages contain the criteria for this verification method.

### *Acceptance Test Phase Entry Criteria*

1. Phased delivery of applications into acceptance testing must be agreed upon by the TLC, in which case the following criteria will be applicable to each application entry point.
2. Requirements, designs, and test plans have been reviewed and approved.
3. Functional, Non-Functional, Integration, and System Test Cases have been reviewed and approved.
4. Functional, Non-Functional, Integration, and System Tests have been conducted; unless not specially otherwise agreed by the customer, 100 percent of test cases have been attempted/completed and at least 95 percent were successful.
5. No Critical (High and Medium) defects from Functional, Integration and System Test phases remain open.
6. Acceptance Test Plan, including test cases, has been reviewed and approved.

7. Acceptance Test environment(s) are available, configured, and running with approved software version(s).
8. Consumables, Instant Test Tickets, Manifests interface files, converted files, and other data files, etc., necessary for Acceptance Test activity are available.
9. Data conversion scripts, if necessary, have been provided.
10. Deployment package has been prepared by the Integration Engineer, including version verification and storage.
11. Software release notes have been reviewed by the customer.
12. System acceptance criteria that must be met in order for the Lottery to accept the Lottery system or system components have been documented, reviewed, and agreed.
13. Acceptance Test readiness review has been completed and the Lottery representative has authorized commencement of acceptance testing based on this review.

### *Acceptance Test Suspension Criteria*

1. At least **one** outstanding Critical/High defect that prevents any progress to be made by the acceptance test team, i.e., all testing is blocked.
2. At any time if the amount of defects raised against the amount of tests conducted exceeds an acceptable range of outstanding Test Incident Reports (TIRs) (Medium = 20 and Low = 30).
3. If a significant amount of downtime occurs on the systems and a resource is not available to fix the systems. "Significant amount" is defined by a simple majority, i.e., >50 percent over any 48-hour period.
4. If development requires time and usage of the test platforms for defects investigation.
5. If any major Change Requests (CRs) are raised that need requirements to be changed, thus significant areas of testing to be replanned.
6. If any major CRs are raised that need architecture to be changed, thus significant areas of testing to be replanned.
7. The Lottery Test Manager has approved the suspension decision (evidence to be attached).
8. The Project Manager has approved the suspension decision (evidence to be attached).
9. The Project Board has approved the suspension decision (evidence to be attached).

Note: If the criteria description is satisfied for any of the items from 1 through 6, then the Acceptance Test phase will be suspended, with the proviso that criteria 7, 8, and 9 are met.

### *Acceptance Test Resumption Criteria*

1. Any outstanding Critical/High defects that prevent any progress to be made by the acceptance test team have been resolved, fixes accepted by the acceptance team, and regression has successfully passed.
2. The test suspension criteria have been rechecked and have passed a review.
3. The amount of defects raised against the amount of tests conducted is within a satisfactory percentage, i.e., less than Medium = 20 and Low = 30.
4. The environment readiness checklist has been rechecked and passed the review.
5. All resources required for testing are in place.
6. A point of resumption has been agreed upon promptly and communicated, i.e., the entry point for first test to run in a planned test run.
7. It has been agreed that no or minimal regression testing will be conducted from the first test run entry point.
8. The Acceptance Test Manager has approved the resumption decision (evidence to be attached).
9. The Project Manager has approved the resumption decision (evidence to be attached).
10. The Project Board has approved the resumption decision (evidence to be attached).
11. Has the live date changed to account for the unforeseeable suspension?

Note: If the criteria description is satisfied for all items 1 to 7, then the Acceptance Test phase will be resumed, with the proviso that criteria 8, 9, and 10 are met.

### *Acceptance Test Phase Exit Criteria (Production Deployment)*

1. Final Regression Testing Verification met.
2. Unless not specially otherwise agreed, no Critical (High and Medium) defects from acceptance test remain open.
3. Unless specifically otherwise agreed, 100 percent of acceptance test cases have been attempted/completed and 98 percent were successful.
4. Operations documentation and/or any changes to operations procedures have been verified and accepted by operations staff.
5. Data conversion scripts, if necessary, have been tested successfully.
6. Production deployment package has been prepared and verified by Integration Engineer, including version verification and storage.
7. Software release notes have been reviewed by Integration Engineer and Quality team members.
8. Production Deployment Scope matches planned deliverables.
9. The Production Deployment Plan has been reviewed, verified, and approved.
10. All functional support resources have been identified and are available for production deployment.
11. Change Request has been submitted to and authorized by Production Change Authority Board for release to production.

## 126.4 Proposed Integration and Test Plan

GTECH employs a single, overall Test Plan based upon Institute of Electrical and Electronics Engineers (IEEE) Standard 829, the standard for system test documentation used as the template for all GTECH deliveries. This Test Plan template, presented in **Exhibit 17, Test Plan Template**, located in the Exhibits Volume, includes sections to capture relevant information to describe how the quality activities are conducted and managed. The following list is provided as an overview of the Test Plan contents:

- Processes, Procedures and Guidelines.
- Team Structure, Management, and Organization.
- Software Work Products to be Tested.
- Test Environmental Needs.
- Software, Tools, and Utilities.
- Test Data Requirements.
- Test Approach.
- Test Phases.
- Defect Tracking.
- Test Milestones.
- Resources and Training.
- Quality Deliverables.
- Acceptance of Externally Developed Software.
- Criteria.
- Defect Severity Definition.
- Source Control.
- Integration Test.
  - Readiness.
  - Suspension and Resumption.
  - Completion.
- System Test.
  - Readiness.
  - Suspension and Resumption.
  - Completion.

GTECH's integration and testing process includes numerous dynamic verification activities, which are performed during the execution of the system software and dynamically check its behavior. Verification is a review process that determines if the release conforms to its specification. In addition to the functional test methods described previously, the testing activities described in the following pages, and called out in the Test Plan, are employed by GTECH delivery teams during a conversion project.

## **Unit (Component) Testing**

Unit (or component) testing focuses on the boundary conditions for developed (or revised) software and tests both sides of each boundary. Software developers are responsible for developing and maintaining a Unit Test suite to ensure unit functionality and testability for entry into integration phases.

## **Baseline Acceptance Tests (BAT)**

Also known as Shakedown or Smoke Tests, BATs are short test sets used to verify the readiness of a software build. Covering one or two logical test days, these sets are intended to exercise the major deliverables in an integrated test environment and prove that the software is stable for testing. These sets can be used on any build. If each step passes, the test cycle will begin. This activity is to ensure that there were no issues with the build and no major functionality was broken while deploying new software into the test system. A report will be sent out after BAT is finished, notifying the team that the test cycle has begun. If the BAT fails, each development discipline will need to correct the critical defects and rerelease to the BAT team.

## **Component Integration Test**

Upon successful completion of the BAT, a multidisciplinary team begins component integration testing. This effort is an extension of the BAT activities. Integration Tests are used to verify that the deployment of all system components/disciplines is functional prior to commencement of other test activities. As a result, the Integration Test environment must be able to support an end-to-end configuration including all impacted third-party components. For example, depending on the scope of the conversion project or batch project, an integration environment would need to include new channels, new Wide Area Network (WAN) providers, etc.

## **Non-Functional Test**

Non-functional testing is the testing required to verify systemic requirements that do not relate to features or business functionality provided within a release. Testing activities include:

- Anomaly.
- Takeover.
- Performance and Volume.
- Communications.
- Regression.
- Data File Conversion.

Non-functional testing may occur in parallel or in conjunction with other testing activities.

## Performance and Volume Test

Accomplished with the use of simulation tools, the intent of these tests is to monitor the system and software behavior under a large volume of transactions. This testing will include a mix of transaction types and several levels of volume. System response time and behavior will be monitored during peak loads. Anomaly situations, e.g., Takeover Tests, may also be performed while the system is under load.

- **Load Test:** Tunes the system to optimize response times, system capacity and system resources.
- **Stress Test:** Ensures the system meets peak load requirements.
- **Soak Test:** Ensures the stability of the system over a prolonged period of sustained load.
- **Anomaly Test:** Verifies the resiliency of the system under a sustained load.

Load, stress, and soak testing can be accomplished on a scaled-down version of production and then modeled up. With each new build, a new baseline test can be performed on the scaled-down environment and the model re-run to extrapolate to production. Modeling has accuracy limitations; however, the capabilities within this space have improved significantly and many companies rely exclusively on this approach to Capacity Management. Alternatively, Load, Stress, and Soak Tests can be performed in an environment that is identical to production, thereby eliminating any inaccuracies and providing high confidence in the production system's capacity.

Performance and volume testing may run in parallel with other test activity as long as the functional verification has progressed to ensure the integrity of the software; that is, if the software isn't stable enough or has a high defect count still open, then additional builds may be required. In that case, if performance and volume testing is accomplished too early, then the results may no longer be applicable and tests will need to be rerun. Performance Tests may also be run early in the development phase to identify performance issues. The purpose of this would be to address the issues in the design before the System Performance Test.

## **Communications Test**

There are several forms of communications testing, including functional, anomaly, performance, and live network testing. Live network testing consists of using an environment as close to the “live” configuration as possible. Using the actual live network is the most effective environment. Utilities, like loop-back, are often used to create traffic in a live environment. This testing is used to fine-tune communications parameters to best suit the live network configuration.

Communications testing may run in parallel with other test activity as long as the functional verification has progressed to ensure the integrity of the software; that is, if the software isn’t stable enough or has a high defect count still open, then additional builds may be required. In that case, if communications testing is accomplished too early, then the results may no longer be applicable and tests will need to be rerun. They may be run in parallel with functional testing.

## **Conversion Tests/Interface File Test**

There are two forms of conversion testing – static and dynamic. The goal of these tests is to ensure that the software will be “fit-for-purpose” when deployed into production and properly handle existing production data.

### **Static Conversion Test**

Static conversion testing consists of taking data files from the existing production system, converting the data files through tools generated by the project team into system formats that are suitable for the new system, and verifying the converted data. This activity verifies the functionality of the conversion utilities on an actual customer data set. Static conversion testing may also be conducted on test data created in a non-production environment. However, the latter approach introduces more risks, since production data includes far more permutation of actual data than can be created in a test environment within reasonable time frames.

Projects whose scope includes conversion may require conversion/interface file testing to be confirmed prior to execution of Functional Tests or in conjunction with functional testing as the software stabilizes.

## Dynamic Conversion Test

Dynamic Conversion Tests augment Static Conversion Tests by incrementally reprocessing production data files on a system that has achieved satisfactory verification of the initial Static Conversion steps. After reprocessing production data files, verification is performed to compare results against the current production reports. This type of testing verifies the new software and conversion routines, successfully matches results seen in production, and ensures that new functionality is "fit-for-purpose."

### **Your Proof is in Our Performance**

GTECH's testing plans results will match what you will see when the new system starts up:

- Static data conversion.
- Parallel processing.

## Business Cycle Test and Balancing (Business Processing Test)

Also known as business process testing, Business Cycle Tests consists of scripted scenarios that verify system behavior under normal business work flow. Scripted logical days are performed to verify that all business transactions are performed in an organized fashion. This will verify the release fulfillment of the customer's business logic and accounting procedures in alignment with both existing and new capabilities as identified in the SRS. Financial data is balanced throughout the system and the business rules are exercised in a manner consistent with operations.

The purpose of the Business Cycle Test is to validate that the hardware and software components can operate in accordance with the SRS, use cases, and the System Requirements.

The Quality Engineering team along with the assigned operations and site staff will execute scripted Test Cases that will mirror the normal everyday operation and business rules that will exist for Go Live. The test team will complete testing of invoice periods. The number of periods will be predetermined to account for game and business logic to ensure maximum coverage. Starting on an invoice day, which is a Sunday, the team will roll the system through the planned number of logical days, concentrating on all business/operations procedures and balancing. Test cases containing all major functionality will be distributed throughout the logical days to be executed.

Extensive balancing of all gaming and accounting reports will be performed during Business Cycle Tests.

## **Regression Test**

All test scripts, data, and results will be maintained and available for regression testing as needed. The amount of regression testing that is performed is based on impact and risk analysis. All builds will be analyzed for their impact to previously tested software. To minimize risk, a final regression test on frozen software is recommended. Depending on the scope of the project and/or production release, regression testing may include running of simulators, and reprocessing of production days and test days. The duration and extent of the Regression Tests will be determined by the contents and impact of new requirements or defect fixes being delivered.

### **126.5**

#### **Backup, Recovery, Failover Process and Test Plan**

We will test the ability of the backup gaming system to take over total operation of all Texas Lottery products, associated systems and functions, and then return operational control to the production system. With GTECH's systems, these actions happen automatically and transparently to system users.

GTECH implements a single overall Test Plan (described in the previous section) of all test activities conducted during the conversion project. This approach allows a holistic view for quality planning, QA, and QC activities, and enables our conversion teams to assess risks, schedules, and maintain oversight of various dependent and concurrent activities that comprise a successful conversion.

For backup, recovery, and failover testing, the following descriptions are provided. We see these tests as critical for every conversion project. In recent conversions in South Dakota, Arizona (Instants), Michigan, and West Virginia, these tests have proven to reduce the risks associated with introducing new hardware, systems, and software into production.

#### **Anomaly Test**

Anomaly testing addresses the system's reaction to, and recovery from, various abnormal conditions. Anomaly testing consists of various types of fault and interruption injection. Abnormal conditions, such as power and hardware failures, are created to test the system's reaction and its ability to recover, and its ability to preserve data. Quality Engineering, Integration Engineering, central systems resources, communications/networks, operations, and infrastructure/IT resources execute these tests. Anomaly testing covers many facets of the system, as described in the remaining pages.

Anomaly testing may run in parallel with other test activity as long as the functional verification has progressed to ensure the integrity of the software; that is, if the software isn't stable enough or has a high defect count still open, additional builds may be required. In that case, if anomaly testing is accomplished too early, the results may no longer be applicable and tests will be rerun.

## Reprocessing and Recover Tests

The four forms of this anomaly testing are:

- **Midday Recovery:** During a test day, the system can be killed and started again. The host system will reprocess from the checkpoint and database conformity will be confirmed. This testing is conducted with a variety of gaming transactions, as well as draw processing.
- **Full-Day Recovery:** This is done from saved files to verify a day can be rebuilt/reprocessed starting from the nightly backup tapes.
- **N-Plex Reprocessing:** In a duplex configuration, the backup system is reprocessing all transactions from the primary. This testing verifies all systems process each transaction correctly.
- **Media Backup/Recovery Testing:** To complement the full-day recovery, this effort validates the media backups and the ability to restore multiple aspects of the environment; thus, validating our media backup procedures/software and restore procedures/software.

Each of these test types will be conducted twice (excluding the full-day and media backup/recovery); once to reprocess from checkpoint files, and a second time to reprocess without checkpoint files. This second variation will reprocess all transactions in the Master Journal File (MJF) in the ES Transaction Engine. Reprocessing and Recovery Tests are conducted with the system under various load conditions and accomplished with the use of simulation tools to include a mix of transaction types and several levels of volume.

## Takeover (Redundancy) Test

This is a crucial form of anomaly testing that consists of several machines in an N-plex environment. This must be a duplex configuration at a minimum. These tests verify the redundancy of our systems and their ability to service disaster/anomalies across systems and sites. This will be planned for onsite, and coordinated with Facilities, Operations, Quality Assurance, developers, communications resources, and any applicable third party. This includes N-plex configurations between the primary and backup data centers. Takeover tests are also conducted with the system under various load conditions and accomplished with the use of simulation tools to include a mix of transaction types and several levels of volume.



# 10.3

## Implementation and Migration



# 10.3

## Implementation and Migration

### **Introduction: A Strategy That Removes Risk *Before* Go Live**

When a lottery has nearly 17,000 retailers, implementing gaming system components is a huge job. Such an important undertaking requires not just the manpower and skill to install the equipment but also the knowledge and expertise to plan for the big picture, i.e., logistics, training and equipment installation schedules, and tracking. It's an added advantage to the TLC if that implementation can present immediate and significant benefits at the Lottery's all-important front lines – the retail locations.

GTECH's proposed strategy for the implementation and migration of your lottery gaming system components, e.g., hardware, software, terminals and communications network, calls for communications devices, retailer terminals, and peripherals to go live into the current production system as soon as they are installed. That means they will go live between March 1 and August 25, 2011, and then migrate seamlessly to the TLC's new system on August 28, 2011.

**...communications devices, retailer terminals, and peripherals will go live into the current production system as soon as they are installed.**

In fact, as we write this proposal to the TLC, those benefits are already evident in the state of New York. One of only a handful of lotteries that can be considered "comparable" to the Texas Lottery in size and scope, the New York Lottery has just implemented its new communications and retailer terminal network in 16,600 retail locations. We propose to use the same implementation strategy in Texas that was so successful in New York.

Our Conversion Plan for the Texas Lottery gives you more than an effective, low-risk strategy for implementing and migrating gaming system components. It also gives you the benefits of carefully coordinated, interdependent tasks such as retailer training, and extensive, trusted resources such as our Texas Lottery sales force, who are on the job every day, working with your retailers.

Ultimately, what you get is:

- A seamless and low-risk conversion from one communications network and retailer terminal to another, with no disruption to your retailers or your sales.
- A retailer base that is ready to operate their new equipment when it arrives, because they have already been fully trained – by familiar sales representatives whose main interest is helping Texas Lottery retailers succeed.
- Retail locations with productive retailers and happy players, poised for maximum sales.

While the installations are going on, and as GTECH is busy building and installing your new central system hardware and software, other interdependent tasks will need to take place. These tasks, including the upgrade to the Primary Data Center (PDC) at the Data Center of the Americas (DCA) in Austin and the construction of the new Backup Data Center (BDC) in the San Antonio area will not interfere with the Lottery's daily operations. All of these tasks will be documented in the overall Conversion Plan.

Combined with our innovative system conversion, introduced in Section 10.1, Conversion Plan, and detailed in Section 10.4, Conversion Plan General Requirements, and with your approval of our proposed strategy, we can assure the TLC that the implementation and migration of retailer equipment will not disrupt retailers, sales, or everyday Lottery operations.

## **Table 128**

### **Implementation and Migration Response Requirements**

#### **128.1**

##### **Roles, Responsibilities and Detail Requirements**

GTECH acknowledges and accepts the roles, responsibilities, and detail requirements indicated in this section.

#### **128.2**

##### **Implementation and Migration Strategy and Process**

##### **"Big Bang" or More Bang for Your Buck – Which Strategy Is Best for Texas?**

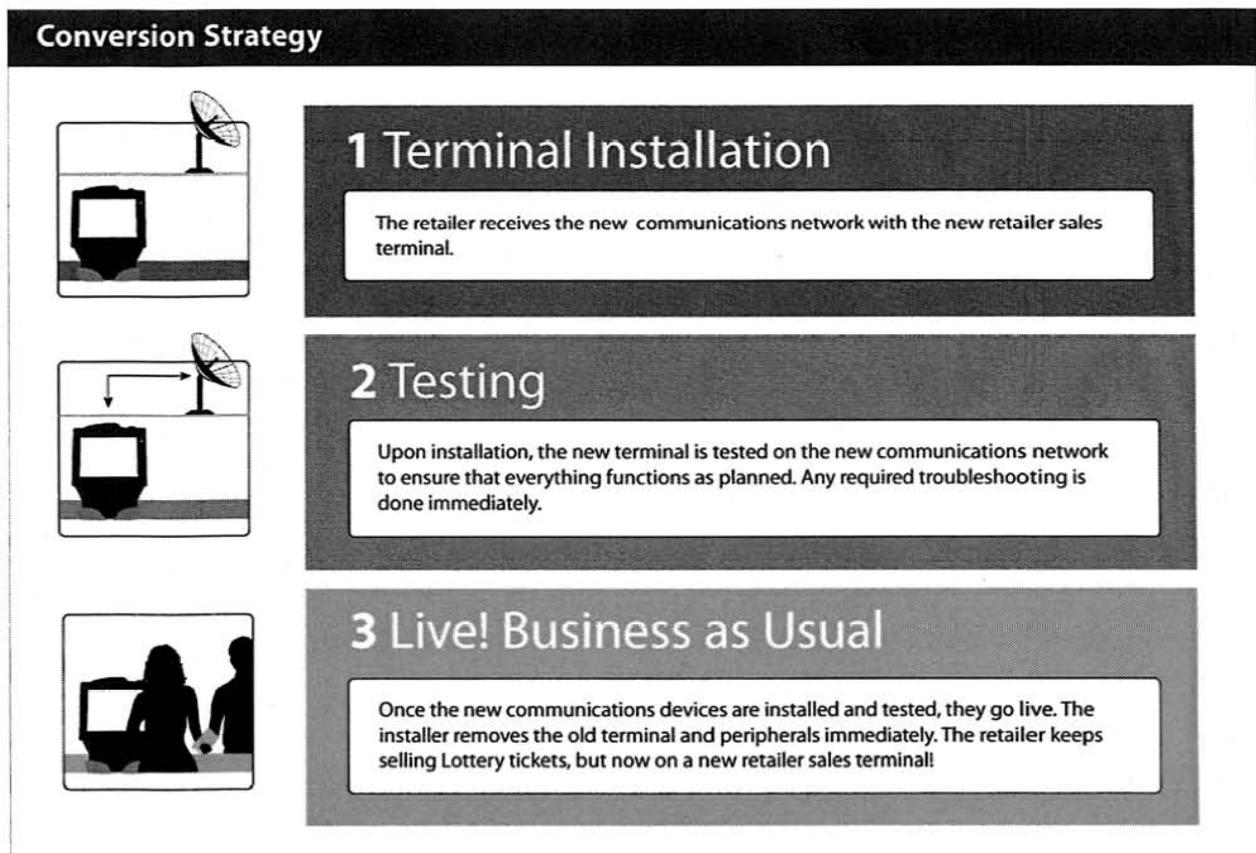
The benefits associated with our proposed implementation and migration strategies for the Texas Lottery's gaming system components and nearly 17,000-retailer network will clearly differentiate potential proposers.

Non-incumbent proposers may propose a high-risk “Big Bang” strategy in which all new systems and retailer equipment have to go live all at once. We believe our proposed strategy will provide the seamless conversion you require, with high efficiency and very low risk and, thus, will give the Lottery more bang for its buck.

### Description of GTECH’s Proposed Strategy

For Texas, GTECH proposes a strategy in which one of the first steps is to develop new terminal application software. The application, which we call emulation, will enable the new retailer sales terminals to communicate with and operate on the Lottery’s existing gaming system. Once the application is developed and tested, the new terminals can be installed and go immediately into production. The following figure depicts the implementation at the retail locations.

**Figure 10.3 – 1:**



**Easy and Convenient Installations:** What could be more convenient for your retailers than new terminals that go live immediately and enable them to continue selling?

With this strategy, all of your retailers will be selling Texas Lottery tickets on their new equipment *before* the new system goes live. That means you get the benefit of your new equipment before the new contract period even starts. New terminal implementation will begin seven months before the new system is scheduled to go live, and, because only the new gaming system needs to be converted on August 28, 2011, the major risks associated with the Go Live day are significantly lessened. Please be aware that we have selected August 28, 2011, as our Go Live date because:

- It occurs on a Sunday, which has a limited number of draws and is the Lottery's lowest sales day of the week.
- It is the beginning of an invoice cycle.

As your current gaming system provider, only we can propose this type of implementation and migration. It will bring significant benefits to the Lottery, most notably for the opportunity it brings for continuous sales and revenue-generating activity during conversion.

### Evidence of Success

The following figure lists other lotteries for which GTECH has successfully used a strategy similar to the one it proposes for Texas. Please note that the names of jurisdictions comparable in size and scope to Texas are highlighted.

**Figure 10.3 – 2:  
Other U.S. Lotteries Converted by GTECH Using a Similar  
Implementation Strategy**

Customer	Retailers	Conversion Date
<b>New York*</b>	16,600	2010
New Jersey*	6,200	2010
<b>Michigan</b>	11,000	2009
Oregon	3,100	2008
Kansas	1,800	2008
Arizona	2,600	2006
Washington	3,800	2006
Missouri	4,300	2005
Wisconsin	3,200	2004
<b>California</b>	19,700	2004
Minnesota	3,300	2003
Georgia	7,800	2003

\* Under way

**Proven Strategy Reduces Risk:** GTECH has used this strategy to successfully implement new gaming systems in more than a dozen domestic jurisdictions, including those of comparable size and scope to Texas.

**Terrific Terminal Conversion in Texas**

The statewide conversion of 16,600 retailers from Tiffany terminals to lsys® and GVTs in 2002 was not without roadblocks from weather and normal logistical problems. Still, GTECH completed the project almost a month ahead of schedule.

## Why Not a Big Bang?

What *is* a Big Bang? It is a conversion method most often proposed by non-incumbent providers. It means exactly what its name indicates: a method that has everything – all new gaming system components – going live all at once, with the flip of a switch. It is a risky method in which the major impact happens all at once. The only problem is that the impact – to retailers, players, and sales – isn't always positive.

Here's how the Big Bang works:

- New communications devices and retailers terminals are installed next to existing equipment in the retail locations. Retailers must keep them on the countertop or find a place to store them for weeks or even months. All equipment remains off-line.
- On the Go Live day, when the switch is flipped to start up the new gaming system, the retailers must sign on to the new terminal, which must then communicate over the new network. All of the equipment at your retail locations and the new gaming system have to start up and work all at once.

The impact of the Big Bang can be far-reaching:

- To retailers, the second off-line terminal can get in the way and impact their ability to serve their customers.
- To the Lottery, sales will be at risk if there are any issues at all in the new system, with any of the terminals, or with any of the communications devices. If there is an issue, it needs to be found and corrected.
- To players, frustration can happen when they cannot validate their tickets or purchase certain kinds of tickets because the new terminals or new system cannot yet accommodate them.

Recent Big Bangs performed by other proposers in Ohio and elsewhere experienced issues such as:

- Ten percent of retailers did not have equipment connected. In Texas, that would mean nearly 1,700 retailers!
- Multidraw tickets could not be purchased or validated because the new terminal could not recognize the bar codes.

Both of those scenarios could cost the Texas Lottery millions of dollars in sales and contributions to the Foundation School Fund. More importantly, such issues could cost the Lottery the good name it enjoys with its many constituencies.

## Comparison Shows Clear Benefits

The following figure compares GTECH’s proposed implementation strategy to the Big Bang.

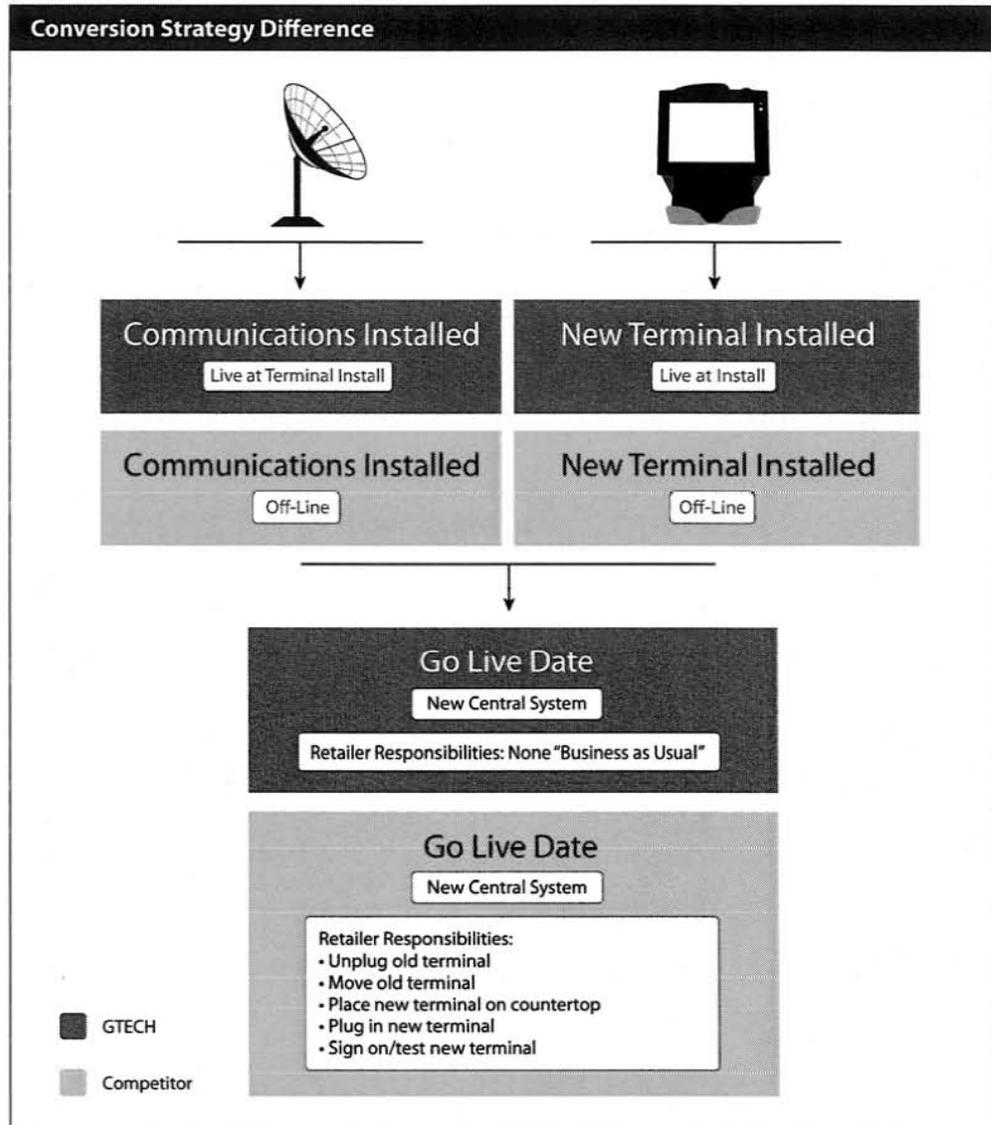
**Figure 10.3 – 3:  
Snapshot of Conversion Strategies**

Strategy	Description
GTECH-Recommended Strategy	GTECH’s proposed conversion strategy is an implementation model in which GTECH first develops a new terminal application to work with the existing central system. The new terminals and communications networks are rolled out incrementally, swapping out the old for the new, and then converting the central system later during the delivery
Big Bang Strategy	An implementation model in which new terminals are installed in an off-line (non-selling) mode in retail locations. The new terminals, communications network, and central system are converted all at once, overnight, on the scheduled Go Live date, after which the old terminals are removed from the retailer sites. Operation of the existing system continues as communications equipment and terminal installations are performed

**Clear Distinction between Strategies:** Compared to a Big Bang, the conversion strategy proposed by GTECH is well-suited to the needs of the TLC, its retailers, and its players.

The following figure depicts the advantages of our early deployment strategy versus the Big Bang.

Figure 10.3 – 4:



**Live vs. Off-Line:** The new GTECH retailer sales terminals will go live upon installation. With other proposers, the new terminals will sit idle (taking up counter space or storage space) and not generate sales until the entire system goes live months later.

The next figure depicts the difference in strategies by the date when each major component goes live.

**Figure 10.3 – 5:  
Go Live Date of Major Components: GTECH vs. Competitors**

Major Component	GTECH Component Go Live	Other Proposers' Component Go Live
New Network Communications	March 1, 2011 – August 25, 2011	September 1, 2011
New Retailer Terminals (and peripherals)	March 1, 2011 – August 25, 2011	September 1, 2011
New Gaming System	August 28, 2011	September 1, 2011

**Clear, Immediate Benefits:** The TLC, its retailers, and its players will see immediate benefits from GTECH's early conversion of communications equipment and retailer devices.

When your retailers open for business on August 28, 2011, and their players stop by to play Texas Lottery games, it will be business as usual. Not only will nothing limit your ability to generate revenue, there will be no issues with ticket validation or the sale of multidraw and exchange tickets.

**Operations Can Continue During Conversion**

With our Conversion Plan, you can add new retailers and handle changes of ownership during implementation and migration, without delay and without any blackout days. In addition, there will be no interruption to the regularly scheduled retailer visits from our Texas-based, Texas-experienced sales organization.

## Respect for Your Retailers Before and During Terminal Implementation

From our years in Texas, we know that convenience is important to your retailers. The strategy we propose for your conversion is optimally convenient for your retailers because it doesn't require them to find room on their crowded countertops or elsewhere in their stores for an idle, non-selling terminal. Most of them don't have the extra space, as depicted in the following photographs.

**Figure 10.3 – 6:  
Where Would the Second Terminal Go?**



**No Room on the Retailers' Countertops:** The Potranco Market in Austin, like many retail locations, has to use every square inch wisely (top photo) to promote different products and brands. At the QuikMart on IH 35N, as in the Potranco Market, there is no room for an extra non-selling terminal on the countertop.



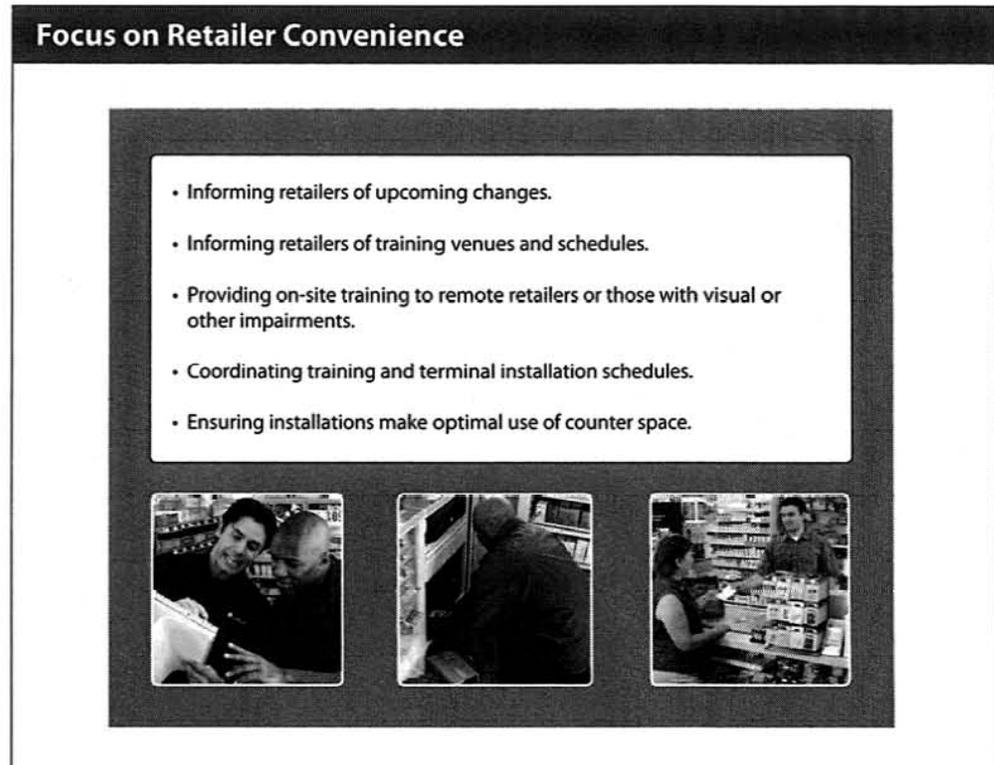
The nearly 17,000 Texas retailers just like these are food markets, convenience stores, gas stations, liquor and tobacco shops, and chain stores. They are located in major metropolitan areas, smaller towns, and some in logistically challenging locations. The impact to these small businesses and the TLC's revenues could be substantial if extraneous equipment gets in the way of their ability to do their daily business. With average weekly online sales of \$2 million, your retailers should not have to worry about lost sales.

Even before the retail locations receive their new equipment, we will provide retailer training in 47 convenient locations throughout Texas. Out of your retailer base, only a handful would have to drive an hour or more to reach one of the training locations. With the Lottery's approval, we will provide on-site training for those retailers at the time their equipment is installed.

Our goal is to ensure that every Texas Lottery retailer is prepared to operate his or her new equipment as soon as it is installed. Please refer to Section 6.8, Training, for more details.

We never stop trying to find ways to make Lottery sales easy for busy retailers. This RFP challenges us to achieve a successful conversion, and we will perform every task for retailers in a manner that is convenient and enables them to focus on their primary business. Tasks will include, but will not be limited to those in the following figure.

**Figure 10.3 – 7:**



If necessary, we will perform site surveys in retail locations deemed to require additional technical enhancements or services in order to receive their new equipment. Should site surveys be necessary, we welcome the Lottery’s participation.

As described previously in this section, early installation of terminals brings many benefits to retailers, including:

- Retailer satisfaction early on, as retailers will be fully trained well before the conversion. They’ll notice the efficiencies of their new terminals right away.
- Retailers will begin using their new Lottery-approved sales terminals for Lottery sales as soon as they are installed. With no gap between training and installation, a retailer won’t forget all he or she learned about the new retailer sales terminals.
- We’ll remove the existing terminals as soon as the new terminals are installed and functioning – a major convenience for the retailer.

The new sales terminal will make retailer training easy for TLC retailers. Our world-class training organization will hold training at convenient locations throughout Texas.

## Planning the Implementation and Migration Process

We will begin the implementation and migration process with a plan that will include a schedule for all system components and terminals. Installation schedules for terminals will also include the network components, peripheral devices, and any self-service vending machines. The plan will indicate two implementation and migration strategies: one for the new gaming system components and the other for the equipment that will be installed at the retail locations.

The creation of the plan will be a cooperative effort between our Texas-based team, including:

- Nick Watts, Systems Engineer.
- Hal Walker, Network Rollout/Terminals Manager.
- Gary McIlroy, Facilities Project Manager.
- Eric DeFazio, Operations Support Project Manager.
- Patrick Moore, Communications Project Manager.
- David Schwalm, Infrastructure Project Manager.
- Charles Howard, Retailer Training Project Manager.

Each of these “leads” will work together to create an overall strategy and plan that prepares the new gaming system for migration; installs and migrates the retailer equipment, including terminals; and coordinates all activity with those areas responsible for facilities, training, change management, and tracking.

With the Lottery’s input and approval of the plan, our teams will get to work. Their common goal will be to achieve a seamless transition of equipment and services that enables the Texas Lottery to operate “business as usual” even as major components of the system are changed.

## Installing and Migrating Gaming System Components

As introduced in Section 10.1, Conversion Plan, and detailed in Section 10.4, Conversion Plan General Requirements, GTECH proposes an innovative and effective implementation and migration strategy for the Texas Lottery’s new gaming system components. The strategy, which involves pre-contract conversion of required functionality and early testing of converted TLC data on an [REDACTED] test system as early as contract award, will allow more time for Quality Assurance (QA) and the Lottery’s User Acceptance Testing (UAT). The result of this strategy will be the implementation of and migration to a new lottery gaming system that is reliable and stable at start-up.

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### *Interdependent Tasks*

The implementation and migration plan is comprised of many interdependent tasks for the development, installation, and migration of the gaming system components. While the details are contained in Section 10.4, we present a brief description of the milestone tasks associated with creating the Texas Lottery's next gaming system.

- **Facilities:** Installation of the new gaming system hardware and software depends on the timely completion of facilities tasks – a new cage in the        in the DCA in Austin and the new
- **Computer Hardware and Software Installation (Infrastructure Platform):** Installation of the gaming system also depends on the timely delivery of the system's hardware and software components. The infrastructure must be designed, developed, installed, and ready to test during the time frame designated by the Lottery.
- **Telecommunications Network Activities:** With the majority of your retailers connected using GTECH's        Inside technology (either a combination of VSAT+3G or two diverse 3G networks), and the remainder using either Single Source VSAT or Frame Relay, installing the communications network along with the new retailer sales terminals will result in a smooth transition of retailer equipment.
- **Retailer Training:** It is imperative that we train your retailers before they receive their new sales terminals, especially since those new terminals will go live on installation. Our training group will plan and track training in concert with the installation schedule prepared and tracked by our Network Rollout Organization (NRO), which we describe later in this section.
- **Data Conversion:** Our operations staff will have converted much of your daily transactions and historical data files by the time the new system is installed. The early testing on the ES test system will prove that the files have been successfully converted and that they run successfully on the new system. This will mean that all Texas Lottery tickets can continue to be purchased, checked, and validated during the installation period and after system conversion.
- **Parallel Processing:** Parallel processing will ensure that all data on the new system synchronizes with the existing system with complete accuracy after the conversion of all transaction and historical data to the new        compatible format is complete.

All these tasks combined will provide the Texas Lottery with a successful implementation of and migration to a new gaming system in a way that enables the Lottery, its management and staff, and retailers to go about their business – and the business of raising revenues for the Foundation School Fund – without any disruption from conversion activity.

### **What Is Best for Texas?**

Of the available proposed strategies for implementation and migration of the gaming system components, we believe our strategy will bring the TLC the highest probability of success with the least potential for risk and the least disruption to retailers and players. We believe it is also the most favorable strategy for achieving success on such a large scale within the 12-month conversion time frame – August 12, 2010 to September 1, 2011 – allotted by the Lottery.

#### **Seamless, Convenient Installations with Continuous Sales**

Between September 1, 2009, and February, 28, 2010, GTECH seamlessly implemented a new communications network and new retailer sales terminals and peripherals in 16,600 New York Lottery retail locations. All of the equipment went live in production as soon as it was installed. There were no disruptions to sales in New York as the new equipment was deployed. In fact, sales were able to increase as the installation period overlapped with the period in which GTECH successfully implemented Powerball in New York. The new system is scheduled to go live in August 2010.

With this implementation and migration plan for the system and its components, the TLC assures itself of the following benefits:

- The ability to test business processes, business rules, and converted data on an actual test system shortly after contract award.
- The assurance that tickets from all current games can be validated, no matter which terminal or system they were purchased from, both during and after conversion.
- A Go Live day that is essentially free of risk; the start-up of the new system happens behind the scenes in the data centers as selling and playing at the retailer sites continues.

## **Planning, Tracking, and Transparency: The TLC's Assurance**

Planning and tracking a large conversion for Texas is not a job for just a few people. Given the size of your retailer network, we believe it to be a best practice to provide both a team and a set of processes that will effectively track our equipment implementation and migration and make it easy for you to track progress as well. For that purpose, we introduce you to our NRO.

### **Introducing the NRO**

The NRO is responsible for all phases of the retailer network and terminal delivery. Working closely with our technology organization, the NRO provides:

- Delivery costing based on network design and contractual delivery dates.
- Project planning.
- Logistics planning.
- Contractor qualification.
- Contractor management.
- An Operations Center (OPCEN).
- OPCEN Standard Operating Procedure documentation.
- Daily reporting.
- Invoice auditing.
- Budget management.
- Warehouse management.
- Network mapping.
- Quality assurance.
- Insurance requirements.
- Problem resolution.
- Jurisdiction-specific retailer informational packets.

Each project has a primary NRO Project Manager (PM) assigned. In the case of the TLC's Conversion Plan, described in Section 10.1, Conversion Plan, Table 123, Subsection 123.4, Proposed Conversion Staff, we have assigned a Texas-based manager alongside a corporate manager who will support the effort. Hal Walker will be your point of contact for overseeing the installations, with support from Dustin Larson, Senior Project Manager, in our NRO.

We manage each project using standard NRO processes, procedures, and tools, to maintain uniformity. Most recently, we had 22 operators working on New York and New Jersey installations, with the New York installation our first ever for cellular communications installation.

**Figure 10.3 – 8:  
War Room Setup**



**Seeing What the Installers See:** The War Room operators have a table set with each piece of retailer equipment being installed in a particular jurisdiction. They can also see photos of communication installation examples. Ready access to the equipment and photos helps them to better answer installers' questions from the field.



## *The War Room*

The NRO offers operational and War Room management through the Rhode Island-based NRO OPCEN located in our West Greenwich facility. The OPCEN provides contractors, core teams, and customers with one central office for escalation and problem resolution. It is accessible through dedicated 800-number lines and is staffed during operations hours specific to that jurisdiction. Because the OPCEN is multi-jurisdictional, the cost for staffing is fractionalized across the programs under management for the period invoiced.



**Added Expertise for the NRO.** When Brian Conroy joined the NRO as a manager, he brought years of field service and training experience with him. It was his idea to recreate the retail environment in the War Room so operators could speak more proficiently about products to contractors.

The NRO OPCEN is staffed based on the number of active deployments ongoing at any given time. The requirement for coverage will take into consideration the following:

- The number of active deployments taking place simultaneously and in parallel.
- The time zones of each active jurisdiction.
- The number of sites to be installed in each jurisdiction.
- The number of installers working in the field.

The following photo shows how busy the fully staffed NRO can be during a large installation period.

**Figure 10.3 – 9:  
Busy at the NRO**



**Operating at Full Staff:** The OPCEN currently has seating capacity to accommodate eight operators per shift.

NRO operators are experienced at handling the duties of a War Room. They track contractors, installations, and the serial numbers of installed equipment, and they support the contractors in the field. The verification by a War Room operator is important, because the contractor is not allowed to leave the retail location until the War Room gives the okay.

When temporary staff is needed to supplement the NRO operations staff, we make every effort to recruit people who have GTECH NRO experience. They have the product and process knowledge and, in some cases, established relationships with the contractors.

Given these considerations, OPCEN coverage will be determined upon joint agreement by the NRO and project management teams to ensure adequate and complete coverage. Coverage can be adjusted in order to address any peak hours – for instance, mornings, when on-site calls are more frequent; midday, when issues are typically called in from the field; and mid- to late-day completion calls. It is anticipated that a typical wireless communications deployment would manage an average of 300 calls per day, assuming there are multiple deployments.

**Working Together to Ensure Success**

The success of the effort to implement and transition your large retailer network will require interdependencies between the NRO; the War Room; GTECH's National Response Centers (NRCs) in Austin and Providence, Rhode Island; our Technology Training group; our sales organization; site services; field service operations; and the TLC.

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At the close of a deployment program, the NRO finalizes outstanding invoices, performs asset inventory and operational handover to the services team, and makes the management database available to the site. Information collected during the deployment may be uploaded into the permanent services application or tool.

*Website Tool*

*Connection to Texas*

## Coordinating with Other Services

The previous pages described the way in which GTECH will track the progress of retailer installations. The plan will coordinate many program interdependencies, beginning with our Texas-based training resources and our corporate training group to establish and track the schedule for retailer and Lottery staff training. The retailer schedule is particularly important, given that the retailers must be trained prior to receiving their new terminals and equipment. The coordination of these tasks is one of the capabilities that enables the Lottery to continue operating without disruption as the retailers' new equipment is installed and brought immediately into production. Without prior training close to the installation date, the retailers would not be knowledgeable enough to continue selling Texas Lottery tickets from their new terminals. That would interrupt play and, ultimately, cost the Texas Lottery valuable sales.

Coordination of schedules is also critically important to the installation and testing of the new gaming system hardware and software in the data centers. At the [redacted] in the DCA, we will establish new cages for the new Texas Lottery system. For the backup system, the new [redacted] will have to be built in order for the new gaming system equipment to be installed and tested. Thanks to the innovative development of the new gaming system described in detail in Section 10.1, Conversion Plan, and Section 10.4, Conversion Plan General Requirements, coordination of tasks will be that much easier.

The schedule for data conversion tasks, which GTECH performs electronically, will also need to be coordinated with the installation of the new system. Finally, the implementation and migration plan must accommodate coordination with call center services, which are provided to the Texas Lottery through our NRCs in Austin, and Providence, Rhode Island. Call center services will be of great importance, particularly to the Lottery's retailers, as the terminal installations are under way. All interdependencies and coordinated schedules will be included in the implementation and migration plan and, thus, depicted in the overall Conversion Plan.

## **Additional Verification and Visibility**

For additional verification of Conversion Plan tasks and transparency for the TLC into our processes, we will provide independent verification to the TLC that the software on the new gaming system is the same software you tested and approved during UAT. Checksums are recorded at particular points throughout the process and any changes then noted in Release Notes. For verification, checksums are checked against QA test results, against UAT results, and also against production. If there are any issues, the software can be regenerated or recompiled on the development system and then checksummed.

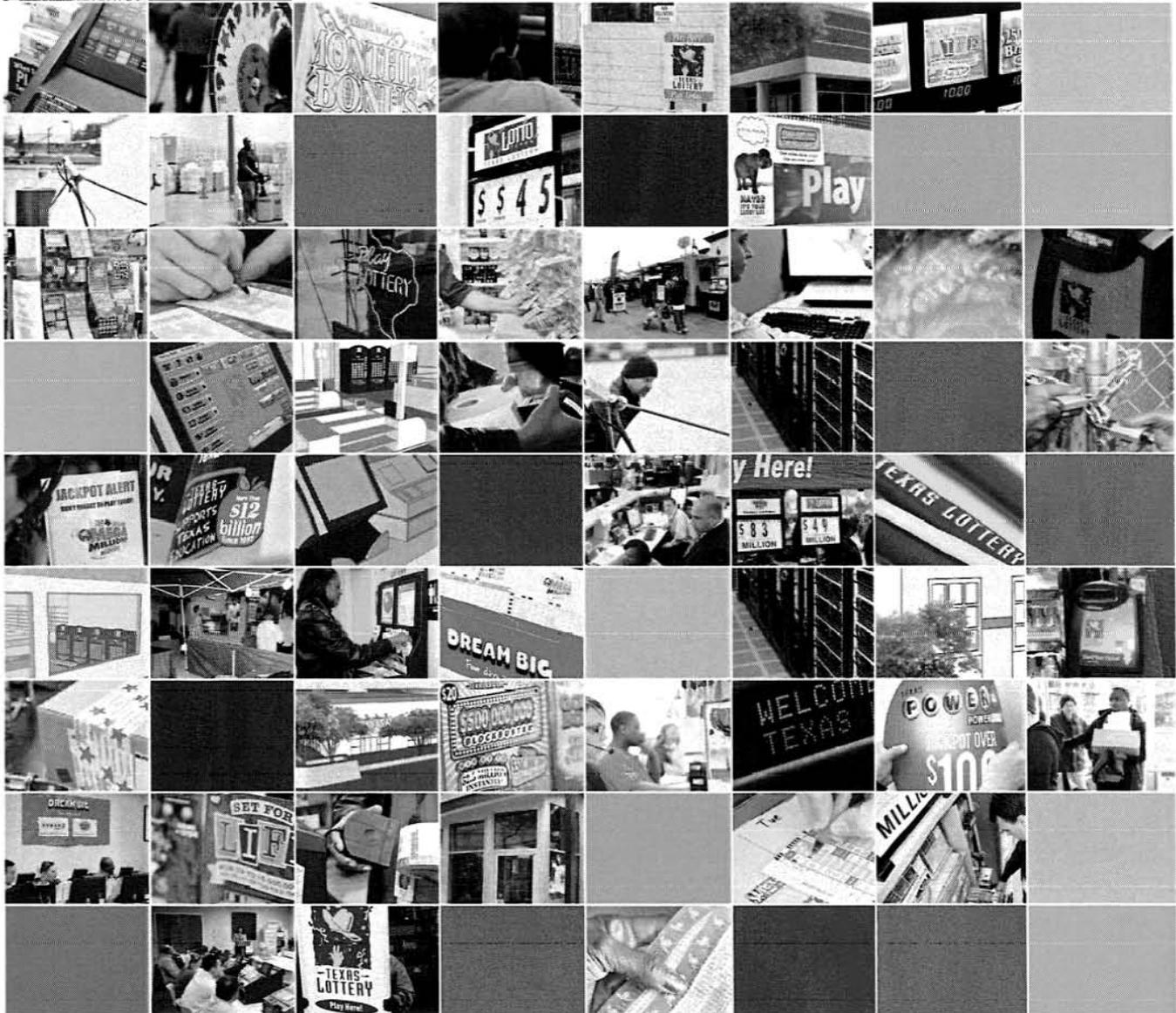
In addition, GTECH maintains a working relationship with Deloitte & Touche as its independent certified public accountant. The firm has years of experience working with GTECH and has an excellent working knowledge of the lottery industry. Deloitte & Touche's services are available to GTECH on an annual basis and, thus, will be available to GTECH 24/7 throughout the implementation period and at least six months afterward. During this same period and throughout the contract, we will provide the TLC with any equivalent Texas-based or corporate accounting and systems expertise to assist with the information contained in reports.

In summary, there is little margin for error when converting one of the world's largest, most geographically spread out lotteries in a year's time. The conversion of the Texas Lottery requires a strategy that will lessen risk and focus on retailer operations and uninterrupted lottery sales. The billions of dollars that make up your annual revenues (\$3.7 billion in 2009) and your contributions to the Foundation School Fund depend on it.



# 10.4

## Conversion Plan General Requirements



# 10.4

## Conversion Plan General Requirements

### Introduction

Conversion of its gaming system and components is perhaps the most complicated project a lottery can undertake. Given the size and scope of the Texas system, the conversion in Texas will be one of the most complicated ever done in the industry. As introduced in Section 10.1, Conversion Plan, the Texas Lottery's conversion will require the management of multiple, concurrent, and interdependent streams of work. At a high level, the Texas Lottery's Conversion Plan must include conversion of the following:

- System.
- Retailer terminals.
- Communications network.
- Infrastructure.
- Deployment/transition.

For the Texas Lottery, a standard conversion plan simply won't do.

**The Conversion Plan GTECH proposes is highly customized for the Texas Lottery. It will help you achieve the seamless conversion you seek, with minimal risk, minimal disruption to your retailers, and maximum returns to the Foundation School Fund.**

The Conversion Plan GTECH proposes is highly customized for the Texas Lottery. It will help you achieve the seamless conversion you seek, with minimal risk, minimal disruption to your retailers, and maximum returns to the Foundation School Fund. Management of such a Conversion Plan also necessitates precision scheduling of thousands of individual tasks within the 12-month conversion period allotted by the Lottery.

Months of planning and work go into our lottery conversions. The typical conversion starts at contract signing and culminates with terminal and network installation, data conversion and ultimately with the implementation of the new system. Recognizing the complexity inherent in the Texas Lottery's conversion, we began conversion of the new Texas system more than 18 months ago. We combined our extensive knowledge of conversions worldwide with the experience gained working with the Texas Lottery for nearly 18 years. In doing so, GTECH has taken the extraordinary step of building and customizing a new system that conforms to nearly all of your existing business rules. And that system is available now.

**GTECH has taken the extraordinary step of building and customizing a new system that conforms to nearly all of your existing business rules. And that system is available now.**

With this unique approach to system conversion, GTECH is able to address all of your priorities through:

- **Early completion of major tasks.** We can provide the TLC with the opportunity to test converted TLC data on a converted system at contract award. This will give you a head start on validating requirements, more time for acceptance testing, and the assurance of a stable new system at Go Live.
- **Early retailer equipment installation/Go Live.** With terminals and communications already live in production beginning more than seven months before new system Go Live, two of the major risks associated with conversion are removed.
- **Immediate removal of existing equipment.** With new retailer equipment live upon installation, installers will remove the existing equipment as soon as each new installation is completed. The Lottery and its retailers won't have to wait for the equipment to be removed within the required 14 days.

Our responses to the requirements of Section 10.4 demonstrate that we know what it will take – and are prepared – to successfully convert your complex gaming system.

## **Table 130**

### **Conversion Plan General Requirements Response Requirements**

#### **130.1**

##### **Roles, Responsibilities and Detail Requirements**

GTECH acknowledges and accepts the roles, responsibilities, and detail requirements indicated in this section.

#### **130.2**

##### **High-Level Conversion Plan**

###### **Starting Early to Minimize Risk**

The high-level description of our proposed Conversion Plan includes those tasks that are already complete. Completion of these tasks prior to contract award will enable the Texas Lottery to go live with a new system that exceeds its basic and required functionality. The benefits to the Lottery are significant, including having a system that has already preserved your business rules, validated those rules through testing, and preserved Lottery data through conversion to the new system.

While this approach to conversion is unique to the size and complexity of the Texas Lottery, we have also applied lessons learned from our previous large-scale, complex conversions in New York, the United Kingdom, and California.

###### **Elements of the System Conversion**

System conversion will consist of a multitude of work streams designed to minimize the impact on the Lottery, its retailers, and its players. Starting almost two years early has allowed us the time to ensure that we can preserve all of your business rules and functionality and can safely and securely convert all your data to the new environment. This ensures there is continuity for retailers and, thus, continuity of sales and revenues. The following points are keys to a successful conversion in Texas.

### *Preservation of Business Rules*

The Texas Lottery has 18 years of investment in customizations, rules, and reports that enable it to run its business every day. In planning early for your conversion, we were able to preserve all of your current business rules. As described in Section 10.1, Conversion Plan, this was achieved through:

- A detailed business process analysis.
- A business rules analysis.
- A reporting analysis.
- An "as is" technology analysis (current system functions).

#### **Our Preservation Assurance**

Any successful proposer will have to preserve your business rules, starting after contract award, with requirements gathering. With GTECH's Conversion Plan, that task is already done.

### *Emulation Period*

Emulation software will enable the new retailer sales terminals to communicate with the existing gaming system as soon as they are installed. The emulation period is the period within the schedule when retailers will receive and use their new terminals and new communications network live in production with the old system until the entire network is deployed. These terminals will then connect seamlessly to the new system when it starts up on the Go Live day. Please refer to Section 10.3, Implementation and Migration, for details about emulation and the installation of the new Lottery-approved retailer sales terminals and the new communications network.

### *Conversion-Free Call Center Upgrade*

There is no conversion necessary for upgrading the Call Center solution to a new service management tool. The rollout of the upgrade is occurring now and will be ready by May 2010 for demonstration to the Lottery. The new upgraded system provides:

- A new automated dispatch engine.
- Mobility technology.
- A Web-based reporting interface.
- integration.

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We also don't need to convert field service data. A continuous view of automated dispatch and mobility technology is available via the Web reporting interface. This interface has been upgraded and is in place and ready to go. It can talk to both the old and new systems, and will cut over seamlessly to the new system.

### *Migration of Data*

A major system conversion task is migration of all data in the system, including preserving 36 months of historical data. The migration of data is done. We can demonstrate it to you during your site visit. We will show the Lottery that we have all 36 months of converted sales data ready for demonstration prior to contract award. The 36 months of data comprises pre-existing sales and operating data, including our own data, so that the Lottery and its retailers will see a continuity of data in displays and reports from before, during, and after the conversion. *We are capable of exceeding this requirement at your request. We will gladly work with you to migrate all Texas Lottery data older than 36 months.*

**The migration of data is done. We can demonstrate it to you during your site visit.**

### *Software Requirements Specifications (SRSs)*

At this time, we have already fully developed 30 SRSs. These are documents that other proposers would have to begin developing after contract award. We will have them available immediately at contract award to start reviewing with the Lottery.

### *Test System Available*

An test system will be available at contract award. It can be used for training and validation of requirements and converted data by Lottery staff.

### *Test Cases Execution*

For most requirements, we can present a 1:3 ratio of requirements to test cases. The test cases from the base product have been fully customized for Texas and executed as such. The results will be available at contract signing.

### *Independent Validation*

As previously mentioned in our response, GTECH undertook the extraordinary step of converting the existing TLC central system to GTECH's new system. As far as we know, this is the first time a system has been converted prior to contract award. As a further indication of GTECH's commitment to the TLC for continuous high quality service, we contracted with the accounting firm of Deloitte & Touche LLP (D&T) in April 2010 to conduct independent testing of the newly converted system.

It wasn't enough for us to make the claim that the system had been converted. We wanted to be able to demonstrate, by using an independent third party, that the conversion was complete and achieved the goal of converting the TLC's existing functionality. D&T's testing is still in progress as of the submission date of the proposal, and final results of its testing will be made available to the Lottery.

The scope of testing conducted by D&T includes compatibility of the functionality with the existing capabilities of the online gaming system, specifically concentrating on retailer functions such as the entering of wages, validations, and cancellations, as well as the accuracy of online and terminal sales reporting. After testing a wide variety of gaming features, D&T executed simulated retailer transactions and performed balancing procedures against expected results. GTECH technical staff subsequently applied the D&T simulated retailer transactions to the TLC's legacy ProSys environment and, similarly, performed balancing procedures.

The Conversion Plan will also include an information sharing and communication plan, as well as expected participation from the Lottery. For more information, please refer to the heading entitled, Identifying and Defining Roles for all Involved Parties, later in this section, and to Subsection 130.4.d, Communications Strategy, and Subsection 130.4.h, Transition Reporting (Type and Frequency), for more information.

## Conversion Benefits

Compared to the potential proposers facing this difficult and complicated conversion, GTECH will demonstrate how the Texas Lottery will get a huge head start on its conversion. The following tasks will be done by the time you award the contract:

- Migration from one-to-one retailer-to-terminal relationship to one-to-many, with expanded chain functionality and enhanced reporting. We have migrated from one model to another through complex mapping, etc. Everything is done, automated, and ready to go.
  - All existing promotions for On-Line and Instant Games have been converted and verified.
  - All retailer updates, changes of ownership, and additions have been preserved throughout the conversion process.
  - All claims and payment data has been migrated and preserved.
  - All adjustments have been applied accordingly and invoices have been balanced.
- 
- All Instant inventory and orders have been preserved.
  - All On-Line outstanding winners have been converted.
  - All Instant high-/mid- and low-tier winners and outstanding winners are available within the new system.

## Major Conversion Tasks

The following pages describe the major tasks associated with the system conversion, retailer terminal conversion, communications network conversion, infrastructure conversion, and deployment/transition. All tasks will be contained in the detailed Conversion Plan, which we will submit to the Lottery for approval within the timeframe specified by the Service Level Agreements.

### System Conversion

GTECH has begun developing a new technology solution for Texas. This solution is built on an established baseline and customized according to Texas-specific requirements. Tasks related to the software platform include:

- Gathering, analyzing, finalizing, and validating all requirements for system software with your input.
- Developing all software related to point-of-access, administrative, and conversion requirements.
- Making and addressing any changes and additions, including:
  - Closing gaps.
  - Further customizations to existing functionality.
- Aligning with an appropriate schedule within your allotted 12-month conversion period that devotes sufficient time and resources to the final customization of your solution.

GTECH uses the Build-Test-Correct (BTC) methodology to make its own gaming software integration testing more efficient and bring a more proven product to the TLC. This software development and testing approach consists of a series of agreed-upon software releases with an associated schedule through which the testing of each milestone is met. This means that GTECH takes a proven working system through each BTC cycle, customizing and testing it according to the TLC's specifications and requirements.

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#### **Testing Now For a More Proven Product Later**

Based on the current Lottery business rules and system functionality, GTECH has completed six BTC cycles on the new system. Because so much development and testing has already been done to customize the system according to Texas specifications, the remaining work is greatly reduced.

We have already begun this task and converted some of the data. We will work with the Lottery to determine the rest of the data that needs to be converted.

#### **Retailer Terminal Conversion**

The following tasks will not only bring new retailer sales terminals into the Texas Lottery retail locations, but it will also help both the Lottery and GTECH maintain good retailer relations throughout the conversion process. GTECH will develop and build the TLC's new network of touch screen retailer

Installation of the terminals will closely align with installation of the new communications infrastructure to enable on-site testing of both new technologies with little or no interruption to the retailer. Through emulation, the new terminals will be operational on the live system upon installation via the new communications network, and retailers can begin selling and validating Lottery tickets on the new terminals right away. Tasks associated with the terminal platform include the following:

- Develop specifications for the terminal along with the current data conversion system for demonstration purposes following contract signing based on your terminal requirements.
- Review and approve hardware, configurations.
- Place the order for new terminals after negotiations.
- Install emulation software into the current legacy environment (ready to go April 2010). Install TP44 (August/September Batch).
  - System-specific emulation software.
  - New retailer sales terminal.
  - New Player-Activated Terminals.
  - New handheld terminals.
- Ship the terminals to Texas, where they will be staged before distribution for installation.
- Perform terminal download or preload of new software.
- Have the Network Rollout Organization (NRO) create a schedule for installation of communications and retailer equipment in parallel to minimize any disruptions or inconvenience to your retailers.
- Schedule and perform retailer training.
- Install the retailer terminals and peripherals in the nearly 17,000 retailer sites as the communications equipment is being installed. (We expect the installation of communications devices and terminals to last approximately six months, with more than 700 installations being completed per week.)

**Our NRO will be proactive in creating a schedule for installations that takes your retailers' businesses and busy schedules into priority consideration.**

Installations will be based on a well-planned, expertly tracked process developed by our NRO. Our NRO will be proactive in creating a schedule for installations that takes your retailers' businesses and busy schedules into priority consideration. We will provide the Lottery with a schedule for all retailers, for the delivery and installation of their retailer sales terminals and related system sales equipment.



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## Infrastructure Conversion

GTECH will finalize the specifications for the computer hardware and software that will comprise the new central systems, for duplex redundancy in the ) and duplex redundancy in the , via the following tasks:

- A design review will take place, followed by the preparation and review of proposed infrastructure systems diagrams. The design review will be presented to the TLC for approval.
- GTECH will order the hardware, stage the equipment when it is received from the manufacturers, and then ship it to the respective data centers. Staging in the Data Center of the Americas (DCA) will be done in a new cage.
- Installation of the infrastructure equipment will be scheduled at all sites and will be performed by GTECH's experienced installation technicians.
- GTECH will perform Non-Functional Tests (Load/Performance, Anomaly, Bare Metal, and Restore, etc.) on the equipment, and other tests as necessary.
- We will deploy the Production release of software.

## Deployment/Transition

Once parallel processing tasks for On-Line and Instant Ticket data have been completed, the communications network and the retailer terminals are installed and operational on the current system, and all other components are in place. Then, we will execute the system cutover plan, which includes the following tasks:

- Migration of Lottery interfaces.
- Final day's data conversion and parallel processing.
- Verification/balancing.
- Terminal download.
- Go Live on the new system.

Our Texas-based Project Manager, Barbara Tedrow, and GTECH's project team will perform a pre-Live site-readiness review to ensure that all components are installed, tested, and functioning. Approximately one week prior to the scheduled Go Live, we will set our Project Condition (ProCon) procedure in motion to ensure that "all eyes" – site, project, and corporate resources – are overseeing this most critical time period in the conversion process. ProCon is described in more detail in Subsection 130.4.a, Project Management.

The Conversion Plan will also include staffing, failover procedures, acceptance testing, and a security plan. For more details about these subjects, please refer to Section 4.3, Experience of Personnel, Section 10.2, Integration and Testing, and Section 7.8, System Security.

## Interdependent Milestones and Tasks

In order for the aforementioned conversion tasks to be performed and completed, other milestones must be met. That is why the Texas Lottery conversion is so complex. It requires experienced and mature project management personnel and practices. The following pages describe the milestones and tasks with which the conversion tasks are interdependent.

## Requirements

Development of your new system depends on the accurate capture, validation, and management of every Texas Lottery requirement. As described in Section 10.1, Conversion Plan, GTECH's Conversion Plan will put the requirements tasks ahead of schedule by the time the TLC awards the contract. With all current operating rules, business processes, and current requirements already available on a converted system, the Lottery will be able to test that data immediately after contract award.

**With all current operating rules, business processes, and current requirements already available on a converted system, the Lottery will be able to test that data immediately after contract award.**

We estimate there will be a significant number of SRS documents for the TLC to review and approve. Based on the early work we have done using your current business rules and RFP requirements, we have 30 SRS documents ready to review. These include:

- Accounting.
- Altura<sup>®</sup> GT1200 Non-Play.
- Altura GT1200 – Games.
- *Cash 5*<sup>®</sup>.
- *Daily 4*<sup>®</sup>.
- Emulation – Altura GT1200 and Instant Ticket Vending Machine (ITVM).
- Emulation – Altura GT1200 Non-Play.
- B2B.
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- GamePoint.
- Host Reports.
- Instant Ticket System.
- ITVM.
- Ingenico.
- Lottery Vending Machine (LVM).
- Lottery Services Portal.
- Lotto.
- *Mega Millions*®.
- Online Product Management (OLPM).
- OLTP ).
- On-Line Game Functions (generic).
- *Pick 3*™.
- Player Services.
- *Powerball*®.
- Promotions.
- Retailer Services.
- Standard Point-of-Sale (POS) Reports.
- Texas Two Step.

With input from Barbara Tedrow and the project managers of each discipline involved, the Business Analysts (BAs) will work with the TLC to review and validate all of the requirements for existing functionality. Others will work with you to gather and document all requirements for system enhancements. We will use the DOORS requirements management tool to track the requirements we have already captured and add new or changing requirements that have already been captured.

- We will work with the Lottery's designees to validate the SRS documents and capture the new or modified requirements. Then we will update the DOORS requirements tool.
- After an internal review of the requirements, we will seek your validation on current functionality requirements and present the finalized enhancement requirements to you for review and approval.
- The Lead BA will sign the approval forms along with the TLC and personnel from the project team.
- The Lead BA will then schedule and attend regular BA status meetings and will participate in regularly scheduled project meetings.
- After signoff is complete, the Lead BA will manage and communicate the change control process for the Lottery and the project team.

### **Business Analysts Throughout Conversion**

GTECH started this project with a team of business analyst resources as a demonstration of the importance of accurately capturing and managing your requirements. The BAs, who will be supported by our Texas- and corporate-based project teams, will stay with the conversion project until it is completed. Our business analysts are expected to achieve BA certification through the endorsed education provider of the International Institute of Business Analysis (IIBA).

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### ***The Story of DOORS: THE Requirements Management Tool***

Requirements management and development are integral to achieving requirements maturity. The task is best addressed using automated tools designed for that specific purpose. DOORS:

- Provides a centralized repository for storing requirements for each baseline product and customer product.
- Manages software release documentation for each project's defined baseline.
- Stores requirements attributes such as requestor, release number, status, and priority.
- Manages change control, providing a history of changes made and allowances for reverting to previous versions of a requirement, if needed.
- Secures requirements with strict levels of authorization.
- Traces requirements and their links to other system components to facilitate analysis of change requests.
- Provides status tracking of each requirement.
- Facilitates team communications, particularly electronic communications regarding requirements additions or changes.

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### *Facilities*

Completion of infrastructure tasks depends on the completion of the facilities where the new system hardware will be installed. Because of the investment we have made in Texas over the past 18 years, we have the ability to integrate your new system and technology immediately without the need to construct as many facilities. Our Conversion Plan includes data center setups, such as continuing the Lottery's operations in the DCA in and the new . The existing Instant Ticket warehouse will remain where it is. Facilities tasks include the following:

- The in the DCA will be placed in a new cage, separate from the one that currently houses the Texas Lottery's . Both can co-exist during conversion.
- Construction will be performed on the while the old system continues to run out of the facility.
- The Real Estate team will work with real estate brokers to select a site for the new and execution of a purchase/lease agreement.
- We will perform the design engineering task, which involves designing any updates to the space that has been designated for the
- Construction tasks will be performed. These begin with seeking and obtaining the proper permits (e.g., from the state, the Fire Marshall, etc.) and then building out the space according to the agreed-upon requirements and specifications.

### *Testing and Simulation*

After completing GTECH development of the software, we will perform internal Quality Assurance (QA) testing and then present it to the Lottery for acceptance testing. Details are presented in Section 10.2, Integration and Testing.

### *Development of Reporting*

The Texas Lottery depends on many customized reports that help it analyze data to make the best business decisions. With our integrated reporting solution, the TLC will have access to its gaming information collected by GTECH, including but not limited to retailer data, sales records, terminal maintenance data, and daily transactions, for both scheduled and ad hoc reporting. In addition, we will:

- Use our knowledge of your requirements, captured and integrated into DOORS, to build the repository of required reports.
- Organize the data warehouse to accommodate the need for occasional ad hoc reporting.
- Continue to develop reports that are important to the TLC.
- Train Lottery personnel on how to use the application to manipulate information and create new reports from their PCs.

### *Staffing Requirements and Commitments*

The planning and management of the Texas Lottery's conversion will depend on proper staffing. As indicated in Section 10.1, Conversion Plan, we have created a project team that consists of both Texas-based and corporate resources. Our staffing of your implementation project is as critical a component as any other component of your new GTECH gaming system. We select the right people for the job, based on your needs and matched with their experience, expertise, and availability for the project period. With more than 4,500 staff worldwide, we are able to provide teams of professionals who will be dedicated to the project for the periods of time during which their roles are critical. Staffing tasks include the following:

- Assigning a dedicated Project Manager to your project. We have identified Barbara Tedrow as the person who will fill this role and be your main point of contact for the duration of the implementation period. She will be supported by corporate-based Project Manager Michael Thornton.
- Filling the core positions with a Business Analyst, Systems Engineer, Infrastructure Project Manager, Software Project Manager, Training Manager, Finance Lead and other core roles. The names and qualifications of the project team members are presented in Section 10.1, Conversion Plan.
- Supporting the conversion and ongoing operations with a depth of Texas-based, Texas-experienced resources, including data center, software, and operations personnel as well as Texas-based office, warehouse, and maintenance/repair staff. GTECH will provide our organization of 320 experienced personnel to support the project teams.
- Providing necessary operations personnel for post-live support for an agreed upon period to ensure that the TLC is satisfied with the conversion and on-site software support for the duration of the contract.

#### **Clarity for the Project Management Process**

To help manage the project through the conversion plan, GTECH has converted to a new tool called Clarity. Through this tool, all project implementation plans will be managed and maintained in accordance with the Work Breakdown Structure (WBS) elements for reporting and forecasting project hours per resource. Our use of this new tool further assures the Lottery that we will successfully manage your conversion project on time and on or under budget.

### *Lottery, Retailer, and Internal Training*

Conversion of the retailer equipment and the system are completely dependent on the training system users receive and when they receive it. We will provide Train-the-Trainer training to qualified trainers. Training will be scheduled to occur just prior to installation of the communications network and retailer terminals. This will ensure that retailers can begin using their new skills on their new terminals and equipment to sell and validate tickets on the live system as soon as their installations are completed. Tasks associated with retailer, Lottery staff and end user training, include the following:

- Our Technology Training Group will perform a Training Needs Analysis (TNA) to determine the specific needs of your retailers; staff; LSRs; hardware, operations; and other users, including those located in the            and the new            .
- We will then develop and present our proposed Training Plan to the TLC for its approval.
- GTECH will rely on its knowledge of the Texas landscape and diverse retailer base to locate and secure appropriate and convenient locations for holding classroom training sessions. Your retailers will find the locations convenient – they will not have to travel far in order to reach their local session. ***Out of nearly 17,000 retailers, only six would have to travel more than an hour to reach their training location.***
- Training of the Lottery's nearly 17,000 retailers will be coordinated with the installation schedule of communications devices and retailer terminals.
- GTECH will train the Lottery's staff and end users in classroom style during the weeks leading up to the conversion date. Each class will focus on the specifics of using the applications (the            , or any of the other applications that GTECH is providing).

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Lottery staff training will be particularly effective, as we will be able to use the converted test system to start working with the Lottery in several ways.

We will:

- Work with them on development and validation of requirements by showing them the exact system they will be using. This should speed up definition of any changes and acceptance /signoff of requirements.
- Start training them on the new Graphical User Interface (GUI) screens.
- Demonstrate at contract signing the terminal applications to allow us to roll into emulation as quickly as possible.
- Minimize re-training time by using a new system that already has preserved all the business rules and functions.

In all, your staff will be fully trained on the gaming system applications and retailer sales terminals prior to conversion.

### *Parallel Processing*

A successful conversion depends on accurate data; without it, validations, retailer accounting, and other processes might not be right. After final conversion of transaction and historical data to the new compatible format, GTECH will perform two weeks (2 invoice periods) of parallel processing to ensure that all data on the new system is synchronized with the existing system. This will assure the Lottery that its new system will start up with completely accurate data. Other recent conversions by other proposers experienced validation and ticket sales disruptions due to data conversion issues.

The following figure shows how parallel processing works.

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**Figure 10.4 – 1:**

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### **Validating Tickets During and After Conversion**

The proposed retailer terminal, existing and new central systems, and proposed conversion strategy will easily enable validation of winning On-Line and Instant Tickets during and after conversion. This will take place whether the tickets were sold on the old or the new system. We have accomplished this task during previous conversions in New York, the United Kingdom, and California – jurisdictions that are comparable to Texas. As a result, GTECH assures the TLC that the data conversion and terminal replacement processes will ensure successful validation of any winning ticket without delay, and without any confusion on the part of the retailer or the player.

There are many permutations, including but not limited to the following:

- Tickets purchased prior to conversion that can be validated after conversion.
- Multi-draw tickets good for draws after the conversion.
- Instant Tickets bought prior to the conversion.
- Any On-Line and Instant Game coupons.
- Promotional coupons.
- Promotional tickets from online “Buy X, Get Y” promotions to validate after conversion.
- Advanced multi-draw tickets.

We can provide an Advanced Draw Report, reports for draws on the last day of the current contract, and draws for Day One – all on Day One. We will be able to demonstrate to the Lottery prior to contract award that our process for conversion will handle the transition of On-Line Tickets to the new system, along with low-tier, and mid-high-tier Instant Tickets for all active and historical games open for validation. We can also provide liability reports and a variety of other reports for your review.

**We can provide an Advanced Draw Report, reports for draws on the last day of the current contract, and draws for Day One – all on Day One.**

## Reading of Bar Codes

## Validation of Winning Tickets Sold Prior to Conversion

The terminals will be able to check (to determine if it's a winner) and validate tickets from the old online system when the bar code is scanned by the retailer or if the retailer manually enters the serial numbers, just as they are able to do now. While validations will remain the same no matter which terminal or system has generated the winning ticket, no winning ticket can be validated more than once. GTECH's system and the security built into its On-Line and Instant Tickets will prevent any such fraudulent activity.

The new terminal will accommodate any existing Texas-specific game bar code.

## Minimizing Confusion and Effort for Retailers and Players

When a conversion happens, there can be no disruption to the retailers' ability to sell tickets – especially considering the average volume of weekly sales of Texas Lottery tickets.

With GTECH's conversion strategy and new terminals, there will be no confusion for retailers and players who want to validate winning tickets. The new terminals will work immediately upon installation, which will begin approximately seven months or more prior to the Go Live date. Thus, retailers will be able to validate existing and new tickets immediately. GTECH will validate winning tickets sold prior to the conversion for as long as necessary, based on your business rules.

### **Conversion with Uninterrupted Sales**

Only with GTECH's proposed conversion strategy can retailers continue selling TLC products even while major system components are being changed. This enables players to walk into any retail location to validate their tickets with no confusion and no interruption in sales or service.

GTECH's proposed conversion strategy is unique because it enables all of the Lottery's existing and newly installed retailer terminals to function live in production.

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Consider the following examples, which show the benefit of our proposed migration strategy to the TLC and its players:

- A player purchases a ticket at Albertson's on South Bell Street in Amarillo (which has the existing terminal). The player can either go back to Albertson's, go across town to Toot 'n Totum on Plains Boulevard, across the state to Best Food Mart on NW 24<sup>th</sup> Street in San Antonio, or to Empire Central Texaco on Stemmons Freeway in Dallas, to validate the ticket on the new terminal. Regardless of location or the location's terminal, the validation transaction will be the same, and will be successful.
- Similarly, if a player purchases a ticket prior to the conversion and forgets to validate it until after the Go Live date, the validation transaction will be the same, no matter which retailer he or she chooses, and will be successful.

### **Identifying and Defining Roles for all Involved Parties**

From our experience in Texas, we realize your management team and others will be closely involved in the conversion project. We look forward to collaborating with all of them as we do today.

The following discussion describes the various roles that your conversion team, other providers (e.g., Instant Ticket contractor, etc.), and retailers will play to ensure a successful conversion. We also provide information about the tasks for which our conversion team will be responsible. We will work with you to ensure that the project meets or exceeds your requirements and that you are always updated on its progress through meetings, reports, training, install forms, software data conversion, software requirements gathering, etc.

### **The Lottery**

We believe we are aware of some of the tasks you will want to be involved in, as described in the following paragraphs.

As a starting point, the Lottery will work with its successful proposer to expand on and agree upon the Conversion Plan. The TLC will designate a time frame for contract award and contract signing that enables GTECH to meet the deadlines in the Conversion Plan. We expect that you will want to monitor the conversion project, designate personnel to participate in project meetings, provide input, and perform reviews of each major milestone and deliverable in the development process.

Your IT staff, security staff, and other TLC personnel will be involved to define your gaming requirements for software development, customization of the software application, acceptance testing, security and disaster recovery, training, facilities plans, and approval of consumable supplies. The TLC will also be responsible for timely approval of requirements and decisions so as not to negatively impact the agreed-upon schedule. This process will commence upon contract award with the scheduling of a project start-up meeting for key TLC and GTECH personnel.

### The Lottery's Contractors and Third-Party Providers

Your Instant Ticket contractor will have responsibilities during the conversion project. This contractor will be responsible for working with GTECH and the TLC to produce tickets for all Instant Games that will be part of the active game mix at the time of conversion and into the contract period. They will also be responsible during the conversion period for ensuring ticket samples are available for testing. Finally, the Instant Ticket contractor will be responsible for ensuring that adequate numbers of tickets are produced for the current games and are delivered in a timely fashion to the warehouse.

Your Internal Control System (ICS) contractor will be responsible for providing the ICS software and maintaining the equipment for the duration of the contract. This will include technical and maintenance support for the ICS hardware and operating system.

**Your retailers will not be required to take any action, such as unplug, remove, or plug in their new terminals on the Go Live day.**

### The Retailers

GTECH will purposely ask as little as possible of busy retailers during the conversion process. Your retailers will appreciate the fact that they will not be required to take any action, such as unplugging, removing, or plugging in their new terminals on the Go Live day. They will be only minimally disrupted during site visits or delivery/installation of their new communications network and retailer terminals.

Their only requirement will be to attend the training program scheduled within their region and to ensure that their clerks are trained as well. Some retailers will need to work with their landlords to gain the proper permissions for new communications installations and provide access to the roof or other areas of the building to enable any required site surveys and installations to take place. GTECH is ready to assist any retailers who need help in negotiating with their landlords.

## GTECH Responsibilities

For our part, we will work with your designees to plan and manage the project effort.

First, we will work with you to develop the final Conversion Plan. Barbara Tedrow and our Texas-based and corporate project teams will arrange and attend planning and oversight meetings and oversee any changes or adjustments to the schedule. Barbara and Michael Thornton will be responsible for reporting to the TLC and GTECH senior management to ensure that the TLC and the Program Management Office (PMO), and senior management are all kept up to date on project progress.

The project team will be composed of GTECH-Texas staff and supported by GTECH-corporate project staff as necessary; together, they will provide support for your User Acceptance Testing (UAT) efforts. We will convert all TLC data and perform parallel processing for at least two accounting periods, which will ensure the accuracy of the converted data leading up to the scheduled start-up. We will also maintain oversight of the installation of communications equipment and retailer terminals.

Facilities will be a GTECH responsibility.

We will do everything possible, while performing conversion responsibilities, to *not* disrupt your retailers' businesses or your Lottery sales.

Please refer to Section 10.1, Conversion Plan, and particularly Table 123, Subsection 123.4, Proposed Conversion Staff, for details about our project team structure and our dedicated on-site Conversion Plan Project Manager.

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## **Interim Facilities and Processes**

Our conversion for the Texas Lottery will not require the use of interim configurations or facilities. However, we will require staffing and business procedures with respect to the gaming system during the conversion period. These items will be included in the Conversion Plan and in the Conversion Plan schedule.

Since many of the project team members are Texas-based, they will utilize their respective office space in Texas, which is also easily accessible to TLC staff for meetings and work sessions. The “War Room,” where the planning and oversight of the terminal and communications equipment installations will take place, will be run out of Austin and will be supported by GTECH’s Technology Center in West Greenwich, Rhode Island. Hotline operations will continue to run out of their existing NRC locations in Austin and Providence, Rhode Island.

## **Interim Staffing**

GTECH will provide a project team of experienced, certified project management and conversion experts to work on and off site as their responsibilities warrant. The team members are identified in Section 4.3.2.f, Transition Team. The War Room, which is described in Section 10.3, Implementation and Migration, may require additional temporary staffing.

## **Interim Processes**

The Implementation Plan includes the development of interim processes such as disaster recovery plans. Disaster recovery plans will be in effect for both the primary and backup data centers, as designated in GTECH’s current Disaster Recovery Plan for the TLC. In the event of a disaster, either natural or man-made, these plans will ensure that events will not impact our ability to successfully launch your new gaming system on time.

GTECH will be responsible for any costs associated with these interim items.

### 130.3

#### Structure and Content of Process Documentation

In Sections 10.1, Conversion Plan, 10.2, Integration and Testing, and 10.3, Implementation and Migration, we provided information about the processes in place to assure the Texas Lottery of a seamless conversion. As described in those sections, our Integrated Delivery Model (IDM), PMO processes, data conversion processes, testing processes, and terminal and communications network rollout processes are all highly customized to accommodate the size and scope of the Texas Lottery. Our project management processes are transparent not only to keep the TLC updated on project progress but also so that we might document all issues, agreements, and action plans. Our PMO uses but is not limited to the following process documentation:

- **Project Scope Statement:** Provides a common understanding of the project scope among stakeholders as well as a documented basis for making future decisions.
- **Project Work Breakdown Structure (WBS):** Includes deliverable-oriented groupings of project elements that organize and define the total scope of work for the project. Each descending level represents an increasingly detailed definition of project work and is tracked to the lowest task level. This document will serve as the detailed plan for the duration of the project between GTECH and the TLC.
- **Performance Measurement Baseline:** Offers an approved plan against which deviations are compared for management control.
- **Risk Management Plan:** Identifies and tracks project risks throughout the life of the project. The plan includes a description of each risk, the probability of occurrence, the potential impact, and the chosen method or strategy for dealing with the risk to reduce impact.
- **Change Control Process:** This formal, documented procedure defines the steps and authorization requirements for when previously agreed-upon scope, artifacts, schedules, budgets, or any information that is being relied upon by others need to change.

We will customize this documentation for the specific challenges that will drive your Conversion Plan and allow you to closely monitor its progress.

### **Conversion Plan and Time Chart**

In addition to the documentation listed here, we have the detailed Conversion Plan and Time Chart, in the form of a Microsoft Project Gantt chart. This is the main vehicle we will share with the TLC to use for project tracking and giving the TLC transparency and insight into project progress. We will provide the TLC with the Microsoft Project software. Before the plan is finalized, we will present it to you for your approval within the time frame specified by the Service Level Requirements. Any changes to the plan will follow the proper method for making changes, and we will submit all changes to be approved by the Lottery prior to their implementation.

### **Test Documentation**

Please refer to Section 10.2, Integration and Testing, for details about the test documentation and test results that are already available to demonstrate to the Lottery and that the Lottery itself can test on an system at contract award.

### **Installation Process Documentation**

Please refer to Section 10.3, Implementation and Migration, for more information about the installation process and tracking documentation.

### **Process Guides**

For all project management-related processes and methods, we will provide you with process guides that you can review and approve. These processes include but are not limited to Change Management, Release Management, Performance Management, Service Level Monitoring and Reporting, and Security requirements as defined in the RFP and in the contract.

## **130.4**

### **Project Management Methodology**

GTECH has a mature, professional project management organization to plan and manage the very large and complex gaming system conversion for the Texas Lottery. Our project leadership, which will comprise both Texas-based and corporate resources, as explained in Section 10.1, Conversion Plan, has an average longevity at GTECH of nearly 10 years. The team also has certification in industry-recognized project management standards and processes and, between them, more than 310 years of project management experience.

#### **130.4.a**

##### **Project Management**

In Section 10.1, Conversion Plan, Table 123, Conversion Plan Response Requirements, Subsection 123.3, Project Management Process, we present an overview of our project management process, including the PMO, our IDM, and the tools we use to guarantee our customers a seamless and successful conversion. In that same section, in Table 123, Subsection 123.4, Proposed Conversion Staff, we present our project team structure.

In response to Table 130, Conversion Plan General Requirements Response Requirements, Subsection 130.4.a, Project Management, we direct your attention to the project team process of project reporting and monitoring described in the following pages. Please also refer to Table 130, Subsection 130.4.h, Transition Reporting (Type and Frequency), for more information about project reporting.

## Project Team Process

After contract award, the first three steps of our project management process will be to:

- **Review for Gaps:** We will evaluate our proposal against the final agreed-upon contracted deliverables to ensure all commitments are understood and planned for in the final Conversion Plan.
- **Finalize the Conversion Plan.** We will work with you or your designee(s) to review and agree upon the final Conversion Plan. The plan is presented in the form of a Gantt chart compiled using Microsoft Project. Your conversion team will always have an updated copy of the Gantt chart.
- **Schedule Weekly Reviews.** A kick-off meeting for the project team and your management and project team members will be scheduled immediately. As described later in this section, meetings will take place at least once each week to review project progress.

Each project manager or “lead” from the various disciplines assigned to the project will have his or her own set of tasks specific to their deliverables. Barbara Tedrow will oversee the major disciplines and their tasks throughout the conversion period and will meet weekly with the leads to monitor their progress. She will begin a series of regular project management meetings with the managers of the various disciplines (infrastructure, software, training, etc.) who are involved in the project. This task also includes the preparation of materials for the kick-off meeting.

The following figure depicts the tasks for which each major discipline will be responsible and which the project manager will oversee. Please note that their responsibilities follow the IDM process.

**Figure 10.4 – 2:**

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With the completion of the following four tasks, conversion plans become actions:

- **Generating the first project report.** Copies will be provided to TLC and GTECH attendees and to appropriate non-attending personnel after the meeting.
- **Finalizing the forecasting and assignment of resources for the project.** We will review our assignments for Texas-based and corporate resources to ensure that the project is adequately staffed.
- **Holding a Peer Review of the project workbook.** At this point, we will begin monitoring the schedule, through Go Live and ending with our post-live support.
- **Setting up a Network Rollout Organization War Room.** We will plan and track retailer installations in our Austin facility, backed by the NRO War Room in our West Greenwich facility.

### PMO Monthly Review Meetings

In addition to the Project Team's internal monitoring mechanisms, our PMO, described in Section 10.1, Conversion Plan, conducts monthly in-house program reviews to ensure that each project is on track. These meetings highlight the project's status and progress and provide an opportunity for the Project Team to request guidance or additional expertise from business unit leaders and Senior Management, if needed.

Every project team receives the full support of the PMO, an organization with the management and mentoring experience needed to guide each project toward success. The PMO oversees all project teams, working with them in a mentoring and consulting capacity, ensuring standard delivery processes are used across projects, and guiding them in successful achievement of project objectives.

The PMO reviews project status (schedule, issues, and risks) with a senior group of managers representing all deliverable groups (Project Management, Software, Quality Assurance, Systems Engineering, etc.). As a result, problem resolution and/or escalation can occur on the spot, if required, to keep the project on track. Lessons learned can be equally applied across the portfolio where applicable.

The PMO provides continuous executive-level reporting to GTECH Senior Management. This provides the Lottery with an additional layer of assurance that your project has the ongoing attention of our most senior-level executives. Through our PMO processes, Senior Management is updated on project status and can take immediate action as deemed necessary.

## Process Compliance Reviews

Every project is also subject to monthly process compliance reviews. Compliance reviews are a detailed audit of process adherence to ensure that the standard, proven project management delivery methodologies and best practices are being accurately applied to maintain repeatable delivery success.

Our process model enables proactive management of the project. This means early detection of issues or risks to allow time for plan adjustments in order to avoid or reduce impacts to scope, schedule, quality, and budget. These reviews are conducted by the PMO (specifically by the PMO Project Analyst). The data from these reviews is used to determine weak process areas, weed out insignificant process, and identify additional training requirements. Actions are then taken to evolve our processes where needed and improve our Project Manager skills based upon performance.

In the event that additional resources are required, GTECH maintains a complete database of the company's technical resources, their respective skill sets, experience, and availability. Through our Resource Management process, we are able to precisely select additional resources for the team based on the request of the Project Team.

## Managing Project Deadlines

Our project management approach takes into account the inherent unpredictability of lottery implementations. Risk identification and management is an intrinsic part of project management. That is why we proactively analyze risk and the development of strategies to address and mitigate risks in case they actually occur. Proof of our ability to meet project deadlines comes from our experience in many lottery jurisdictions where we have encountered innumerable obstacles beyond our control. These have included typhoons in Taiwan, tornadoes in Louisiana, hurricanes in Florida, a major power outage in the Midwest, a roof cave-in from a snowstorm in Rhode Island – and *still*, GTECH completed the tasks and implementation on time without disrupting the games.

### **Keeping the Project on Track....No Matter What**

One of the best examples we can point to is our conversion of the large, complex operations of the Florida Lottery. Just as retailer training was about to take place, four hurricanes swept along nearly the same path across the state in a five-week period. The aftermath of the storms and the expectation of the next one on the horizon made it impossible to have retailers travel to their assigned training locations. Our project team was able to find alternative locations, including campgrounds, that retailers and trainers could easily reach. By doing so, the training schedule and the network and terminal installations stayed on track, and so did the conversion. GTECH was also able to replace equipment damaged or lost by the storms without delaying the conversion schedule.

## **Change Control Process**

GTECH employs a structured change control process to ensure that all proposed project changes are reviewed in regular Project Team Change Control Board meetings, and escalated to the PMO for Senior Management input as warranted. In this way, GTECH is able to assure the Lottery that any change to the project scope, schedule, or budget will be communicated and agreed upon before proceeding.

At GTECH, change control is a formal process to be followed when the previously agreed-upon scope, artifacts, schedules, budgets, or any information that is being relied upon by others needs to change. Change control identifies the roles, tasks, and flow of communication that need to be established within a given project team for effective change management to take place. This includes the practices for requesting, approving, implementing, and communicating a change.

An up-front conversion process may have certain elements that need to be changed. Once the specifications are agreed to, there might be changes to things that need to work differently. Such change is a natural part of the process. For example, requirements may need to be revisited. Or results may not be as clear or robust as expected. Or, you may decide during the process that you want something that you hadn't previously requested. These items would be subjects for discussion in the change control meetings.

Please refer to Table 130, Subsection 130.4.b, Business Change Management, for more details.

## Project Condition Reporting (ProCon)

To ensure successful functioning of all systems and software at the time of Go Live, we employ an oversight and escalation procedure, ProCon. ProCon ensures "all eyes" – the availability of all key resources and senior management during your project's Go Live period. Using this process, we allow for an immediate response to any issue surrounding the transition to the new system. ProCon was developed by GTECH as a mechanism to facilitate resource availability, formalize escalation procedures, and provide accurate project status reporting during a project's most critical phases.

Should an issue arise, the project manager would contact GTECH's 24-hour helpdesk (Duty Officer) to begin contacting resources via the planned escalation list and having them all dial into a pre-set conference call number to discuss the issues and brainstorm the resolution. By having all the key technical resources on the line, the resolution period is reduced, impacts to other areas are known and managed, and the implemented resolution can be verified in real time.

The ProCon phase is set into action one week prior to the scheduled Go Live and concludes approximately three weeks after the Go Live has been successfully completed. Our experience shows that most issues that have arisen during conversion have been minor and usually solved within a couple of hours or, at most, a couple of days. Other proposers may promise support for 30, 60, or even up to 90 days after Go Live, but we believe that a well-planned, well-managed, and expertly executed project should not require post-conversion support for such a lengthy period of time.

## Effective Resourcing with Clarity

The PMO started using the Clarity tool in 2008 to enhance the integration between project resourcing and schedule management. With Clarity, we can cover project task planning, allocation planning, resource assignments, and schedule tracking at the task level through integrated timesheets. Although Clarity is only one of the many tools we use during the course of a conversion project, it is one of our core management tools. It allows GTECH to manage and quickly track the progress of a project and forecast potential resource constraints across the portfolio, as well as to quickly mobilize additional resources as necessary.

Using this Web-based application has resulted in enhanced communication and productivity for our project teams and our customers.

**130.4.b  
Business Change Management**

What the Texas Lottery refers to as Business Change Management is called Change Management or Change Control at GTECH. Change control described in the previous subsection, will commence upon the primary contract signing with the customer. The only exception to this is for hardware configuration and software requirements. For hardware and software, the change control process (CCP) should begin once the configuration diagrams and requirements documentation are internally approved or formally baselined.

There are two types of control entities used for the effective review and approval of change, as shown in the following figure.

**Figure 10.4 – 3:  
Change Control Process**

Entity	Description
Change Control Board (CCB)	<p>The CCB is internal to the project team and will generally consist of project core team members, the Program Manager, the General Manager, and in most cases, the Regional Lead and the customer. The purpose of the CCB is to verify the change assessment and utilize the Logic Tree and Change Approval Matrix outlined in this process document to determine if a higher escalation is required for approval of a requested change. If no further escalation is required, the CCB will render a decision on the change request, log the results, and proceed as necessary.</p> <p>It is imperative that the project team establish its formal CCB at the beginning of the project, and then review the specific change control process with the customer. To facilitate this, project teams are required to use the "Project Change Process – Team Document" template. This template allows teams to customize their CCB rather than providing copies of this internal GTECH process document. In this manner, expectations will be set appropriately for managing change throughout the project</p>

Entity	Description
Change Advisory Board (CAB)	<p>Changes that are not eligible for approval by the project team per the Logic Tree and/or Change Approval Matrix will be routed from the project team through the PMO mailbox to the CAB. The CAB is made up of various managers, all reporting to CTO staff as well as Gaming Solutions representation. CAB meetings are regularly scheduled to occur on Friday of each week. All Change Requests (CRs) collected via the PMO mailbox prior to Friday will be included on the agenda. Emergency CAB meetings will be called if warranted as determined by the PMO.</p> <p>The PMO will manage the movement of the CR through the CAB approval process and returning results to the project team</p>

### Change Control Expectations

All changes impacting the project schedule, scope or budget/forecast must be formally documented on a CR form and reviewed per this change control process. Specifically, the following would be escalated to the CAB:

- A change to the Go-Live/transition date.
- A change to a major contractual milestone within the schedule (i.e., start of UAT).
- A scope change with regard to features, functionality, or items with dependencies.
- A change that will affect any frozen or formally agreed-upon deliverables.
- A change affecting the project budget or forecast.

While all changes as noted above are expected to be formally documented and reviewed via the Project Team CCB, some changes will also require review and approval by the CAB.

Once a change request is submitted, the PMO will:

1. Review the CR to ensure all supporting data is included.
2. Register the CR for tracking purposes.
3. Determine if an emergency CAB meeting is required or if the CR can be reviewed in a regularly scheduled meeting.
4. Add the CR to the CAB agenda.
5. Facilitate presentation of the CR to the CAB.
6. Document any action items required and notify the submitting team of pending required action before the CR can be processed.
7. Document the CAB recommendation and escalate the CR to the Vice President level within the appropriate Solutions Team.
8. Notify the submitting team of the CAB decision and/or escalation.
9. Notify the submitting team of any additional actions required before the CR can be processed.
10. Document the decision for tracking purposes.

Several deliverables support the change control effort, including:

- **Change Request Form:** Captures all information needed to initiate, conduct, and communicate the change.
- **Change Control Log:** Tracks the life of the CR as it goes through the change process.
- **Compliance Report:** Provides information regarding process compliance to Solutions Team management.

### **130.4.c Issue Management**

An issue is any event occurring in the present or that began in the past and is not yet resolved. Issues are items that are already beginning to affect project objectives or deliverables and require immediate attention and resolution to stop the effect.

Issues are generally documented as part of status reporting, and specific action items for issue resolution are documented and tracked in a project actions items log. While issues are discussed in status meetings, we sometimes also schedule ad hoc meetings with subject matter experts (SMEs) to seek lessons learned from other project deployments that might apply to a resolution.

All issues are shared with the customer during regular customer status meetings or conveyed as needed by the project manager depending on the level of urgency.

The PMO has a standard issue-tracking document that project managers may choose to use to track issues in addition to the project reports.

#### **130.4.d Communications Strategy**

The PMO maintains a communications strategy that enables all parties involved in the conversion project to share critical information. Like other project management processes, the communications strategy follows the IDM process and has numerous communications vehicles that are used for each step.

We follow a Project Communications Plan template that includes, for example:

- Communications vehicle/forum.
- Project phase.
- Person responsible.
- Person(s) consulted.
- Audience informed (including the customer).
- Purpose/expected result.

Examples of the communications shared with customers from the Communications Plan include:

- Change Control Process.
- Disaster Recovery Plan.
- NRO Plan.
- Security Plan.
- Meeting agenda and minutes.
- SRS.
- Change Control Request Form.
- List of deferred items.

Through the Communications Plan, we are able to give the TLC a consistent and transparent look into the processes and decisions that will determine the success of the Conversion Plan. Please refer to **Exhibit 18, Project Communications Plan Template**, which is located in the Exhibits Volume.

### **130.4.e**

#### **Knowledge Transfer**

Training is one of the many disciplines in the Conversion Plan that is interdependent on other tasks. In order for the conversion to be successful, all users of the system must be successfully trained in advance. This includes Lottery management and administrative staff, GTECH-Texas staff, all technical staff, the Lottery's sales force, Call Center staff, and your retailers. Training schedules are found and tracked on the Conversion Plan, reviewed in regular project meetings, and documented in status reports. Knowledge transfer has its own project manager or "lead." And it impacts several audiences.

First, through our local resources and corporate training group, led by Charles Howard and Jonathan Dumont, respectively, we will ensure that TLC management, staff, and specific users receive all the information they will need about the new systems and equipment to do their respective jobs every day.

Second, we will train everyone who will come into contact with your retailers, including the sales force, LSRs, FSTs, and NRC operators. If there are issues on the front lines – for example, if a retailer has even a minor problem – then Texas Lottery sales may suffer. Therefore, the people who support that retailer must be knowledgeable enough about the technology and functionality to quickly and efficiently solve the problem.

Finally, when the conversion project is successfully concluded, the project delivery team will hand off to the Services team – the group that will provide the day-to-day operations functions for the TLC. There will be training for all areas of Services to ensure that they are able to provide necessary guidance, training, and troubleshooting for all ongoing functions.

As detailed in Section 6.8, Training, we will work with the TLC to develop a TNA in order to tailor all training sessions to contain the pertinent system components per each user group's role.

### **130.4.f**

#### **Relationship Management**

As evidenced in Section 10.1, Section 123.4, Proposed Conversion Staff, the TLC Conversion Plan will be planned and managed by an expanded team that features Texas-based managers who are supported by corporate project resources and by the GTECH-Texas account management team. In turn, those teams have direct links to the Western Region leadership of the PMO, to the leadership of our corporate Americas group, and to the top levels of GTECH's Senior Management.

We have structured the resources in a way that positions familiar, full-time, Texas-based people as your regular project contacts. At the same time, TLC leadership and designated project team members can take any opportunity to contact Phyllis Mendoza, the PMO's Regional Lead, who is also based in Texas, or any of the corporate-based project resources.

Phyllis' role as Regional Lead is important to your project, as she will serve as the conduit between the Texas-based project team, the PMO's corporate project resources, and GTECH's corporate organization. She will partner with General Manager, Joe Lapinski, his Assistant General Manager, Saysha Robinson, and Strategy Consultant, Ramon Rivera, to ensure continuity of support. She will also interface with both the project team and the services maintenance team to ensure that your needs are being met during the conversion period.

As described previously in Section 130.4.d, Communications Strategy, we will have regular customer status meetings and always keep you informed to ensure your awareness of deliverables, project tasks and schedules, customer dependencies, and the resources and oversight available to move your conversion toward a successful conclusion.

### **130.4.g**

#### **Risk Management and Mitigation**

Most lotteries are averse to conversion risk because of the potential impact it can have on retailers, players, and other constituencies, such as state legislators. We believe the Texas Lottery is no different.

Risks are the negative or positive results (expected value) of one or more future events. Generally, the term risk is used to express negative results typically in the form of costs, time, or the loss of some benefit. Positive risks are usually called opportunities.

A risk can be described as a future event expected to cause an impact on project objectives or deliverables. Once identified, risks can be managed to avoid or minimize their effect.

Risk Management is the process where risks are identified, categorized, evaluated, analyzed, prioritized, and subsequently reviewed on a regular basis (typically every two weeks). These steps, when performed as described, can prevent significant disruption to a project or, at a minimum, provide adequate time to prepare and plan for unavoidable disruption.

In the case of a GTECH System Delivery project, it is the responsibility of the primary project manager to work with the project discipline leads to regularly identify, review, evaluate, and communicate project risks. Risk communication is a key factor in managing risks; to gather as much available data as possible to combat the risk as well as to provide an important tool for senior management when evaluating the health and viability of a project.

The success of any lottery program depends upon its perceived integrity and public trust. Public trust can be won or lost at many levels and to varying degrees. That is why GTECH considers it critical to assess risks at many levels in your operations, and to create management plans to eliminate their occurrence or minimize their impact.

**GTECH's proposed risk management system protects every aspect of the Lottery's operations, including the system migration and start-up, and prevents potentially damaging acts from occurring.**

Our risk management system is a cornerstone of our proposal to the Lottery because it protects every aspect of the Lottery's operations, including the system migration and start-up, and prevents potentially damaging acts from occurring. We will put all our risk management expertise to work to ensure that any risks to the migration and start-up of the new infrastructure will be identified early, planned for, and mitigated.

In this section, we describe our approach to risk management for the Texas Lottery's migration and start-up.

## **Approach to Risk Assessment and Risk Management**

We approach risk assessment and risk management at the pre-project stage, during migration, and at the new system start-up stage of our projects. We find that it is important to establish project risk workshops, both pre-project and at the project kickoff meeting.

### **Pre-Project Risk Assessment**

Pre-project risk management involves our project team leaders, project and program managers, and the account team.

Once we have assigned project management and the project team members from the various project disciplines, we convene a meeting or series of meetings to discuss potential risk to the project. The pre-project meeting for this TLC project was held in November 2009. All major disciplines were represented, including project management, software, terminals, infrastructure, the Texas-based site team of Barbara Tedrow, Nick Watts, Hal Walker, Jim Brannon, and the others named in Section 10.1, Conversion Plan, and senior-level Texas-experienced GTECH personnel like Alan Eland, Andy Haley, Tom West, and Shawn Yetter.

### **Risk Management During the Contract Period**

As soon as the TLC awards the contract, GTECH's project management team will schedule and organize a project kickoff meeting. One of the most important items on the agenda for that meeting is risk management. At the kickoff meeting, we hold a Project Risk Workshop involving the GTECH and Lottery project team members.

The purpose of the risk workshop is to go through the entire project life cycle, from the initial technical strategy and solutions to the identification of actual elements of risk. The workshops result in a project that is more likely to succeed because all involved parties know, understand, and agree on the potential risks before the project is underway.

Starting with the risk management plan that is devised at the pre-project stage, we will discuss potential risk with the Lottery and compile a formal risk management plan that our teams will use to manage risk throughout the project period. Risk will be a topic at every project meeting, and we will provide copies of the plan to the Lottery every time it is updated.

## Risk Management Methodology

GTECH's project management processes help us to anticipate and manage risk. The best result of risk management will be to reduce the probability and potential impact a risk will have on the budget, resources, and the project schedule.

Risk management processes include identifying, analyzing, and responding to potential risk to minimize the consequences of adverse events in the project delivery. Risk management reviews are also part of the process. Our risk management methodology for the Lottery will include the following steps. These steps also apply to ongoing risk management during the contract period.

- **Risk Identification:** Determining potential risks that are likely to affect the project.
- **Risk Evaluation:** Evaluating the risks and risk interactions within the project to assess the range of possible outcomes – probability of occurrence and potential impact.
- **Risk Strategy:** Defining control mechanisms and resolution planning in order to respond to a particular risk through Acceptance, Mitigation, Avoidance, or Transference.
- **Risk Response:** Responding to changes in risk over the course of the project in weekly project reviews – which strategy we are going to choose.

When evaluating potential risks, GTECH looks at the project and all parties involved in the project. Therefore, our methodology will identify risks to the migration and start-up, risks to the proper support of the system, and risks to our team and our company as your operator. The Lottery will find all such risks included in a formal risk analysis of the project.

The risk management plan will address risk to the delivery and support of the system, as shown in the following sample risks.

### Examples of Project Risk

- Technology gaps.
- Manufacturing schedules.
- Shipping schedules.
- Timely staging of equipment.
- Timely configuration of equipment.
- Software development time frames.
- Resource availability.

## Formal Risk Analysis

There are basic risks to the project that come from lesser experience and expertise on the part of other proposers. GTECH will make sure that none of these risks has the opportunity to impact the project or the schedule. The following bullet points contain a sample basic risk and GTECH's solution (in italics).

- **Project Management:** Vendors without experience delivering large-scale conversion projects and who have not developed or worked with a conversion plan containing thousands of tasks for a project with the size and complexity of Texas will struggle to meet milestones and deliverables. *GTECH will apply the experience it has gained in prior successful conversions of comparable size and scope to the Texas Lottery. In addition, GTECH's PMO will oversee all project management activities according to proven industry-standard best practices which GTECH has utilized in many successful conversion efforts.*
- **Requirements.** Lottery business needs are not completely and accurately documented, including version controls. For vendors without experience delivering large-scale conversion projects, this could contribute to incomplete requirements in the conversion plan, resulting in missed milestones and deliverables. *GTECH BAs utilize industry-standard processes and tools, such as DOORS, to make the requirements task accurate and complete. The Lead BA will remain assigned to the project for the duration of the project to ensure consistency and tracking of all changes through a well documented change control process.*
- **Infrastructure.** Unexpected technical problems or component functionality issues may cause schedule delays, quality problems, or a need for additional resources. *GTECH is experienced in designing and then customizing systems for the needs of the Texas Lottery. All system designs are reviewed to ensure that potential areas of difficulty or bottlenecks are identified early in the Design Review Process. In addition, all infrastructure is thoroughly tested prior to start-up to ensure proper performance and adherence to Texas Lottery specifications.*

- **Communications Network.** Due to geography, seasonal weather, and other logistical considerations, no single communications technology solution can be used for each and every one of the Texas Lottery's nearly 17,000 retailers. These same considerations make communications installations challenging for vendors without experience delivering large scale conversion projects. In addition, the incorrect use and management of a third party to provide and install the communications network can contribute to delays and missed completion dates. *GTECH has devised a solution that will provide coverage for any retailer type or location. In addition, GTECH has the expertise to ensure that the communications network will be procured and installed in a timely fashion in order to meet the conversion schedule provided by the Lottery. GTECH will utilize its proven NRO, including a Texas-based War Room to handle all scheduling and coordination of retailer installations, to smoothly and efficiently complete all communications network activities.*
- **Software and Quality Testing.** The business needs of the Texas Lottery require broad scope and feature functions in the new system. Vendors with less experienced personnel may deliver lower quality in the new software that will hinder the system's ability to run all of the games, transactions, and retailer functions. The new system must also handle the typically high volume of Texas transactions, and integrate properly with the . *GTECH maintains dedicated and experienced software support resources in Texas. These resources are available upon request to assist with software design and development both during and following the project to ensure all software meets or exceeds the needs of the Texas Lottery. In addition, rigorous and thorough Quality Assurance (QA) testing utilizing industry best practices, processes, and tools will be performed to ensure the highest possible quality of the system. Lastly, GTECH will support and assist the Texas Lottery in performing a robust and comprehensive User Acceptance Testing to ensure that the software meets all the Texas Lottery's requirements.*

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- **Retailer Training.** Vendors without extensive experience in providing comprehensive training to all retailers may result in some retailers' inability to properly operate their new point-of-sale equipment. *Working with GTECH's NRO, the Training organization will schedule training class days in regions to give the Lottery's nearly 17,000 busy retailers choices for training. Retailers who are unable to attend their local class may be accommodated by on-site, one-on-one training, or terminal and Web-based training alternatives. GTECH's Retailer Training Management System (RTMS) will track attendance to ensure that every retailer has been trained in the use of the new terminals and peripherals before his/her equipment is installed.*
- **Data Conversion and Parallel Processing.** Incomplete conversion of existing system data may result due to a proposer's lack of experience delivering large-scale conversion projects. Other proposers have a less-than-successful track record of success with conversion and verification of data. *GTECH has worked with the Texas Lottery for many years and during that time has helped customize many features of the Lottery's gaming system. This, combined with proven processes and experience converting large lottery systems, will provide data integrity and reliability for all existing data during the conversion. GTECH will utilize its proven parallel processing approach which verifies that all transactions processed on the old system are able to be processed identically on the new system. Each day of parallel processing is like a trial conversion. If there are any discrepancies in the data between the two systems, parallel processing will identify the cause so the engineers can resolve the issue. The time-intensive task of parallel processing is critical to the success of the Texas Lottery's conversion.*
- **Final Preparation for Go Live.** Vendors without experience delivering large-scale conversion projects may experience terminals, communications devices, and/or central systems that do not start up and function as promised. *A conversion strategy like the one proposed to the Texas Lottery by GTECH reduces these risks at start up by thoroughly reviewing all components multiple times prior to going live. GTECH utilizes proven processes including Readiness Reviews and ProCon to evaluate, monitor, and escalate any risks or issues during preparations leading up to and following the live date. GTECH's experience includes previous experience with other large, complex 10,000+-retailer sites in the United States. Similar strategies and processes have been employed in those conversions and they have all been highly successful.*

However, the complexities of the Lottery's requirements call for a closer look at the detailed aspects of this project.

**Confidentiality Claimed**  
**Not released**

We have provided a sample formal risk management template with this proposal in **Exhibit 21, Risk Management Plan Template**, which is located in the Exhibits Volume.

GTECH is prepared to manage all risks associated with the conversion and start-up, as well as operational and business risks. GTECH welcomes the Lottery's involvement in identifying risks to the Conversion Plan because we can draw much information from our experience with the TLC as well as the expertise of your management and staff.

### **130.4.h**

#### **Transition Reporting (Type and Frequency)**

We believe our excellent and open working relationship with the Texas Lottery is one of the reasons for the success of its daily operations. Although a major conversion of system components only happens once every 10 years or so, we have planned and managed many customizations and upgrades, including the conversion to the ISYS® terminals, with you. We treat each project as a separate one in which we work with you until the job is done to your satisfaction.

Your active participation in project monitoring and reporting is critically important to every project. Just as critical is the shared information that flows between all parties during the project life cycle to ensure that all steps are understood and agreed upon. Our processes are transparent for a reason. We need you to be able to see what is going on in the project so you can provide the kind of input that comes from a lottery that knows its business so very well.

The following pages describe the regular reporting that we provide to the TLC and all project team members throughout the conversion period for oversight and monitoring purposes. Barbara Tedrow will ensure that the Lottery has the transparency it wants into the project through regular meetings and reports. Barbara will be supported in this task by Michael Thornton, and by the members of our Texas-based staff who are assigned to the Texas Lottery conversion.

#### **Regular Project Reporting and Monitoring**

The following pages describe GTECH's weekly meetings, weekly project reports, and additional reporting capabilities. Through these tools, we assure you that your project is progressing as scheduled and that there is adequate and ongoing oversight on the part of the project manager, the project team, the PMO, and GTECH's corporate Senior Management.

#### **Walkthroughs**

In addition to the regularly scheduled project meetings and reports, we will conduct software walkthroughs, a required step in software organizations such as ours that are Capability Maturity Model Integration (CMMI-DEV) Level 4 certified. Additionally, we encourage designees of the Lottery to observe at any time how the various steps of the conversion process are progressing.

## Weekly Project Status Meetings

To ensure clear lines of communication, we will hold regular meetings with you throughout the project to provide you with a general status update. We will also be available for additional meetings to address specific matters as they arise. The regular status meetings will review:

- The status of the tasks identified in the Conversion Plan.
- The milestones that have been completed.
- Dependencies on Lottery deliverables, if any.
- Exceptions/changes to the plan or processes, if any.
- Risks to project deliverables, if any.
- Recommendations on how to proceed.

## Project Status Reports

The project status reports will be used to help the Lottery and GTECH collectively manage project tasks and schedules. Internally, we generate a report from each project manager meeting. Status of open issues is color-coded in a red-amber-green (RAG) formatted report. Time frames for milestone tasks created by the project managers from each discipline are reviewed. These reports are generated after the weekly project manager meeting and any ad hoc meetings that might take place.

A sample report is presented as **Exhibit 16, Sample Weekly Status Report**, which is located in the Exhibits Volume.

GTECH will also provide you with regular (usually weekly) written project status reports to enhance your understanding of the progress to date, as well as to report any exceptions. The status reports will include:

- A summary of the status of major deliverable areas.
- A summary of current exceptions and plans for resolution.
- A summary of proposed changes pending approval.
- A record of outstanding action items and assignments, both for GTECH and the Lottery.

These reports will be generated after each regularly scheduled or ad hoc meeting with the Lottery, and after any discussions that result in a mutually agreed decision. The Project Team will monitor and track the project timeline to identify potential issues as early as possible so that corrective actions may be taken to limit any negative impact and maintain the agreed-upon schedule.

## **Access to Project Records**

We will provide TLC designee(s) with access to project records to enable them to monitor project management tasks, schedules, and issues. In addition to the Conversion Plan, the IDM generates issue logs, risk logs, etc., that will provide transparency for the Lottery into the progress of the conversion. This effort will begin at contract award and will continue through conversion and the entire contract period.

## **130.5**

### **Detailed Initial Distribution Plan**

With GTECH as your successful proposer, there will be no need for an *initial* distribution plan for Instant Tickets, On-Line Ticket stock, retailer sales terminals, and associated system sales equipment, point-of-sale materials, online play slips, promotional merchandise, playstations, signage and other materials, as required. With our integrated supply chain management process, GTECH has preserved all existing stock in the field, will maintain its central warehouse, and intends to continue to use our current Texas Lottery distribution plan.

### **Proposed Distribution Plan**

If the Lottery were to cut over to its new system tomorrow, GTECH would have the 47 Instant Games and 7 On-Line Games available, as well as the game plan for new content for old, new, and active games. This section describes our distribution plan for those games and for the equipment the retailers will need during and after conversion.

### **Instant Tickets**

There will be no change in the way the Texas Lottery's Instant Tickets are distributed. Mechanisms exist now, including the existing warehouse and distribution channels, to move Instant Tickets during conversion and throughout the next contract period.

## On-Line Ticket Stock

On-Line Ticket stock for the new terminals will be delivered when the new terminal is installed at the retail locations. Ongoing delivery of On-Line Ticket stock will be integrated into distribution of stock for the existing Isys terminals. Current distribution patterns will continue through the emulation period to all retailers still using the Isys (current ticket stock) and to the retailers receiving the new sales terminals (new ticket stock). The existing system will track the serial numbers of all ticket stock during distribution.

## Retailer Sales Terminals and Associated Sales Equipment

As described in Section 10.3, Implementation and Migration, new retailer sales terminals and associated sales equipment (peripheral devices, consumable supplies, etc.) will be distributed and installed gradually, beginning March 1, 2011. Terminals and other equipment will be shipped to Texas and stored in one of our 14 regional facilities until they are scheduled for installation. Installers will retrieve the terminals from the warehouse facilities and then follow the installation schedule created by our NRO with input from the Lottery. Terminals and equipment will go live into production as soon as they are installed. In all, the distribution of retailer sales terminals and associated sales equipment will total nearly 100,000 individual pieces of equipment.

## POS Equipment

POS equipment includes play slips and promotional material. These materials will be distributed by our Texas-based sales force, which comprises 150 experienced personnel. Distribution will include current and new materials, as the switch to new terminals and equipment will happen gradually between March 1 and August 25, 2011.

## Remaining Items

Distribution of the remaining items, including playstations, signage, and other materials, will also be carried out through existing mechanisms under the responsibility of our Texas-based sales force. Distribution will support both existing and new materials through the conversion period as the new equipment is gradually delivered and installed.

## Quality Control Procedures

Quality control procedures for storing, distributing, tracking, and reporting on these items are built into the distribution plan we use now and will continue to use during conversion and in the next contract period. The following activities will enhance the quality of our distribution plan:

- After every visit by the third-party installers, an LSR will visit each retailer to inspect the site for quality of the installation. This visit will occur within two weeks of the installation of the new equipment. The LSR will ensure that all POS – whether current or new – is in like-new condition, and will replace any items that fall short of that standard.
- GTECH District Sales Managers (DSMs) will follow up with randomly-selected retailers. Each DSM will inspect a subset of his or her LSRs' retailer base within his or her managed territory for quality of installation and compliance.
- Another layer of quality comes from inspection by the field audit analyst. His or her findings will be compared with those of the auditors who inspect the work of the NRO.

When the current system transitions to the new system on August 28, 2011, it will be business as usual for all parties involved in the distribution of consumable supplies, retailer equipment, and other assets. This will also be true during the implementation and migration of the new communications network, retailer terminals, and peripherals.

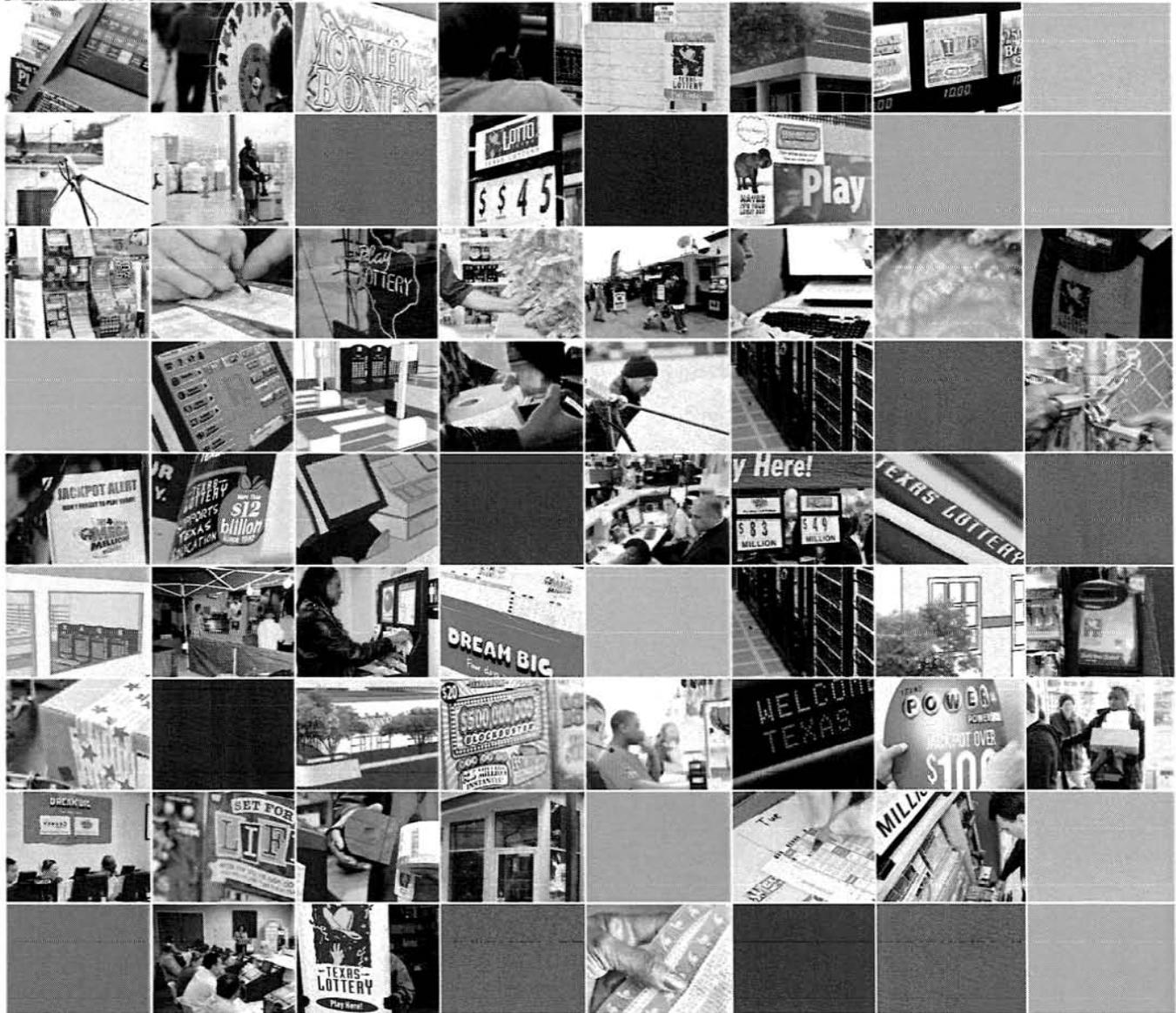
Ticket validations will not be affected by distribution of On-Line Ticket stock and Instant Tickets. The new terminals will validate both existing z-codes and the newer I 2 of 5 bar codes.

For more information, please refer to Sections 7.3, Instant Ticket Game Management, 7.5, Retailer Management, 8.4.1, Retailer Visit, 9.5, Promotional Item and Point of Sale (POS) Verification and Receiving, 9.6, Promotional Merchandise Inventory, and 9.7, Warehouse and Distribution General Requirements.



# 10.5

## Conversion Milestones



# 10.5

## Conversion Milestones

### Introduction

One of the results of a mature project management organization is the ability to capture all the detailed requirements to ensure that each one is managed, met, or exceeded. The previous sections of Part 10 have laid out our proposal for safely and seamlessly converting the multi-billion-dollar Texas Lottery operation. While our Conversion Plan removes much of the conversion risk and accelerates the time frame in which the TLC might achieve enhancements to its new gaming system, there are still many major milestones to be met.

### Table 132 Conversion Milestones Response Requirements

#### 132.1 Conversion Plan and Time Chart

The TLC will find a Conversion Plan and Time Chart, prepared in Microsoft Project and in Gantt chart format, in **Exhibit 19, Detailed Conversion Plan and Time Chart**, which is located in the Exhibits Volume. While we are aware that the TLC requires the detailed plan within 45 days of contract award (per Section 10.1, Conversion Plan, Detail Requirement #11), we have prepared and present a detailed plan with this proposal. We expect to review this version of the plan with the TLC after contract award to arrive at a final Conversion Plan within the TLC's required time frame.

The Conversion Plan clearly identifies tasks and major milestones on the critical path and designates all interdependencies between tasks. This plan is the main tool that we propose to share with the TLC as a means for both of our project teams to track the progress of project tasks and schedules. The milestone chart in this section was developed at a greater level of detail than that in Table 131. As required, we express all dates as the number of days from contract award. The detailed Conversion Plan includes acceptance testing and security plan milestones.

## Conversion Plan Major Milestones

GTECH's detailed Conversion Plan and Time Chart identifies and includes the major milestones that must be accomplished for the conversion to be successful. The following figure contains a complete milestone chart based on our proposed Conversion Plan and the following major milestones to be accomplished:

- Construction.
- Equipment delivery.
- Software programming.
- Installation.
- Testing.
- User training.
- Data conversion.
- Documentation of the proposed system.

Please refer to Section 10.1, Conversion Plan, Subsection 123.2, Proposed Conversion Plan Process, for an overview of the major milestones. Extensive details about the milestones and their respective roles in the Conversion Plan can be found in Section 10.4, Conversion Plan General Requirements, Subsection 130.2, High-Level Conversion Plan.

The following figure provides a chronological time chart of the Conversion Plan milestones. It reflects the order and high-level layout of our milestone tasks within the project time frame. All milestones from Table 131, Section 10.5 of the RFP, have been included in this figure (and are indicated by bold type). The chart expresses time frames as the number of days from contract award, as required.

**Confidentiality Claimed  
Not released**

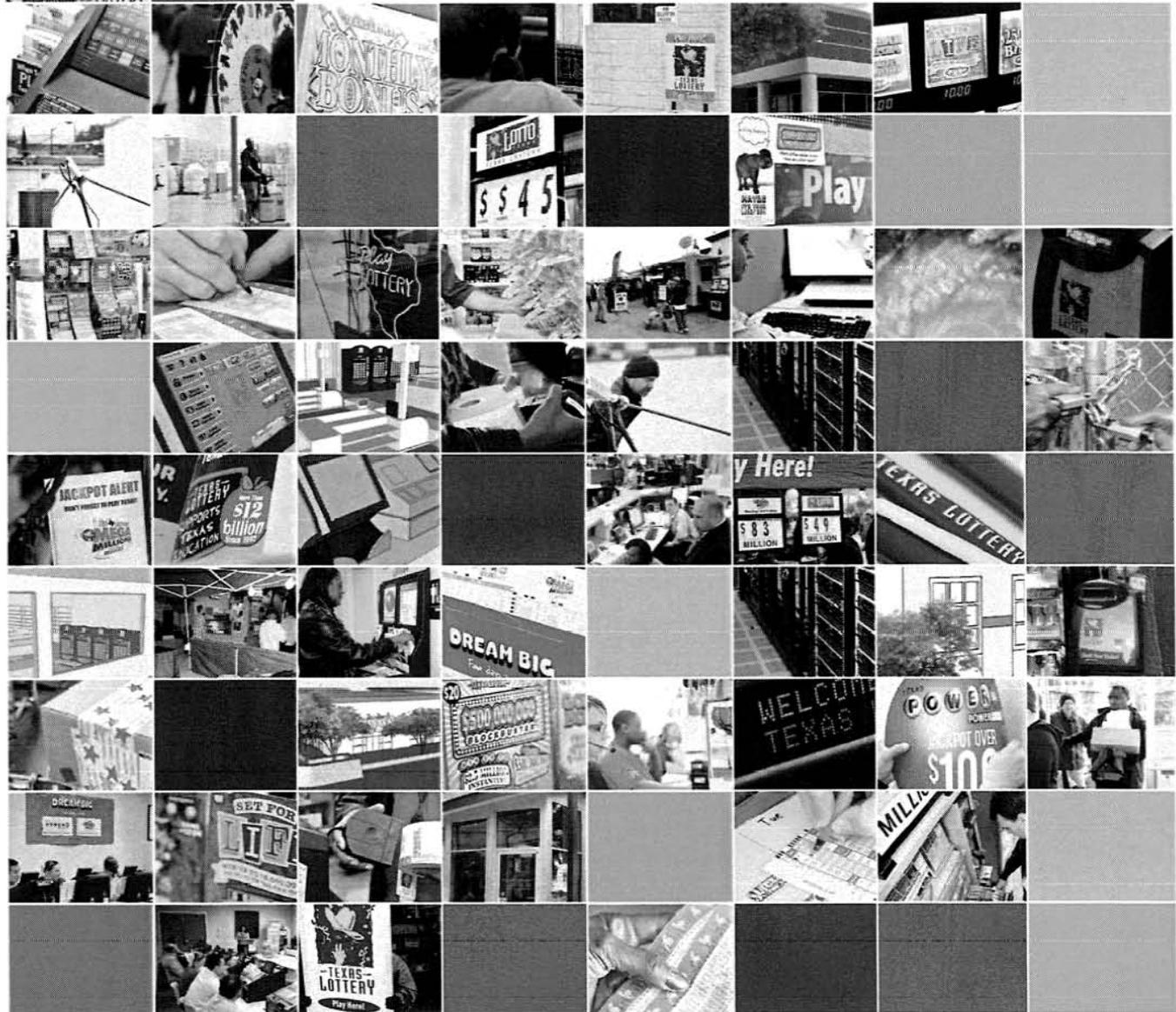
**Confidentiality Claimed**  
**Not released**

**Confidentiality Claimed**  
**Not released**



# 10.6

## End of the Contract Conversion Plan



# 10.6

## End of the Contract Conversion Plan

### Introduction

When the next contract period ends – either in 2018 or after any or all of the four possible two-year extensions – GTECH hopes to have another opportunity to serve the Texas Lottery. In that case, or in the event that the Lottery should select another successful proposer, we will consider it our most important responsibility to uphold the Lottery’s integrity throughout the transition. As such, we will work cooperatively with the Lottery and any other parties to ensure a smooth transfer of operations to the Lottery or to another successful proposer.

Should we be privileged to win another contract to provide a gaming system and services to the TLC, we will proceed to develop the next Conversion Plan, system and services and, thus, will not need to transfer operations to the Lottery or another provider. Should the TLC select another provider, we will work cooperatively with your next Conversion Plan to ensure a complete knowledge transfer to the Texas Lottery and any designated entity for Texas Lottery-specific functions, information, processes, and procedures.

In the latter case, we will be responsible for managing the implementation of the End of the Contract Conversion Plan while the TLC and/or its designee, such as a replacement provider, manages the implementation of the Business Cutover Plan to new services. We will provide input to the Business Cutover Plan relating to the goods and services provided under the contract and regarding all activities required during conversion, including the overall transition plan to move the services to the Lottery or a replacement provider.

We will work cooperatively and in a coordinated fashion with the Texas Lottery and any replacement provider to manage the performance of our responsibilities, and will communicate regarding any circumstances that come to our attention that may impact performance or responsibilities during any point of the conversion. Communication will be enabled through scheduled meetings and other communications as appropriate.

Our response to the requirements in Table 134 provides details of how we will work cooperatively for the benefit of the TLC at the end of the next contract period.

## **Table 134**

### **End of Contract Conversion Plan Response Requirements**

#### **134.1**

##### **Roles, Responsibilities and Detail Requirements**

GTECH acknowledges and accepts the roles and responsibilities, and detail requirements indicated in this section.

#### **134.2**

##### **End of Contract Conversion**

Like the process we will use to create and finalize the Conversion Plan for the coming contract, the development of the End of the Contract Conversion Plan will be a cooperative and iterative process. We recommend that end-of-contract planning begin within the last 12 months of the current contract. Initial planning will begin with the following steps:

- As the incumbent, we will schedule an initial meeting with the Lottery and any replacement provider. We would seek input from all parties regarding the major milestones and time frame for transition tasks.
- From the results of the meeting, which will be documented in status reports, we will create the End of the Contract Conversion Plan. We will submit the Plan to the Lottery for review and comment and then revise the document according to the Lottery's comments. The final Plan will be presented to the Lottery for review and approval.
- We will meet with the Lottery and any replacement provider to determine roles and responsibilities. All tasks will be clearly laid out in the Plan, and we will engage in additional transition tasks and sub-plans, as necessary, as reasonably requested by the Lottery. These could include but not be limited to: communications, human capital management, business cutover, relationship management, contract management, asset management, financial management, and security management.

- Per the schedule mentioned previously in this section, we will work with the Lottery, any replacement provider, and any third parties involved with the Lottery's operations to finalize the milestones and schedule and for the transfer of provision of goods and services in coordination with the contract and the Business Cutover Plan.
- We will identify the management structure for overseeing and executing the End of the Contract Conversion Plan. The names of the entire end-of-contract team will be presented to the Lottery within 10 days of the commencement of the End of the Contract Conversion Plan.
- The End of the Contract Conversion Plan will include a list of the clearly defined scope and extent of our obligations to timely handover activities.
- We will review and approve any End of Contract Conversion information that is to be delivered during the handover process. The information will include but not be limited to copies of process and procedure manuals. We will deliver all necessary information and documentation to the Lottery within 10 days of the commencement of the End of Contract Transfer Period.

### **Major End of the Contract Conversion Plan Tasks**

The final, Lottery-approved End of the Contract Conversion Plan will reflect any system changes made during the contract. It will also contain any information relating to the assignment of various information and assets to the Lottery or to a replacement provider, including:

- Contract.
- Asset purchase.
- Inventory.
- Licenses.
- Network and system diagrams.
- Materials pertaining to our system, including memoranda, notes, records, drawings, manuals, and computer software.

As indicated earlier in this section, the End of the Contract Conversion Plan will contain a list of milestones and schedules for transition activity. One of the milestones to be included in the plan will be the prompt removal of all equipment and materials from each retailer location and from Lottery property after final conversion. The schedule for this task will reflect the reasonable period set by the Lottery. There will be no equipment left behind, however we are aware that any equipment so left will be considered abandoned, may be disposed of by the Lottery, and the costs deducted from any amounts owed to us or billed back to us.

Our responses to the following response requirements provide some additional details about the aspects of the End of the Contract Conversion Plan.

### **134.2.a People Processes**

In an end-of-contract conversion, we have two important personnel-related responsibilities. Our first responsibility is to our employees. In Texas, they number 320, including the staff of the Data Center of the Americas (DCA), the National Response Center (NRC), and the Austin Technology Center (ATC). We invest in and are committed to recruiting and retaining the best employees and, in Texas, the longevity of our staff speaks to the fact that we have been successful. At the end of the next contract period, we will make sure we retain our employees in the event that we are selected again as the Successful Proposer. In the event that we must transfer operations to the Lottery or to another Successful Proposer, we will ensure that our employees are compensated accordingly and prepared to continue employment at GTECH or with another company.

Another GTECH responsibility will be to provide technical and management expertise to the handover process. In the case of Texas, we will offer access to any of our available Texas-based or corporate resources that may be required for our role in the transition. If necessary, we will support assigned staff with resources from other GTECH sites.

### **134.2.a.1 Knowledge Transfer**

Per our people processes described in the previous paragraphs, we will supply whatever personnel resources are necessary to the end-of-contract conversion tasks, including knowledge transfer. In a scenario in which a replacement provider is converting to its new system components, there are two ways that our resources would be of service to the Lottery or the replacement provider in transferring technical knowledge.

### **Required Technical Assistance for Gaming System Development**

The technical knowledge and expertise we have and will have accumulated as the time approaches for the end of the TLC's next contract will be available to the Lottery. Through our many years of service to you we have intimate knowledge of your systems and their upgrades; we are familiar with the evolution of your gaming system and know how you prefer to run your lottery business. Thus, we will be able to provide technical assistance (operators, engineers, technicians, etc.) in helping you to understand the changes that will occur when we shut our system down.

Our ongoing Texas staff will be instrumental in providing first-hand information in the areas of infrastructure, IT/central system, communications, software, solution architecture, and quality assurance. Corporate and conversion resources will also be available to provide technical assistance and information to the effort as needed by the Lottery.

### **Technical Assistance for Transferring and Converting Files**

We are also aware of the importance of the assistance that may be needed when there are billions of dollars in online transactions and Instant Tickets that may require transfer and conversion. For technical assistance for transferring and converting files, GTECH will provide Texas-based staff who have hundreds of years of collective expertise working specifically with Texas Lottery data and files. They know your files very well and will ensure that the files are properly named, properly formatted, and populated with the appropriate data so that the conversion will go smoothly.

## **Removal of Old Equipment**

We will provide the resources necessary for removing our equipment, including terminals, printers, information displays, peripheral devices, and point-of-sale and merchandising items from the retail locations. We will perform this service within the Lottery's stated guidelines and time frames. If the Lottery considers any of our materials abandoned and has to dispose of them, then we will incur the cost as a deduction from any amounts owed to us by the Lottery or, if no payments are due, as a charge billed back to us.

## **Retention of Records**

We will work with the Lottery to determine the status of retained records. We will review the Records Retention Schedule and applicable Texas law before either handing over or destroying personnel, project, or operations records.

### **134.2.b**

#### **Management Processes**

The end-of-contract conversion will be the responsibility of our General Manager (GM) or his assistant. The GM and/or designee(s) may attend the regular conversion meetings and may designate various personnel as warranted during the conversion process.

### **134.2.b.1**

#### **Issue Management**

For GTECH, Issue Management is no different during an end-of-contract conversion period than it is during a contract period. An issue is any event occurring in the present or that began in the past and is not yet resolved. In this case, issues would be items or actions that may affect deliverables and require immediate attention and resolution to prevent any affect on the conversion.

Examples of issues that might be the responsibility of an outgoing provider include the inability to provide conversion expertise or meet deadlines for providing data files. In end-of-contract conversions, GTECH has never experienced such issues as the outgoing provider. Should those or other issues arise that are our responsibility and not that of the replacement provider, we will generally document the issue(s) as part of our exit reporting. While issues are discussed in status meetings, we can also schedule adhoc meetings with the TLC, the replacement provider, and our SMEs and discuss lessons learned from other project deployments to ensure resolution. We have an issue tracking document that can be used if the replacement provider's documentation is not sufficient. Issues will be conveyed by the GM or designee(s) to our corporate organization as needed depending upon the urgency of the issue.

### **134.2.b.2**

#### **Risk Management and Mitigation**

As stated earlier in this section, we believe that our participation in an end-of-contract conversion would be to uphold the integrity of the TLC. One of the greatest risks to the project is delay. While we would not be able to control any delays caused by other providers or by the TLC itself, we would be able to preclude any delays due to fulfilling requests for data or other information.

We will support the Lottery's efforts to achieve a cutover that does not interrupt gaming. As such, we believe that advance planning must be undertaken for any scenario that could cause the Lottery to be unable to sell tickets at or after Go Live. There must be mutual agreement about the specific responsibilities of the involved parties.

For example, a replacement provider will need files for data conversion. We will make every effort to provide such files in a timely manner. The files will be in the proper format and will be appropriately named and contain only the appropriate information so that the TLC or a replacement provider could work easily with them. We have participated cooperatively in this area in past handovers, and recently dealt with the consequences when another outgoing provider was not as cooperative or forthcoming.

Another risk to the conversion is a lack of experienced support. We have addressed that risk in our response to Section 134.2.a, People Processes, with our description of our available technical resources and the support we would provide in an end-of-contract conversion.

The most important thing to consider in preventing or mitigating conversion risk is to have a plan in place in advance. That way, if it looks like the conversion project will experience the worst-case risk – that no sales can take place – there will be mutual agreements in place among the parties to take the appropriate action. In order to participate in such planning as it would relate to areas of our responsibility, we would need to be kept up to date on whether major milestone tasks such as testing are proceeding on schedule.

### **134.2.b.3**

#### **Exit Reporting (Type and Frequency)**

As a participant in the end-of-contract conversion, we will provide all required exit reports to the TLC. We have a library of standard reports from which we can customize exit reports in accordance with the TLC's requests.

We believe that one of the most important decisions to be made before the TLC determines its requirement for exit reports will be to determine if we will be required to hold data post live for the possibility that post-live reports will be needed. When that is determined, GTECH can work with the TLC to provide whatever exit reporting is necessary.

As a general rule, we will provide a major status report at the time of handover and will provide other local reports that may be identified in your technical handover plan.

### **134.2.c**

#### **Technology**

We will be responsible for removing and disposing of existing GTECH-owned retailer devices (terminals, peripherals), and communications equipment. We perform this service for our customers as part of our contracts, for example, when a retailer closes or is terminated. We will adequately staff this effort to ensure that retailer business is not disrupted by the removal of equipment. We will remove all equipment within the time frame designated by the TLC at that time.

### 134.2.c.1 Handover Procedures

The key to handover procedures is to plan in advance, including the following documents:

- The TLC and its replacement provider will need to identify any items that will be critical to the conversion (Go Live).
- The TLC and replacement provider will need to provide a specific timeline for GTECH to shut down the old system.
- There should be a contingency plan in place in the event that the old system needs to be re-started after it is shut down.

We will cooperate and provide any information the TLC requests for inclusion in the handover plan.

### 134.2.c.2 Tools, Software, Network Connections and Data Transfer

Handover procedures for any tools, software, network connections, and data transfer will involve the following tasks:

- **Early planning.** It is imperative that the TLC and any replacement vendor identify critical tasks and time frames as early as possible.
- **Transfer or sale of tools and software.** One example of a handover of a tool would be the test automation tool or any other tool that the TLC has purchased from or through GTECH during the current contract. The same would apply for any software packages or applications that the TLC has purchased through GTECH.
- **Network Connections.** Assuming the replacement vendor will install its own communications network with new equipment, we will meet with the TLC to review the circuits and current connectivity. The TLC or replacement vendor will be responsible for informing GTECH, as far in advance as possible, about when communications should be shut down. There should also be a contingency plan in place in the event that the old network needs to be re-enabled for any reason.
- **Data Transfer.** As described earlier in this section, we will provide data and files that the TLC will need for the conversion. In order to receive whatever is needed from our system, the new vendor will need to provide a requirements document with information about specific file structures and a time frame for their delivery to the TLC or to the new provider.

## **134.2.d**

### **License Transfer**

Information Redacted  
§552.101/466.022/552.139