



TEXAS LOTTERY

A WORLD OF POSSIBILITIES

Proposal to the Texas Lottery Commission

• FOR LOTTERY OPERATIONS AND SERVICES •

Technical Proposal for RFP No.: 362-10-0001 • June 30, 2010 • COPY

BOOK 4 OF 4

A WORLD OF POSSIBILITIES

PRINTED PRODUCTS • LOTTERY SYSTEMS
DIVERSIFIED GAMING



**TEXAS
LOTTERY**

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Texas Lottery Commission

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Lottery Operations and Services

RFP No. 362-10-0001 • June 30, 2010

Technical Proposal



SCIENTIFIC GAMES®



TEXAS LOTTERY

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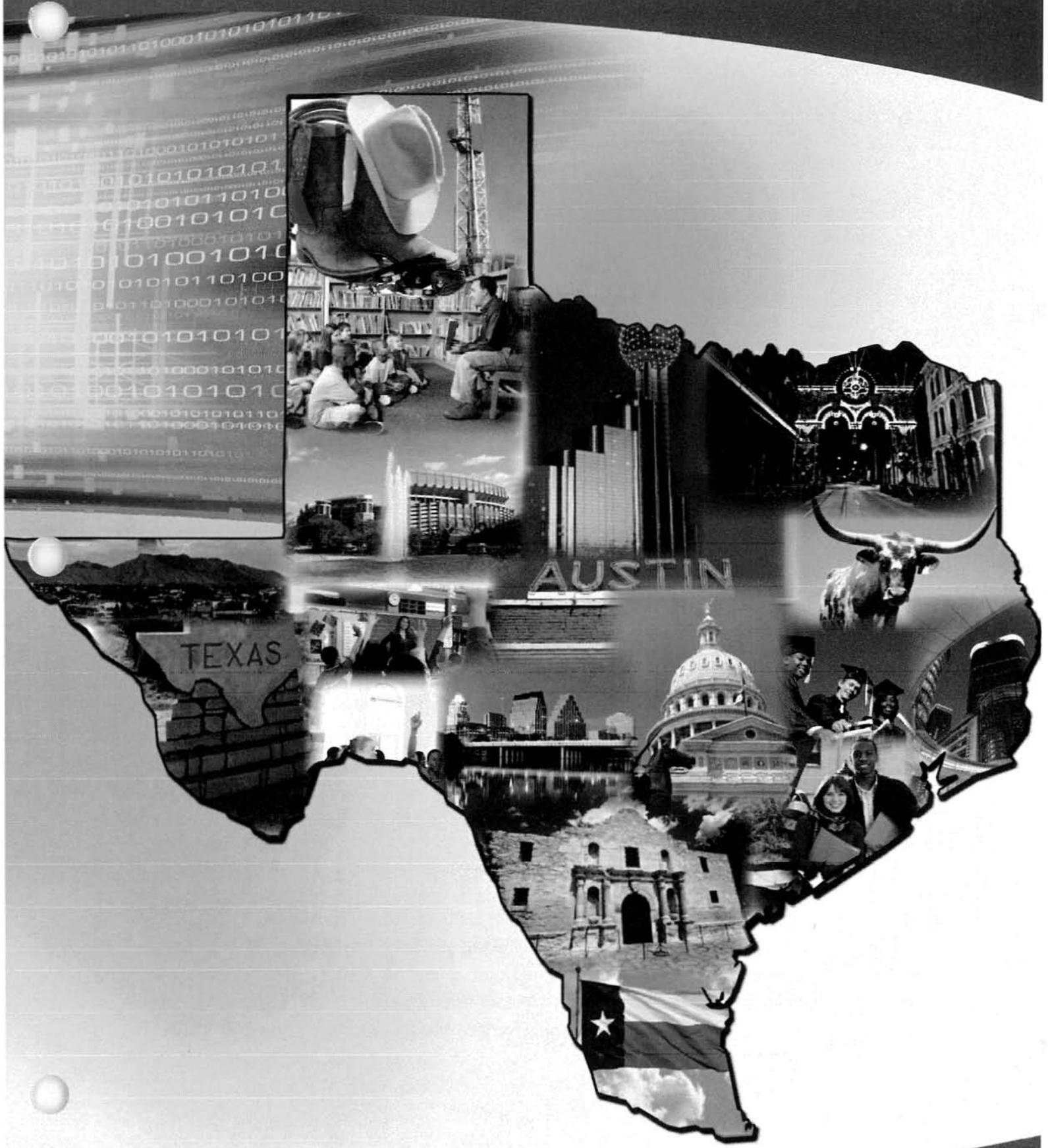


TEXAS LOTTERY

PART 8: SUMMARY

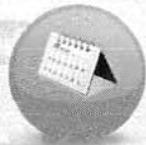


PART 8: SALES AND MARKETING



WHY SCIENTIFIC GAMES FOR TEXAS

EXPERIENCE

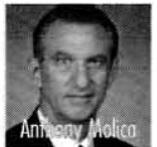


- **Scientific Games' approach to sales and marketing differentiates us from the other vendors in our industry.**

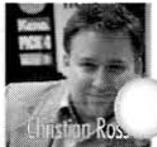
We are the most experienced Fullline lottery services company in the industry, known to over 400 customers across six continents for our advances in technology, our product innovation, and our game development. Not only does Scientific Games have an online library with eight different classifications of gaming, our experience in the development, printing and marketing of instant games is unparalleled in the industry. No other vendor can offer the depth or breadth of instant game knowledge and experience that Scientific Games can offer. And while Scientific Games currently provides instant tickets to the Texas Lottery, we are excited about the possibility of playing a more strategic role in this important part of your business as your Services partner for Lottery Sales.

- **Scientific Games' proposed dedicated Sales and Marketing leadership staff has outstanding qualifications.**

- *TLC Deputy Director Sales and Marketing – Anthony Molica*
 - 25 year lottery career with a distinguished sales performance record
 - Key prior experience: California Lottery Executive Director, Washington Lottery Executive Director
- *TLC Marketing Director – Christian Ross*
 - 17 year lottery veteran focused on game development
 - Key prior experience: expertise in monitor games. Former GTECH employee.
- *TLC Business Development Manager – Burbank Herndon*
 - 5 year lottery veteran with expertise in product innovation
 - Key prior experience: NASPL Corporate Account Subcommittee; Compris Technologies, Inc. (Division of NCR)
- *TLC Sales Director – Kelly Douglas*
 - 11 year lottery veteran with expertise field sales management.
 - Key prior experience: Florida Lottery, Missouri Lottery. Former GTECH employee.



Anthony Molica



Christian Ross



Burbank Herndon



Kelly Douglas

The remaining proposed dedicated Sales and Marketing team has, on average, nearly 13 years lottery experience per contributor. This team is strong and focused on delivering improved performance for the Texas Lottery.

- **Scientific Games' proposed non-dedicated Sales and Marketing leaders are key performers in the industry.**

- *Jim Kennedy, Senior Vice President Sales and Global Marketing*
 - 25 year lottery career in all aspects of lottery business including lottery game design, marketing, research, and product development.
 - Key prior experience: Recipient of the NASPL Powers Award.
- *Jennifer Welshons, Vice President Global Marketing*
 - 10 year lottery career with expertise in consumer research, analysis, marketing, and project management.
 - Key prior experience: Participated in 1,000 research studies.



Jennifer Welshons

WHY SCIENTIFIC GAMES FOR TEXAS



- *Jeff Sinacori, Vice President Retail Development*
 - 23 year lottery career with expertise in retail execution and sales performance
 - Key prior experience: Top performing retailer in New York State.
- *Pam Lee, Senior Regional Sales Director*
 - 15 year lottery career in all aspects of strategic planning, game design, and prize structure development.
 - Key prior experience: 5 years working with the Texas Lottery. NASPL Powers Award.
- *Leslie Badger, Senior Director Product Marketing*
 - 11 year lottery career with broad expertise in strategic marketing planning, game development, market research, and data analysis.
 - Key prior experience: Digital content management expert.

These team leaders, with an average of nearly 17 years of lottery experience, are key drivers of improved sales and marketing performance amongst our partnerships across the globe.

Confidentiality Claimed
Not released

WHY SCIENTIFIC GAMES FOR TEXAS

**Confidentiality Claimed
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WHY SCIENTIFIC GAMES FOR TEXAS

BENEFITS



- **Scientific Games lottery customers have grown an impressive 9.3% in online games sales versus 5.1% for the rest of the industry during the past seven years (FY 2002-09).**

What could a 4.2% increase in on-line sales mean for Texas?

Scientific Games is extremely confident in the technology we have developed to support our customers and stand behind it 100%, it was not our technology alone that achieved this level of impressive growth - it was our online product development, marketing experience, and retail execution programs. We are proud of the fact that even those lotteries that do not utilize our online game systems and services have approached us for our online game content. Games such as Palmetto Cash 5 and Mega Match 6 (South Carolina), 3-Line Lotto (Kentucky), Bucko! (Atlantic Lotteries Canada), and our newest category of games, Linked Games, which include both instant games (Deal or No Deal™ and Price is Right®), online games (New Millionaire's Club) and games that are a combination instant/online (Wheel of Fortune®).



In addition, included in our base price offering, will be access to exclusive Scientific Games' terminal games – Screenplay and Boodle.

Our demonstrated innovation in online games development, combined with our impressive sales performance over the previous seven years is strong evidence Scientific Games has the experience to be the preferred partner for online sales growth.

- **Scientific Games understands how important Corporate/Chain/Key account retailers are to the Texas Lottery's success in the marketplace.**

Scientific Games will provide the Texas Lottery with recommendations for minimum sales levels for this segment of your retailers and develop a program to administer these minimum sales and performance levels. To facilitate and implement this improvement program, we will provide a Corporate Accounts Division and hire five full-time employees dedicated to strategically servicing these important clients. It will be this division's sole responsibility to provide marketing and sales support to these accounts including, but not limited to:

- **Marketing and Promotions** – One of the primary responsibilities of this division will be to develop mutually beneficial marketing programs and point of sale agreements with the management of these types of locations. It will be their job to communicate the benefits of selling lottery products and the best practices of lottery marketing and merchandising to Corporate management to achieve maximum sales.
- **Training** – Many chains have their own training facilities or prefer a "train the trainer" approach. The diverse geographic locations can also affect the training process. Our Corporate Accounts Division will be prepared to support any and all of these unique training needs.
- **Communications** – We will take advantage of existing infrastructure by creating customized communication pieces. A monthly electronic newsletter, for example, would highlight upcoming promotions, explain new games, provide sales and marketing tips, describe any new administrative processes and any other relevant announcements will be created and distributed.
- **Analyses and Reports** – Most of these types of accounts have their own, unique reporting processes and infrastructure. This division will work with each account to ensure they are receiving information they need to

WHY SCIENTIFIC GAMES FOR TEXAS

have an accurate picture of their own lottery sales performance. We will also work with the Texas Lottery to ensure that these accounts can access and download various reports from your web site.

- **Scientific Games is the industry leader in lottery market research.**

Scientific Games has conducted more than 1,000 research studies in the last 10 years. We have the most comprehensive database of secondary lottery information in the world and have partnered with some of the top primary market research providers. We pioneered the development of industry-wide compilation of data with our State-of-the-State Analysis which provides insight into current game strategies among the top 16 U.S. lotteries. No other vendor can offer this depth of institutional knowledge of market research. This reservoir of knowledge helps us decipher best practices for lotteries and new forms of gaming and greatly enhances a partnership between the Texas Lottery and Scientific Games.

RISK MITIGATION



- **Scientific Games' Culture**

Scientific Games is a marketing company that uses technology to help lotteries connect with their players. Scientific Games is not a transaction processing company and not an infrastructure company. We remain focused on the activities at retail and interaction with the players of the entertainment products sold by our customer lotteries worldwide. Our culture dictates that all Scientific Games employees understand their primary objective is to assist our lottery customers in the sale of an entertaining product. Partnering with Scientific Games guarantees the Texas Lottery will work with a fresh team of diverse lottery professionals that share the same core values and business goals.



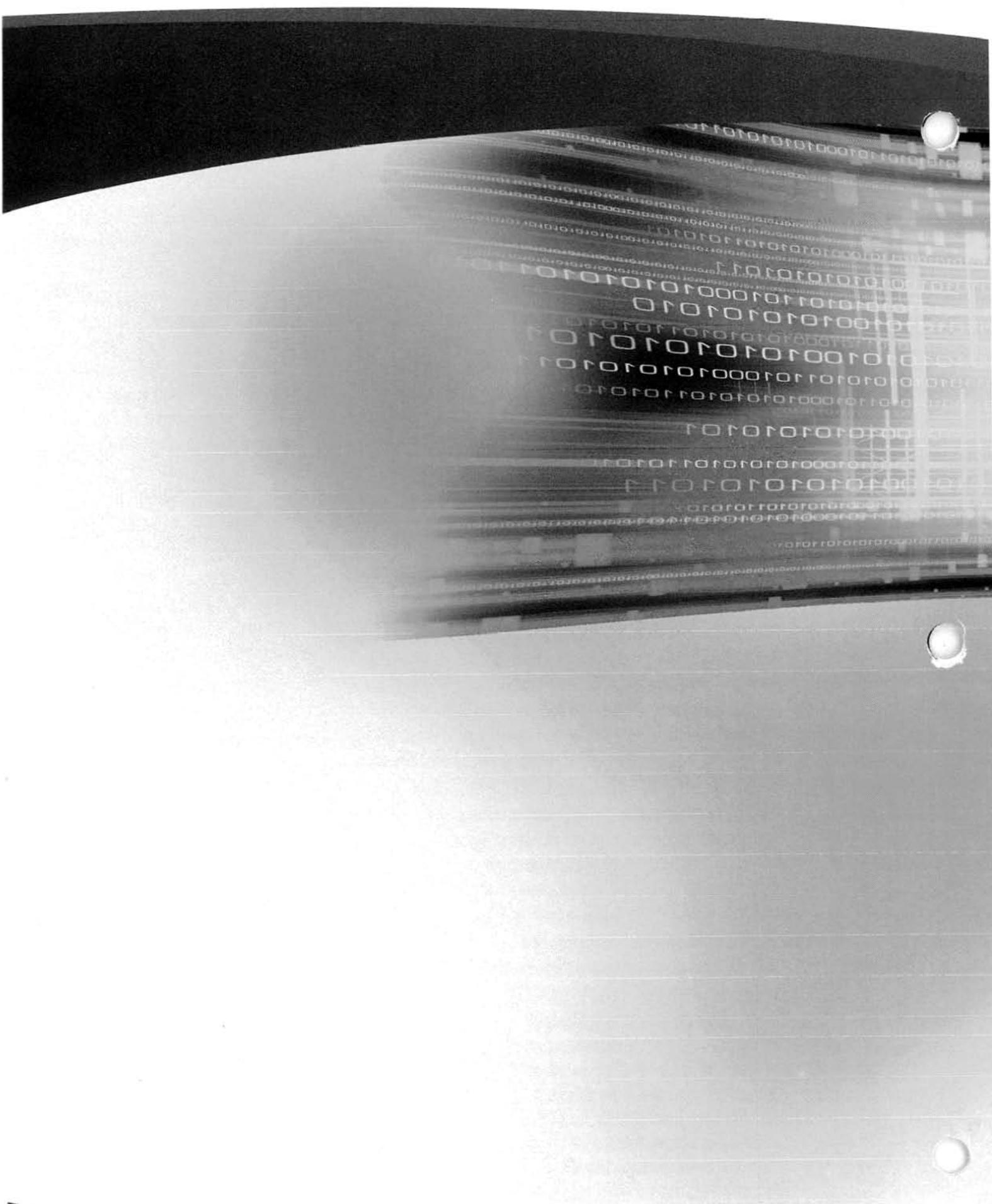
- **Scientific Games gives the TLC the best access to lottery growth initiatives**

A new partnership with shared interests; a new team with the skills and diversity to transform the Texas Lottery business; a partnership ensuring the Texas Lottery has the best access to growth initiatives in the coming years. A partnership with Scientific Games guarantees the Texas Lottery will have continual access to market trends, best practices and the execution skills to avail the Texas Lottery to potential market opportunities. No other vendor can deliver on this promise.

- **Scientific Games is a "True Partner"**

Scientific Games is rooted in our desire to partner with leading lotteries around the globe and work cooperatively in the sale of exciting and entertaining lottery products. We have no desire to compete with our customers and no desire to become a lottery operator. Today it's time to fundamentally change the way that we do business in the Lottery industry. To help build a new foundation for the 21st century, lotteries and vendors need to refresh our best practices so that we are more efficient, more transparent, and more creative. That will demand new thinking and a new sense of responsibility for every dollar that is spent. The Texas Lottery is ready for a change to take advantage of new technologies, market innovations and grow their business to the next level well into the year 2020.





#	Topic	Section Reference	Beyond Requirements	Superior Value	In Base System and Services
1	Previous Lottery Experience	4.2.2	X	X	X
2	Experience of Personnel	4.3	X	X	X
3	Texas National Service Center	4.2.2, 6.6.5, 7.3.3.1	X	X	X
4	Job Neutral vs. Outgoing Vendor	4.2.2, 6.6.5	X	X	X
5	Four Tiered Management	4.3.1	X	X	X
6	TLC Global Management Team	4.3.1	X	X	X
7	TLC Project Steering Committee	4.3.1	X	X	X
8	TLC Transition Team	4.3.1.6.1, 10.1.4.2	X	X	X
9	Executive Management Team	4.3.1	X	X	X
10	Data Center/Operations Team	4.3.1	X	X	X
11	Call Center Team	4.3.1	X	X	X
12	Sales and Marketing Team	4.3.1, 7.2.1.3, 8.3.2	X	X	X
13	Transitional Incentive Plan	4.3.1, 6.2.2	X	X	X
14	Texas Performance Incentive Plan	4.3.1, 6.2.2	X	X	X
15	R&D Investment Plan	4.3.1, 8.4.2	X	X	X
16	Account Management Process	6.1.2	X	X	X
17	Lottery Mobile	6.7.2, 7.1.7, 9.7.7	X	X	X
18	Revenue	6.1.2	X	X	X
19	Optifusion	6.1.2	X	X	X
20	TLC Service and Compliance Team	6.5.2.3	X	X	X
21	District Sales Offices	6.6.2	X	X	X
22	Warehouse Secured Space	6.8.2.2	X	X	X
23	National Data Center as BDC	6.6.2.2.2	X	X	X
24	Security Safeguards	6.8.2.3.1	X	X	X
25	Environmental Safeguards	6.6.2.3.2	X	X	X
26	Lottery University	6.8.2.2	X	X	X
27	Recruit and Screen	7.2.1.3, 8.4.2	X	X	X
28	Licensed Online/Instant Games	7.2.1.3, 8.1.3, 9.2	X	X	X
29	Secured Choice Prizing Games	7.2.1.3, 7.6.3.4	X	X	X
30	M50 Licensed Properties	7.2.1.3, 7.6.3.4	X	X	X
31	Advanced, Multi Draw	7.2.3.2.1	X	X	X
32	Automated Game Cloze	7.2.1.2.1	X	X	X
33	Instant Ticket Pack Status	7.1.2	X	X	X
34	Instant Ticket Game Creation	7.3.3.1	X	X	X
35	Check Printers/Signatures	7.4.2.1, 7.4.3	X	X	X
36	HW/Red Hat Enterprise Linux	7.6.1.2.8	X	X	X
37	Failover Team	7.6.1.2.5	X	X	X
38	Concurrent Instant Games	7.6.1.3	X	X	X
39	Non-Sale Processing Time	7.6.1.3	X	X	X
40	Single Wager vs. Seconds	7.6.1.3	X	X	X
41	Multi Wager vs. Seconds	7.6.1.3	X	X	X
42	Properties Plus	7.6.3.4	X	X	X
43	SCIZ Platform for Instant Games	7.6.3.4	X	X	X
44	Player's Club and Play H Agala	7.6.3.4	X	X	X
45	Easy Entry Validation System	7.6.3.4	X	X	X
46	MASS Certification	7.7.2.1	X	X	X
47	System/Corporate Security	7.8	X	X	X
48	Weekly Statements	7.11.2.7	X	X	X
49	500 WAVE/Fair - Optimization	7.12.0.2, 8.2.3	X	X	X
50	500-Fair - Swap-Out with WAVE	7.12.0.2	X	X	X
51	Wireless Bar Code Reader	7.12.0.2.1	X	X	X
52	Touchscreen Choice of Screen	7.12.0.2.1	X	X	X
53	Integration Base for Printer	7.12.0.2.1	X	X	X
54	WAVE - English plus one language	7.12.0.2.2.0	X	X	X
55	Minority Upgrade to 168	7.12.0.2.2.1	X	X	X
56	WAVE to Let Clerks	7.12.0.2.5	X	X	X
57	300 Additional Ticket Checkers	8.4.2.0.2.5	X	X	X
58	Personal Paper	7.12.0.2.7	X	X	X
59	22" Flat Panel (Customer Display)	7.12.0.2.9	X	X	X
60	Integration Plans - PTD	7.12.0.2.10	X	X	X
61	Single ATM (First 1,000 units)	7.12.0.2.11	X	X	X
62	Phone Lottery Application	7.12.0.7	X	X	X
63	Tailored Preventive Maintenance	7.12.2.1	X	X	X
64	Smart Services	7.12.2.2	X	X	X
65	Call Center Language Support	7.13.4	X	X	X
66	Predictive Orderly System	7.13.7, 9.3.7	X	X	X
67	Network Optimization Team	7.14	X	X	X
68	G40-Sensite	7.14.2.1	X	X	X
69	W/Be Area Network Redundancy	7.14.2.2	X	X	X
70	Sales Management Staff	8.2.2	X	X	X
71	Total of 140 Dedicated LSR's	8.2.3, 8.4.0.2	X	X	X
72	Retailer Optimization Analysis	8.2.3	X	X	X
73	Retailer Forums/Advisory Council	8.2.5	X	X	X
74	Online Game Product Plan	8.3.3	X	X	X
75	Bilingual LSR/LMR Resources	8.4.0.2	X	X	X
76	Quicker Pix (Top 20%)	8.4.1.2, 8.6.4	X	X	X
77	Logo Floor Mats (Top 20%)	8.4.1.2, 8.7.2	X	X	X
78	Window POS (Top 20%)	8.4.1.2	X	X	X
79	Counter Wraps (Top 100)	8.4.1.2, 8.7.2	X	X	X
80	Additional LMR's (Total of 20)	8.4.1.2	X	X	X
81	Emerging Markets Council	8.4.1.2	X	X	X
82	Customized Vehicle Magnets	8.6.4, 8.7.2	X	X	X
83	Discovery and Dream Team	8.8.2	X	X	X
84	Dedicated R&D Team	8.8.4	X	X	X
85	Non-Dedicated R&D Team	8.8.4	X	X	X
86	Automated Server	9.2.2.2, 9.2.7	X	X	X
87	Backup Warehouse - Instant	9.2.3.3	X	X	X
88	Non-Dedicated - W&D Team	9.2.4	X	X	X
89	Dedicated - W&D Team	9.2.4	X	X	X
90	Implementation - W&D Team	9.2.4.3	X	X	X
91	Bi-monthly Physical Inventory	9.6.2	X	X	X
92	Transition Management Office	10.1.4	X	X	X
93	Dedicated Project Managers	10.1.4.1	X	X	X
94	Convert BDC to 536 reports	10.1.2.3	X	X	X
95	Project Management Process	10.4.4	X	X	X



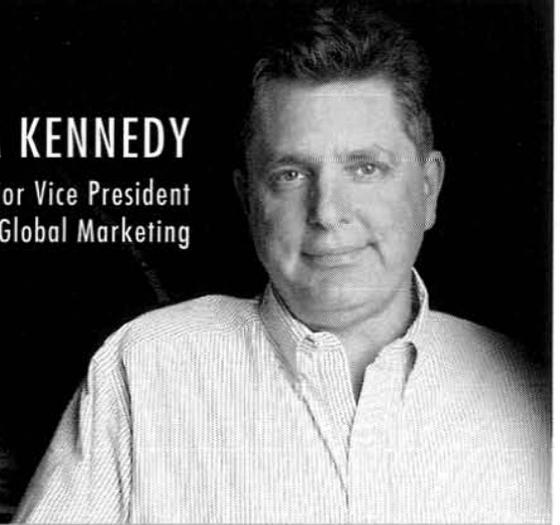
PART 8: SALES & MARKETING



A WORLD OF POSSIBILITIES

JIM KENNEDY

Senior Vice President
Sales and Global Marketing



A MESSAGE FROM JIM KENNEDY

Senior Vice President

"Take care to value what is valuable. Since its inception in 1992, the Texas Lottery has demonstrated a history of market leadership that maximized its proceeds to the State of Texas. For continued growth and expansion, strategies for success must be intrinsically linked to the delivery of best-value and expanded offerings to retail players. Success also requires new services and capabilities for your retail partners, as well as the development of new methods for lottery business management that improve insight and reduce operating costs.

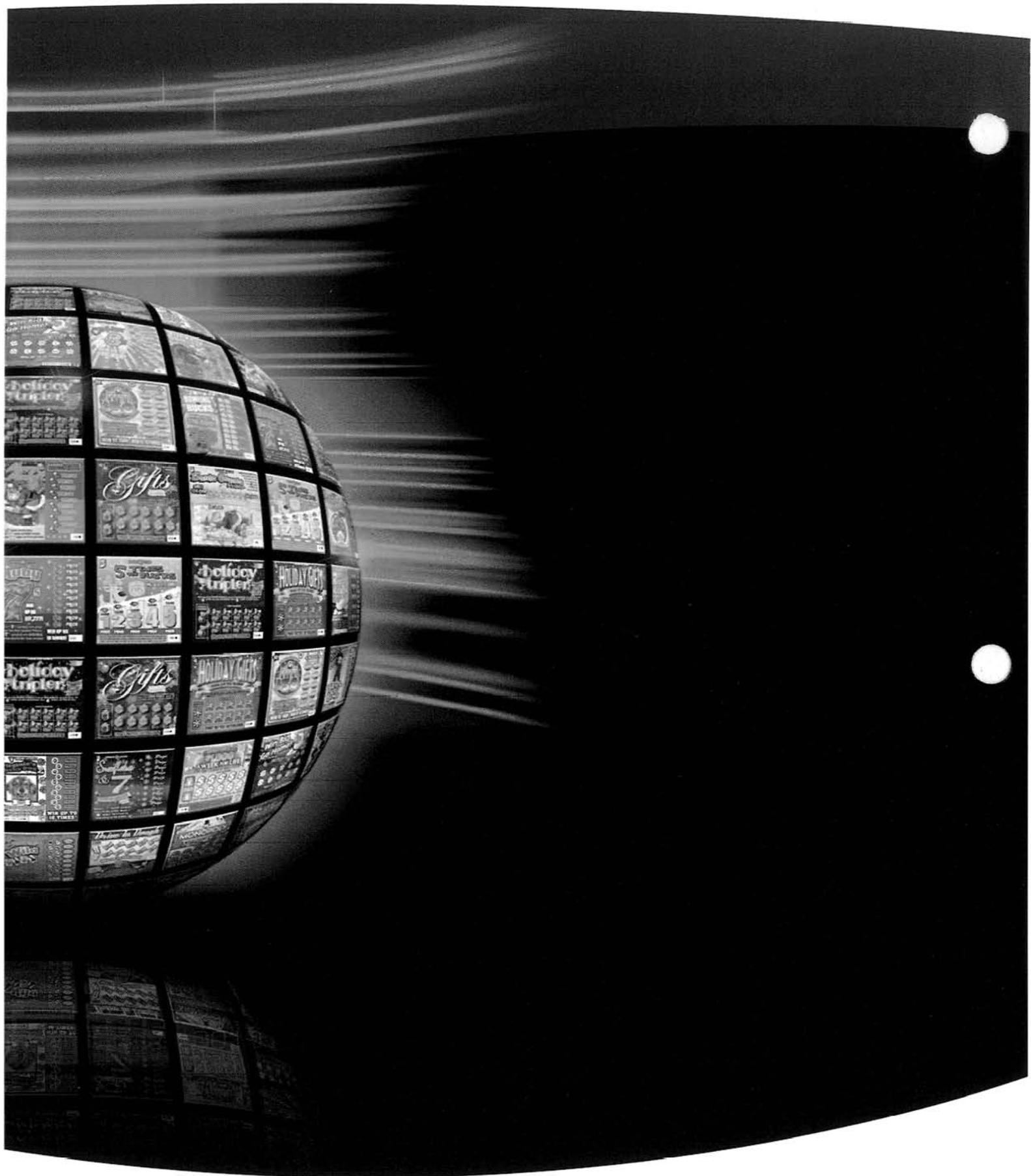
In support of the Lottery's strategic objectives, Scientific Games promises to provide you with a retailer-focused, low-risk phased migration plan to deploy a highly functional Lottery Gaming System and terminals. Our solution provides proven, state-of-the-art hardware, secure and flexible software, advanced communications networks systems, as well as the control processes that ensure security and enable operational harmony.

Successful implementation of the enabling technology will clearly be a key milestone. This, we promise, will be done to your total satisfaction. By proposing a phased-migration approach, we can enable the Lottery to achieve the earliest possible introduction of new retail devices and the associated impact on sales and revenues.

In addition, we offer a complete range of value-added services that not only support these products, but, more importantly, support the Lottery in its mission. This promise offers a proven approach to offering online games that will help the Lottery reach its goals for the next ten years and beyond.

At Scientific Games, we take our commitment and promises to you very seriously. Each section in our proposal outlines our specific promises to the Lottery-addressing with more detail our pledge to provide the Technology, Tools, and Talent that you expect from an industry leader. We are confident that an objective review of the many areas of strength in our proposal will lead to one clear conclusion - that Scientific Games should be the Texas Lottery's partner for the next contract term."

1



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PART 8 SALES AND MARKETING

8.1 OVERVIEW

RFP Requirement: The primary goal of the Texas Lottery is to optimize revenue for the State of Texas from the sale of Lottery Products. Sales and Marketing activities conducted throughout the State provide a direct link to the Lottery's Retailers and players.

Scientific Games is excited to share with the Texas Lottery our vision for Sales and Marketing and the tools with which we will execute that vision. We truly believe that it is our approach to sales and marketing that differentiates us from the other vendors in our industry. After all, the technology behind the selling of instant and online game tickets has, to some degree, become a commodity – with the exception of a bell here and a whistle there, both our and our competitors' terminals and back-office systems can adequately meet the Texas Lottery's technical needs. But to reach the next level of sales and revenue growth that we believe the Texas Lottery is capable of achieving, it will take a strong vision of sales and marketing and a comprehensive plan for execution.

We are proud of the fact that even those lotteries that do not utilize our online game systems and services have approached Scientific Games for our online game content – games such as Mega Match 6 and Palmetto Cash 5 (South Carolina); 3-Line Lotto (Kentucky); Megabucks Doubler (Massachusetts); Bucko!, Twist and Game Day (Atlantic Lotteries Corporation); and Triplex (Loto Quebec). Further, from FY 2002 to FY 2009, our lottery customers have grown an impressive 9.3% in online game sales versus 5.1% for the rest of the industry. While we are extremely confident in the technology we have developed to support our customers and stand behind it 100%, it was not our technology alone that achieved this level of impressive growth – it was our game product development, marketing experience, and retail execution programs.

But it is not just our online experience that makes Scientific Games the right choice to be the Texas Lottery's Operations and Services partner. Our experience in the development, printing and marketing of instant games is unparalleled in the industry. No other vendor can offer the depth or



breadth of instant game knowledge and experience that Scientific Games can offer. And while Scientific Games currently provides instant tickets to the Texas Lottery, we are excited about the possibility of playing a more strategic role in this important part of your business, as your Operations and Services partner.

Scientific Games takes great pride in being a global marketing partner to over 400 customers across six continents. We are the most experienced Fullline lottery services company in the industry, known worldwide for our advances in technology, our product innovation, and our game development. Although these credentials are impressive, more important is how we will use this breadth of sales and marketing experience to increase the Texas Lottery's revenue so that the maximum profit can be delivered to the schools that the Lottery supports.

Please note that, as with all of our internet offerings, the offerings described herein are limited to activities that are consistent with all applicable laws and Scientific Games governance processes. We work with our lottery customers to ensure compliance with both local and federal law.

8.2 SALES MANAGEMENT AND BUSINESS DEVELOPMENT

RFP Requirement: The Lottery Operator performs a variety of sales management and business development activities associated with development of sales programs, Retailer incentives plans and merchandising ideas. The following table outlines the sales management and business development requirements.

Scientific Games considers this RFP requirement informational, therefore no response is required.

Table 78. Sales Management and Business Development Requirements

ROLES AND RESPONSIBILITIES	SUCCESSFUL PROPOSER	TLC
1. Performs sales and business development activities as designated by the Texas Lottery	X	
2. Performs all functions in a professional manner that will satisfy the needs of all Retailers in all geographic areas of the State of Texas	X	
3. Coordinates and conducts meetings to reach Retailers across the State to discuss sales marketing and other Lottery matters	X	
DETAIL REQUIREMENTS	RESPONSE SECTION(S)	
4. The Successful Proposer must identify the sales management and business development staff whose full-time responsibilities are to help the Texas Lottery identify new selling opportunities and new marketing strategies. The Successful Proposer must also identify any staff who may assist with these activities, but will not be assigned to the Texas Lottery account on a full-time basis (e.g., corporate sales staff).	8.2.2	
5. The Successful Proposer's sales management staff shall work closely with the Texas Lottery's Products and Retailer Development Team and make sales presentations to Texas Lottery management on a weekly basis or as determined by the Texas Lottery.	8.2.3	
6. The Successful Proposer shall: <ul style="list-style-type: none"> a. conduct LSR and business development employee meetings in Texas (at least bi-weekly); b. teach and inform LSR's and business development employees about Texas Lottery policies and procedures, including Lottery security and Retailer regulatory requirements; c. attend various meetings (with Retailers, Texas Lottery vendors, etc.) throughout the State upon the Texas Lottery's request; d. provide real-time access for LSR's to the Lottery Gaming System for understanding of their accounts' (Retailers') sales, inventory, trends, etc.; and e. conduct at least one joint (Texas Lottery and Successful Proposer) sales meeting per year with all Successful Proposer sales personnel assigned to the Texas Lottery account. 	8.2.3	

DETAIL REQUIREMENTS	RESPONSE SECTION(S)
7. The Successful Proposer must coordinate face-to-face meetings among the Texas Lottery, the Successful Proposer and Retailers to facilitate communications on sales, marketing, general Lottery Product information and regulatory matters. Meetings must be scheduled to ensure widespread participation by Retailers across the State. The Successful Proposer is responsible for obtaining the meeting facility and all other resources necessary to conduct the meeting.	8.2.5
KEY, CORPORATE AND CHAIN	RESPONSE SECTION(S)
8. The Successful Proposer's criteria to assign account types (e.g., Key, Corporate, Chain) to Retailers must be approved by the Texas Lottery.	8.2.2
9. The Successful Proposer must provide a Corporate Accounts division and designated staff who shall specifically be assigned to the marketing and sales support functions for Key, Corporate and Chain accounts. The Successful Proposer shall provide to the Texas Lottery, on a monthly basis, the job duties and number of personnel assigned to the Key, Corporate and Chain accounts along with all account assignments.	8.2.2
10. At a minimum, the Successful Proposer shall conduct annual reviews with each Key, Corporate and Chain Retailer. The Successful Proposer shall provide a copy of all materials to be presented to Key, Corporate and Chain accounts to the Texas Lottery for review at least five (5) Working Days prior to the annual review meeting with the account. The Successful Proposer shall provide a written report to the Texas Lottery of the activities and meeting results within five (5) Working Days after each annual review.	8.2.3
11. For any Retailer-requested meeting with a Key, Corporate or Chain Retailer, the Successful Proposer shall provide a copy of all materials to be presented to the Retailer to the Texas Lottery for review and approval at least twenty-four (24) hours prior to the scheduled meeting. Materials not preapproved by the Texas Lottery must not be distributed to Key, Corporate and Chain accounts. The Successful Proposer shall provide a written report to Texas Lottery of the activities and meeting results within five (5) Working Days after the meeting.	8.2.3

KEY, CORPORATE AND CHAIN	RESPONSE SECTION(S)
<p>12. Upon request by the Texas Lottery, the Successful Proposer must:</p> <ul style="list-style-type: none"> a. provide recommendations for minimum sales levels or performance for Key, Corporate and Chain Retailers; b. develop a program to administer the minimum sales requirements or performance levels for Key, Corporate and Chain Retailers; c. propose an improvement plan to deal with Key, Corporate and Chain Retailers that do not meet minimum sales or performance levels; and d. implement the improvement plan if requested by the Texas Lottery. 	8.2.3
<p>13. The Successful Proposer must provide route sales to support Key, Corporate and Chain Retailer locations.</p>	8.2.4
<p>14. The Successful Proposer shall be responsible for receiving, administering, and submitting marketing content from Key, Corporate and Chain Retailers, including, but not limited to, Key, Corporate and Chain accounts. The Successful Proposer shall 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, the Successful Proposer shall send the approved content to the content management system for distribution to designated Retailer Sales Terminals at Key, Corporate and Chain Retailer locations.</p>	8.2.3

Table 79. Sales Management and Business Development Response Requirements

RESPONSE REQUIREMENT
<p>1. The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.</p>
<p>2. The Proposer must identify the sales management staff whose full-time responsibilities are to help the Texas Lottery identify new selling and business development opportunities. Proposers must also identify any staff who may assist with these activities, but will not be assigned to the Texas Lottery account on a full-time basis (e.g., corporate sales staff).</p>
<p>3. The Proposer must describe its sales organization structure and how it will support and optimize Texas Lottery sales.</p>
<p>4. The Proposer must describe how it would provide a route sales model to support Retailer locations.</p>
<p>5. The Proposer must describe how it would coordinate face-to-face meetings among the Texas Lottery, Successful Proposer and Retailers to facilitate communications. The Proposer must describe its plans for conducting meetings to reach Retailers across the State of Texas to include proposed frequency of meetings and the strategy for engaging the Texas Lottery's diverse Retailer licensee base.</p>

RESPONSE TO TABLE 79: SALES MANAGEMENT AND BUSINESS DEVELOPMENT RESPONSE REQUIREMENTS

8.2.1 ACKNOWLEDGEMENT OF ROLES AND RESPONSIBILITIES AND DETAIL REQUIREMENTS

Response Requirement 1: The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.

Scientific Games acknowledges and accepts the roles and responsibilities, and will comply, and often exceed, the detail requirements indicated in RFP Section 8.2.

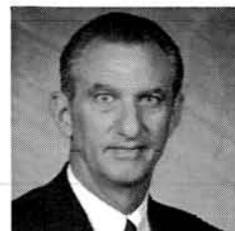
8.2.2 SALES MANAGEMENT STAFF (DRs 4, 8 and 9)

Response Requirement 2: The Proposer must identify the sales management staff whose full-time responsibilities are to help the Texas Lottery identify new selling and business development opportunities. Proposers must also identify any staff who may assist with these activities, but will not be assigned to the Texas Lottery account on a full-time basis (e.g., corporate sales staff).

DEPUTY DIRECTOR, SALES AND MARKETING (DEDICATED)

Scientific Games will appoint Anthony Molica as Deputy Director, Sales and Marketing whose full-time responsibilities will be to direct and manage the sales, marketing, and new business development divisions within our local Texas site operations. He will report to the Texas Account Director, John Osenenko. With over 25 years experience in executive management and sales positions specifically in the lottery industry, and given his strong knowledge of the intricacies of state government policy and procedures, we feel that he is an ideal candidate to oversee the sales and marketing arm of the Texas operation for Scientific Games. Most recently over the past three years, Tony has served in a variety of sales and marketing roles for the Multijuegos Lottery in Mexico, a private lottery operated by Grupo Televisa. This direct experience with the player in Mexico gives Tony a unique perspective on the Hispanic market potential in Texas.

For a more detailed review of Mr. Molica's extensive lottery industry experience, including his tenure as Director of the Washington State and California Lotteries, refer to his resume **at the end of Part 4**. Resumes for other key proposed staff can also be found there.



Anthony Molica



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A Sales and Marketing Team with nearly 13 years of lottery experience for each proposed leader.

IN-STATE NEW BUSINESS DEVELOPMENT ORGANIZATION (DEDICATED)

Reporting to the Deputy Director, Sales and Marketing, Scientific Games will appoint Burbank Herndon as Director of New Business Development whose full-time responsibilities will be to identify new selling and business development opportunities. Burbank previously worked for Scientific Games for over three years as Vice President and General Manager of Retail Solutions based in Alpharetta, Georgia. In his role with the company, he was pivotal in the design, development, manufacturing, and marketing of our WAVE™ terminal solution in an accelerated 12-month timeframe, capitalizing on his 20-year career in various capacities with NCR Corporation, a global leader in retail POS products, systems, and software.



Burbank Herndon

Further, we will hire two additional managers to assist with the management of the retailer relationship – a Corporate/Chain Accounts Manager and an Independent Accounts Manager. The Research Associate, to be described later in **Section 8.3.2**, will support the analytical needs of this area to identify and quantify new retailer opportunities.

CORPORATE/CHAIN/KEY ACCOUNT RETAILER DIVISION (DEDICATED)

With over 6,800 Corporate/Chain/Key store locations statewide currently, all of which vary greatly in trade style, size and geography, managing this unique Retailer base is vital to the Lottery's continued growth and success. To provide the level of service that Corporate/Chain/Key stores have come to expect from the Texas Lottery, Scientific Games will provide a Corporate Accounts Division to service these important constituents.

It will be the sole responsibility of this division to provide marketing and sales support to Corporate/Chain/Key accounts. Scientific Games will also provide the job duties and number of personnel assigned to Corporate/Chain/Key accounts along with all other account assignments to the Texas Lottery on a monthly basis. We will be responsible for establishing the criteria for the Corporate/Chain/Key accounts, based on the approval of the Texas Lottery.

CORPORATE BUSINESS DEVELOPMENT ORGANIZATION (NON-DEDICATED)

Jeff Sinacori, Vice President of Retail Development, with the assistance of the Retail Development Manager, will also support these new business development activities, but will not be assigned to the Texas Lottery account full-time. Jeff was a top-performing independent retailer in New York and the U.S. for 20 years, and now leverages that experience and hands-on knowledge in his role



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The Texas Lottery executive and marketing teams will have first-hand access and guidance from Jeff Sinacori, VP of Retail Development and formerly the # 1 retailer in the U.S., based in Long Island, New York.

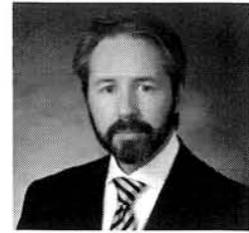


Jeff Sinacori

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of retail development. He is also our prime liaison with the NACS organization, and continues to foster and grow our corporate relationship with this group.

Sean Flanagan, as Vice President, Government Relations for Texas, will continue to work at the state and regional level to identify and help overcome any legislative and regulatory barriers that may exist which prevents retailer expansion and impacts the selling infrastructure such as payment options, hours of operation, and game type limitations. He will work closely with our Texas account lead, Pam Lee and the Scientific Games' in-state TLC Account Team.



Sean Flanagan

This satisfies RFP Table 78, Detail Requirement Nos. 4, 8, and 9.

8.2.3 SALES ORGANIZATION STRUCTURE (DRs 10, 11 and 12)

Response Requirement 3: The Proposer must describe its sales organization structure and how it will support and optimize Texas Lottery sales.

IN-STATE SALES MANAGEMENT (DEDICATED)

The sales organization for the Texas Lottery will be helmed by the Director of Sales, Kelly Douglas, reporting to the Deputy Director, Sales and Marketing. Kelly previously worked for both the Missouri and Florida Lotteries in district sales, and sales support roles. Kelly also worked for GTECH as a Marketing Director to support the Kansas Lottery. While in Florida, an ethnically diverse market just as Texas is, she was a District Sales Manager responsible for 28 sales representatives representing 2,000 retailers and sales of almost \$200 million. Having started as a sales representative in 1989, and progressively working her way up to greater levels of responsibility based on her achievements and approach, Scientific Games believes that Kelly is an ideal fit to oversee the sales organization on behalf of the Texas Lottery.



Kelly Douglas

Kelly will have ten District Sales Managers reporting to her, one for each of the ten sales districts throughout the state of Texas.

The District Sales Managers all have extensive experience managing sales representatives in the field, and our proven leaders in setting and meeting sales goals. Our team will have a solid balance of lottery sales-specific experience or parallel experience in other consumer product categories often found in c-store and grocery environments.

The ten District Sales Managers identified to support the Texas Lottery and their experience is given below:

District Sales Manager – Angie Saviano

Angie Saviano has been with Scientific Games for almost ten years in a variety of sales and marketing roles supporting both instant and online game operations. As the Online Marketing Assistant for the Hoosier Lottery, Angie was involved with the development and execution of retailer promotions, retailer recruitment efforts and market research. Her success with the Hoosier Lottery's online business prompted her promotion to Instant Game Product Manager, where she was responsible for growing sales and revenues of the Hoosier Lottery's instant game. Under her

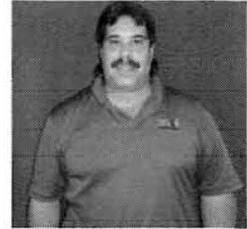


Angie Saviano

direction, instant game sales grew by 8%. Angie is currently the Manager of our Maryland Lottery Tel-Sell operation where she manages ten Lottery Tel-Sales Representatives serving 4,000 + retailers.

District Sales Manager – Angel Lopez

Angel Lopez has been with Scientific Games for five years in a variety of sales and marketing roles, steadily progressing within the organization to his current role of Sales and Marketing Manager for our Puerto Rico operation. Angel's prior experience as a Lottery Sales Representative and, subsequently, as a Lottery Sales Analyst gives him the perfect skill set to manage the LSR team over which he will be responsible. He has experience managing both online and instant game operations with a focus on providing sales and marketing support. His current responsibilities include the management of 15 Sales Representatives and one Sales Analyst, all employees of Scientific Games. Angel is fluent in Spanish and a natural leader.



Angel Lopez

District Sales Manager – Cheri Rule

Cheri Rule has been with Scientific Games for five years and has progressed her career from Lottery Sales Representative to her promotion to Key Accounts and Assistant Sales Manager for the Oklahoma Lottery. During her tenure in this role, the number of Key Accounts in Oklahoma has grown by 33% and Key Account sales have grown from 45% of total sales to 80% of total sales. Cheri has worked on the other side of the register as well, working as a Sales Manager for Sheplars, a large western apparel store, and as a Merchandising Coordinator for the Tractor Supply Company. Cheri's extensive sales and marketing experience will make her an excellent District Sales Manager and her Key Accounts experience will be an invaluable resource for the entire LSR team.



Cheri Rule

District Sales Manager – Dave Szwetkowski

Dave Szwetkowski has over 30 years in the gaming and wagering industry, the last eleven with Scientific Games. Dave worked his way up through the Operations side of the business which gives him a behind-the-scenes perspective that will serve his LSR team and the Texas Lottery well. Dave has experience managing both instant and online game product lines, having served as the Site Manager for the Delaware Lottery where he managed their online business and then as the Warehouse and Distribution Manager for the Pennsylvania Lottery where he managed the distribution of instant tickets. This cross-product experience lead to his current position as the Delaware Lottery's Cooperative Services Manager where he manages both the instant and online game portfolios as well as part of the Lottery's sales force.



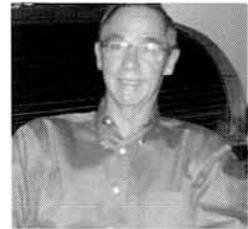
Dave Szwetkowski

District Sales Manager – Erixon Feliciano

Erixon Feliciano has been with Scientific Games for five years and has worked his way up from Lottery Sales Representative, where he was responsible for growing online game sales, to his current position as Cooperative Services Manager for the Puerto Rico Lottery, where he manages the distribution of instant tickets. Erixon brings valuable non-lottery experience to the position as well, having served as the Hispanic District Executive for the Boy Scouts of America where he was responsible for developing and promoting the Boy Scout program in Hispanic communities throughout the Atlanta area. Erixon also has other retail-based sales and marketing experience having served as an Account Representative for Atlanta Beverage Distributing where he managed the product placement and merchandising for over 200 accounts. Erixon is fluent in Spanish and has a strong customer service focus.

*Erixon Feliciano****District Sales Manager – Guy Reeves***

Guy Reeves has over 40 years of retail sales and marketing experience and has held a broad range of responsibilities including the development and implementation of major retail sales training programs. This hands-on training experience will not only serve Guy's LSR team well, but will benefit the Texas Lottery in general and the sales force as a whole. Guy was a Division Sales Manager for Albertsons, Inc. in the San Antonio and Austin, Texas markets where he managed over 50 stores and over 350 employees. Guy has also served as a Department Manager for HEB Grocery in Austin, Texas and is currently a District Merchandiser and Department Manager for Roundy's Supermarkets.

*Guy Reeves****District Sales Manager – Kirmon Nordt***

Kirmon Nordt has been with Scientific Games for fourteen years and has served in variety of field sales and field service positions, giving him a valuable perspective on how to address unexpected Retailer issues and opportunities. Kirmon started out in the lottery industry as a Marketing Sales Representative and Supervisor for the Maryland Lottery where he provided sales and marketing support to Retailers as well as managed the day-to-day activities of other Sales Representatives. He then capitalized on his pre-lottery years at IBM providing technical support to become a Field Service Manager for the Maryland Lottery where he and his staff serviced and maintained the Lottery's terminals and equipment. Kirmon is now the Marketing Manager for Scientific Games on behalf of the Maryland Lottery where he provides strategic sales and marketing support and manages the Lottery's Marketing Representatives.

*Kirmon Nordt*

District Sales Manager – Michael Groupp

Michael Groupp has been with Scientific Games for eleven years and began as a Service Technician for the Maryland Lottery. This field service work gave Michael a keen understanding of the issues and opportunities that Retailers face in selling lottery products. This perspective benefitted Michael when he became a Lottery Marketing Representative where he provided key sales and marketing support to the Lottery and its Retailer base. Michael was then promoted to Marketing Supervisor where he capitalized on his multi-disciplined experience to become a liaison between Operations, Field Service and Marketing to increase Lottery sales and revenues.



Michael Groupp

District Sales Manager – Scott Moulton

Scott Moulton has been with Scientific Games for five years and is currently a Marketing Sales Representative for the Oklahoma Lottery where he is responsible for the growing Lottery sales and revenues through product placement and merchandising, promotions and contests, and retailer recruitment. In addition to his years in the lottery industry, Scott's pre-lottery experience as a National Sales Representative for Digital Media Warehouse and as an Assistant Branch Manager for Enterprise Rent-a-Car has given him a strong training background which will serve his LSR team, Texas Lottery Retailers and the Texas Lottery well.



Scott Moulton

District Sales Manager – Deb Jonasson

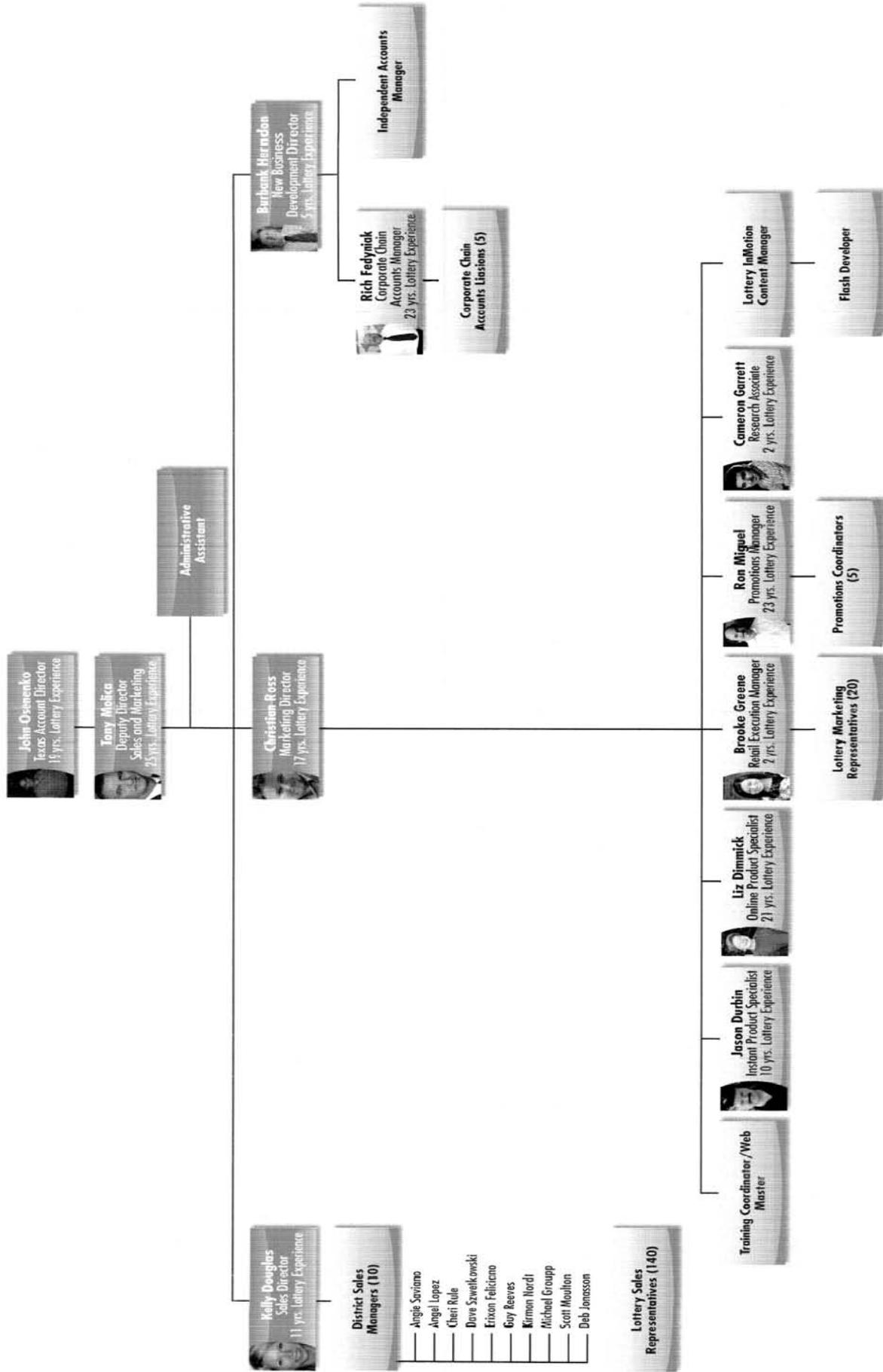
Deb Jonasson has been in the lottery industry for 20 years in a variety of high level sales and marketing roles. Deb started in the industry as the President of her own marketing company, DJ Marketing and Promotion, where she provided sales and marketing support to the Washington State Lottery. She then joined Scientific Games as the Marketing Manager and ultimately the General Manager for the Hoosier Lottery. After spending a couple of years with United Tote as their Marketing Director, Deb re-joined Scientific Games as the General Manager of the South Carolina Lottery where she was responsible for all strategic and tactical planning and execution. Deb is a seasoned lottery professional and has a strong background in research and analysis.



Deb Jonasson

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FIGURE 8.2-1: TLC SALES AND MARKETING ORGANIZATION



LOTTERY SALES REPRESENTATIVES (LSRs)

Scientific Games has long believed in and recommended to its customers an ideal LSR to Retailer ratio of 1:100 to 1:120. In our experience, and from closely studying the industry's top performing Lotteries, this ratio appears to be the perfect balance of providing the very best service to the Retailer community while maintaining a fiscally appropriate number of staff. The Texas Lottery

(based on terminal information provided by the Texas Lottery supplemental RFP documents) for an approximate LSR to Retailer ratio of . While the Lottery's 2008 Customer Service Survey suggests that Texas Lottery Retailers are satisfied with the level of service the Lottery provides, we conducted several field research studies (discussed in further detail below) and believe the Lottery's Retailer community could be even better served, especially in the area of on-site training.

It is for this reason that Scientific Games recommends hiring approximately

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range that we have found to be optimal. We believe that these additional LSRs will enable Scientific Games to provide an even higher level of service to the Lottery's Retailer community.

Scientific Games is aware that the current LSRs enjoy a positive relationship with their Retailers. As stated above, the Lottery's 2008 Customer Service Survey indicated that retailer satisfaction with the Lottery was an impressive 93%, a level that can at least be partially attributed to the Retailer's positive relationship with their primary Lottery contact – the LSR. It is for this reason that Scientific Games would look first to the Texas Lottery's current LSR staff to continue in their role should we be fortunate to be named the Lottery's Operations and Services

will be recruited based on their customer service orientation, their merchandising and training experience and their ability to interact with their Retailers and other LSR team members.

Scientific Games' LSR team will be responsible for growing sales and revenues for the Texas Lottery by performing a range of activities designed to help the Lottery's Retailer base sell tickets in the most optimal manner possible. Broadly defined, these activities include, but are not limited to:

- Training the Retailer and new staff on Lottery equipment, processes and procedures
- Educating the Retailer and staff on new and upcoming games; providing the salient selling points of these games so that they, in turn, can communicate these points to the player

Scientific Games will provide an additional ten LSRs in the base offering at no additional cost, bringing the team up to 140 members and improving the LSR to Retailer ratio from 1:127 to 1:119.

- Communicating and helping to administer various promotions supporting the Lottery in general, and/or the sale of specific Lottery products
- Merchandising Lottery products and point-of-sale materials in the most compelling manner possible to encourage and facilitate customer purchase
- Ensuring the Retailer has sufficient stock of product and support materials
- Various administrative tasks, including the collection of closed instant games

To further familiarize ourselves with the Texas Lottery's retail environment and to better understand the issues and opportunities that your Retailers face every day, Scientific Games proactively and independently conducted several field research initiatives, including a phone survey of Texas Lottery Retailers, a mystery shopper-style audit to determine how your stores are currently merchandised, and an in-person survey of Retailer clerks and managers. This research was invaluable in the development of our response to this RFP and to the recommendations we have made throughout this section.

In general, our research initiatives supported the findings reported in the Lottery's 2008 Customer Service Survey – that Retailers are generally happy with the service and performance of their LSR and with the Texas Lottery overall. Still, we believe that there are areas where we can help the Lottery become an even more valuable partner to its Retail base and vice versa. Retailer training, Hispanic language-based programs and services, and a more marketing-centric approach to sales are just a few of the opportunities that presented themselves through our field research efforts. In this proposal, we present our recommendations on how best to capitalize on these opportunities to demonstrate our commitment to the success of the Texas Lottery.

To this end, Scientific Games pledges to put the very best Sales team possible in place and will develop, document and maintain standards and procedures for all LSRs and provide a copy of these standards and procedures to the Texas Lottery when changes or additions are made.

CORPORATE/CHAIN/KEY ACCOUNT RETAILERS

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With over 6,800 Corporate/Chain/Key Account locations of all types and sizes, Scientific Games understands how important this segment of Retailers is to the Texas Lottery's success in the marketplace. Should Scientific Games become your Operations and Services provider, we will provide the Texas Lottery with recommendations for minimum sales levels for its Corporate/Chain/Key Account Retailers and develop a program to administer these minimum sales and performance levels. Scientific Games further agrees to propose and implement an improvement plan for those Corporate/Chain/Key Account Retailers who fail to meet these minimum sales/performance levels. This satisfies RFP Table 78, Detail Requirement Nos. 8, 9 and 12.

To facilitate and implement this improvement program, and to provide the level of service that Corporate/Chain/Key Account stores have come to expect, Scientific Games would provide a Corporate Accounts Division and hire dedicated to servicing these important clients at a more strategic level. It will be the sole responsibility of this division to provide marketing and sales support to Corporate/Chain/Key accounts including, but not limited to the following:

- **Marketing and Promotions** – One of the primary responsibilities of the Corporate Accounts division will be to develop mutually beneficial marketing programs and point-of-sale agreements with Corporate/Chain/Key Account

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management. Effective store-level marketing at these types of locations can only be successful if the managers of these locations receive lottery-specific direction from their Corporate management. It will be the job of our Corporate Accounts division to communicate the benefits of selling lottery products and the best practices of lottery marketing and merchandising to Corporate management so that the direction they provide their stores achieves the maximum level of sales. Our Corporate Accounts division will also develop chain-specific promotions with their customers with the goal of increasing lottery sales and improving the retailers' bottom line. These chain-specific promotions might be facilitated through our WAVE™ and Flair™ terminals and its ability to print unique graphics (e.g., corporate logos) and chain-specific coupons. The promotions will also be supported with our _____ platform, described in more detail in **Section 8.2.3.1**, on the 19" flat panel LCD monitors we are proposing be installed in the majority of retail locations.

- **Training** – Scientific Games understands that Corporate/Chain/Key accounts often have unique training needs. Many chains have their own training facilities or prefer a "train the trainer" approach. The diverse geographic locations of certain chain locations can also affect the training process. Our Corporate Accounts team will be prepared to support any and all of these unique training needs.
- **Communications** – Since many Corporate/Chain/Key accounts are structured in a way that facilitates communication with multiple locations through a single Corporate channel, Scientific Games' Corporate Accounts division will take advantage of this existing infrastructure by creating customized communication pieces specifically for the Lottery's Corporate/Chain/Key accounts. A monthly electronic newsletter, for example, that would highlight upcoming promotions, explain new games, provide sales and marketing tips, describe any new administrative processes and any other relevant announcements will be created and distributed to all Corporate/Chain/Key accounts. Any material distributed to these accounts, will be provided to the Lottery for their approval prior to distribution.
- **Analyses and Reports** – Most Corporate/Chain/Key accounts have their own, unique reporting processes and infrastructure. Scientific Games' Corporate Accounts division will work with each account to ensure that they are receiving the lottery-specific information they need from their stores so that they always have an accurate picture of their own lottery sales performance. Scientific Games would also work with the Lottery to ensure that Corporate/Chain/Key accounts can access and download various reports from the Lottery's website, both on a store-specific basis as well chain-wide information. Scientific Games' Corporate Accounts division will also work with their accounts to provide various analyses so that they might, for example, better understand various trends, uncover any opportunities that may exist to increase sales, and evaluate any promotional efforts that



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Scientific Games will provide a monthly newsletter electronically specifically geared to the Texas Lottery's Corporate/Chain/Key retailer accounts.

may have been implemented – basically any analysis that might help the Lottery's Corporate/Chain/Key accounts become better Retailers.

Scientific Games would conduct annual reviews with each Corporate/Chain/Key account retailer and provide a copy of all materials being presented in these reviews to the Texas Lottery at least five working days prior to the meeting. Scientific Games will also provide the Lottery with a written report summarizing the activities and results of the meeting within five working days of the meeting date. This satisfies RFP Table 78, Detail Requirement No. 10.

For any meeting requested by a Corporate/Chain/Key account retailer, Scientific Games would provide the Texas Lottery with any material to be presented at least 24 hours prior to the scheduled meeting and would not present any material not approved by the Texas Lottery. Scientific Games would provide the Lottery with a written report summarizing the activities and results of the meeting within five working days of the meeting date. This satisfies RFP Table 78, Detail Requirement No. 11.

Scientific Games would provide the job duties and number of personnel assigned to Corporate/Chain/Key accounts along with all other account assignments to the Texas Lottery on a monthly basis, thereby satisfying RFP Table 78, Detail Requirement 9.

Scientific Games will receive, administer, and submit any marketing content from Corporate/Chain/Key Retailers, and will notify the Texas Lottery of any new content submitted for their approval. Upon receiving the Texas Lottery's approval, Scientific Games will send the approved content to our platform, described in **Section 8.2.3.1**, for distribution to designated Retailer Sales Terminals at Corporate/Chain/Key Retailer locations. This satisfies RFP Table 78, Detail Requirement 14.

Information Redacted

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NEW RETAILER RECRUITMENT

Scientific Games understands that it is the Texas Lottery's goal to responsibly grow its retailer base and that a primary responsibility of the LSR and business development team is to achieve that goal through successful retailer recruitment. Scientific Games also understands that to maintain the high level of service that the Retailers have come to expect, any growth in the Retailer network needs to be accompanied by growth in the number of LSRs servicing that network. As the Lottery's Retailer network grows, Scientific Games will increase staffing accordingly to maintain that ratio of one LSR per 100 – 120 Retailers.

Scientific Games will conduct a Retailer Optimization Analysis to determine the optimal mix of retailers by trade style and the best fit for the market. The purpose of this analysis is to assist the Texas Lottery in identifying opportunities to increase revenue while improving the availability of the lottery products to the residents of Texas. This is achieved by providing the optimum number of lottery



SUPERIOR VALUE

Scientific Games will proactively conduct a Retailer Optimization Analysis to assist the Texas Lottery with determining the optimal mix of retailers, and to serve as the first in the Retailer recruitment effort.

retailers for each ZIP Code, a ranking of retail business types for the household segmentation, and a list of potential business locations for new lottery retailers.

Retailer optimization is a multi-level process that starts with the evaluation of low-sales retailers for discontinuation or retention. Those retailers retained would have a sales improvement plan designed specifically for them, and it would be communicated and monitored by the LSR for that retailer. The second step of the process is an analysis of each postal ZIP Code to determine the optimal number of lottery retailers for each of those areas. The third step involves analyzing the market's household segmentation to determine which business trade styles best meet the needs of each player segmentation group. The final part of the process is to develop a list of new lottery retailer prospects that will assist the Lottery in the recruitment process.

This comprehensive review and analysis quickly gives the Lottery the tools necessary to increase the number of retailers and a detailed method to actually obtain that goal. This analysis should be used to target not only "traditional" retail locations but also to determine potential lottery locations where self-service terminals (vending machines) can be deployed (see Section 7.12 for a description of our PlayCentral terminal and ConvenienceCentral ticket dispenser).

Many of these self-service terminals and ticket dispensers can be placed in retail locations where there is limited customer service staff available (e.g., big box retailers, mass merchandisers) or in high traffic locations (e.g., Welcome Centers, airports). Big box and super centers are non-traditional retailers that are an excellent option for self-service terminals. Scientific Games understands that securing this type of non-traditional retailer is a goal of the Texas Lottery as described in your 2008 - 2011 Business Plan. Figure 8.2-2 lists these potential retailers and the number of locations within Texas.

Figure 8.2-2: List of Potential Non-Traditional Retailers in Texas

POTENTIAL NON-TRADITIONAL RETAILERS	
Wal-Mart	298
Target	148
Lowe's	140
Sam's Club	72
Home Depot	43
Costco	17
Inter-State Welcome Centers	12

TEXAS RESEARCH AND DEVELOPMENT INVESTMENT PLAN

Scientific Games has delivered a continual stream of innovations over the last 37 years that have had a positive and enduring impact in the lottery industry. With a relentless focus on developing new game content and leading-edge technology and systems solutions, we are committed, in cooperation with the Texas Lottery, to drive further innovation into the lottery industry.

In support of our commitment, Scientific Games will create the Texas Research and Development Investment Plan. The primary objective of the Texas Research and Development Investment Plan will be to support revenue enhancing initiatives in numerous areas, including: retailer and player development, pilot programs, retail sale programs, research, game development, marketing point-of-sale, and advertising.



Scientific Games will contribute up to \$2.5 million annually in a non-accruing amount of goods and services to be invested in revenue enhancing areas at the discretion of the Texas Lottery. This investment, complemented by our current industry leadership position in lottery market research, ensures the Texas Lottery and Scientific Games will have a continual stream of available resources to drive innovation and revenue enhancing programs in Texas. The Texas Research and Development Investment Plan is an Offered option included in the base price.

TERMINAL PROGRAM TO SUPPORT RETAIL OPTIMIZATION AND EXPANSION

In addition to the terminals Scientific Games will provide, as part of the initial deployment and in satisfaction of RFP Table 64, Detail Requirement No. 7, we will make a further investment to support retailer optimization and expansion, as follows:

- Retailer Sales Terminals (standard or mid-range) – 500 WAVE or Flair Terminals

These terminals are an Offered Option included in the base price.



SALES SUPPORT AND OPTIMIZATION

In addition to putting a strong sales team in place, Scientific Games would implement a number of sales support and optimization tools and processes to help monitor and manage the sales process at every level and from every vantage point. From sales reporting to sales meetings, Scientific Games pledges to provide the Lottery with everything it needs to achieve its goal of increasing sales and revenues.

Scientific Games will work closely with the Texas Lottery's Products and Retailer Development Team and make sales presentations to Texas Lottery management on a weekly basis or on a schedule determined by the Lottery. This satisfies RFP Table 78, Detail Requirement No. 5.

Scientific Games will also provide weekly sales reports and other sales data as required by the Texas Lottery. The weekly sales reports will include an evaluation of the sales data, the development of a trend analysis, and any recommended actions to be taken in response to that data. Scientific Games understands that lottery sales reports can come in all manner of shapes and sizes. There are top-line reports, such as a state-wide weekly sales report, and there are more "granular" reports, such as Powerball sales at a specific retail location from 7:00 p.m. to 8:00 p.m. on February 16th.

Scientific Games believes that different circumstances call for different types of reports and that different people within an organization might have very different reporting needs. A Lottery Sales Representative, for example, will likely need a different type of sales report than the Lottery's Chief Financial Officer.

Scientific Games' platform accommodates all of these reporting needs and more.

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Cameron Garrett, our proposed Research Associate whose extensive experience is described in more detail in **Section 8.8.5**, will also be an invaluable resource in creating any customized, on-demand reports and analyses that the Texas Lottery may desire. These might be standing documents, generated at scheduled interims (e.g., weekly, quarterly) or “ad hoc” documents to help the Lottery react to unforeseen opportunities.



Cameron Garrett

LSR AND BUSINESS DEVELOPMENT MEETINGS

In addition to providing Texas Lottery management with detailed weekly sales reports, Scientific Games would also conduct LSR and business development employee meetings on a regular basis and at least bi-weekly. These meetings will be used to disseminate important information such as Lottery policies and procedures, including security and Retailer regulatory requirements.

After all, LSRs are the primary contact between the Texas Lottery and its vast Retailer network, so it is important that they are kept informed of the latest developments and opportunities so that they in turn can communicate those developments and opportunities to their Retailers. The support provided by the business development employees is vital to the continued growth and health of the Texas Lottery.

At the same time, it is important that the LSRs and business development employees spend their time where they have the biggest impact on sales: in the field. So while there is an absolute business need for regularly scheduled meetings with these employees to communicate the latest developments and opportunities, Scientific Games understands that every minute spent getting to and attending a meeting are minutes not being spent in the field.



While there will always be times when everyone needs to be in the same room together, there are a number of exciting technologies available that enable people to effectively meet "virtually," eliminating the time and expense associated with traditional, face-to-face meetings. Scientific Games embraces these alternatives and would utilize the latest technologies to minimize the time required of field employees to attend various meetings to maximize the time they spend in the field generating sales and supporting various marketing efforts. Platforms such as MSN Messenger™, Skype™ and GoToMeeting™ provide an excellent way to communicate vital information such as upcoming promotions, game closings, and distribution issues without the time and costs associated with everyone driving to a common meeting place. This satisfies RFP Table 78, Detail Requirement Nos. 6 and 7.

Scientific Games will regularly employ more cost and time effective tools to facilitate LSR and LMR team meetings through proven technologies like Skype and GoToMeeting to help reduce the time, expense and environmental impact of meeting face to face.

In addition to the above-described internal meetings, Scientific Games would eagerly attend any and all meetings deemed appropriate by the Texas Lottery, including meetings with Texas Lottery Retailers and vendors.

ANNUAL SALES MEETING

To complement the weekly meetings described above, Scientific Games would conduct at least one joint sales meeting per year with the Texas Lottery to include all sales personnel assigned to the Texas Lottery account. Scientific Games currently conducts similar sales meetings for the Oklahoma and Puerto Rico Lotteries as well as provides significant support for the Pennsylvania, Delaware, and Maryland Lotteries' annual sales meetings. Along with attending to the logistical details of scheduling and conducting these annual sales meetings, representatives from Scientific Games Corporate Marketing department will leverage this opportunity to present the latest trends in product growth for instant and online games as well as a version of the State-of-the-Industry analysis.

CONTENT MANAGEMENT

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8.2.4 ROUTE SALES MODEL (DR 13)

Response Requirement 4: The Proposer must describe how it would provide a route sales model to support Retailer locations.

As discussed previously in **Section 8.2.3**, Scientific Games to service the Lottery's
retailers. This results in an LSR to Retailer ratio of approximately 1:120. Scientific Games also recommends that each Retailer be

visited. This means that each of the LSRs will visit approximately 10-15 Retailers per week. While the focus and tasks may vary depending on an individual Retailer's need or based on the latest marketing effort, there are a number of standard tasks that each LSR will endeavor to accomplish at each visit:

In addition to achieving the above in-store tasks, Scientific Games also understands that an LSR also has other duties, such as

Scientific Games would provide each of its LSRs with

efficient routes. Scientific Games also understands that efficiency is vital to an LSR's ability to provide optimal service while visiting a dozen or more retailers a day and that a well-organized sales route is the keystone to an efficient LSR. Using our advanced geo-demographic software (discussed in detail in **Section 8.8.2**), Scientific Games is capable of creating the most efficient sales routes possible, enabling LSRs to spend more time in-store and less time on the road. Scientific Games will provide route sales to support all Retailers including key, Corporate/Chain/Key retailer locations, thereby satisfying RFP Table 78, Detail Requirement No. 13.

8.2.5 MEETING COORDINATION (DR 7)

Response Requirement 5: The Proposer must describe how it would coordinate face-to-face meetings among the Texas Lottery, Successful Proposer and Retailers to facilitate communications. The Proposer must describe its plans for conducting meetings to reach Retailers across the State of Texas to include proposed frequency of meetings and the strategy for engaging the Texas Lottery's diverse Retailer licensee base.

Scientific Games understands how important it is to provide every opportunity for the Texas Lottery, its Retailers and its Operations and Services Provider to communicate. It is this three-way communication that ensures mutual understanding of

various sales and marketing opportunities, new product information and regulatory matters, and satisfy RFP Table 78, Detail Requirement No. 7.

The Lottery has instituted a number of initiatives to facilitate communication with its Retailer base, including the Retailer Links meetings in which Lottery staff meets with a select group of Retailers in each of the ten sales regions. Scientific Games would welcome the opportunity to support and participate in these monthly meetings, and provide presentation content if requested and appropriate.

RETAILER FORUMS

In addition to the Retailer Links meetings, in which a select number of Retailers participate, Scientific Games recommends an open, annual Retailer meeting as a forum for communicating upcoming initiatives, address various issues, and solicit input and feedback from the Retailer base as a whole. These annual Retailer Forums would be conducted on a regional basis (ten meetings total) to minimize the distance Retailers would need to travel to attend.

Scientific Games would recommend a morning session and an afternoon session, each with the same format and agenda, to further accommodate various schedules and to encourage attendance. Scientific Games would also explore the use of webinar technology to facilitate Retailer participation in these and other events. If, for example, a Manager is attending the actual Retailer Forum in person but feels that his or her clerks would benefit from the information being disseminated and discussed as well, those clerks could view the event or specific sessions of the event via web-based meeting software. Scientific Games agrees to coordinate these meetings and to obtain the facility and all other resources necessary to conduct these annual, regional Retailer Forums.



Scientific Games commits to host and facilitate Retailer Forums in addition to Retailer Links meetings, to be held on a regular basis throughout the state of Texas.

RETAILER ADVISORY COUNCIL

Both the Lottery's Retailer Links program and our proposed Retailer Forum provide the Lottery with snapshots of the issues and opportunities experienced by the Retailers at any given time. In an effort to provide an opportunity for more long-term and strategic thinking by the Lottery's Retailer base, Scientific Games recommends creating an ongoing Retailer Advisory Council, comprised of Retailers representing various trade styles, various geographic regions and various operation sizes that will meet on a regular, quarterly basis. Both chain and independent Retailers of varying sizes would participate on the Council, and would provide ongoing guidance and recommendations to the Texas Lottery and its partners as well as be a conduit for communication to the general Retailer base. Members would be elected and serve one- or two-year terms.

MULTIPLE CONTACT OPTIONS

Scientific Games will endeavor to make it as easy as possible for any Retailer to receive immediate assistance no matter what the issue. To this end, Scientific Games would ensure that each Retailer has the following points of contact in their possession:

- Their LSR's phone number
- Their LSR's District Manager's phone number
- Retailer Hot Line phone number
- Any web-enabled support sites (e.g., www.txlottery.org/Retailers)



SUPERIOR VALUE

Scientific Games will organize a Retailer Advisory Council on behalf of the Texas Lottery with an elected body of Retailer representatives to provide ongoing guidance and recommendations as the "voice" of the broader Retailer network.

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8.3 MARKETING

RFP Requirement: The Lottery Operator performs a variety of marketing activities associated with development of player/Retailer promotions and game development. The following table outlines the marketing requirements.

Scientific Games considers this RFP requirement to be informational, therefore no response is required.

Table 80. Marketing Requirements

ROLES AND RESPONSIBILITIES	SUCCESSFUL PROPOSER	TLC
1. Performs analysis and makes recommendations for annual Instant Ticket game plan which includes: the introduction schedule for new Instant Ticket games, recommendations for price point introductions, print quantities and themes	X	
2. Finalizes and approves the fiscal year Instant Ticket game plan and introduction schedule		X
3. Recommends an overall strategy for Retailer contests and player promotions for Lottery Products to the Texas Lottery	X	
4. Advises and makes recommendations concerning under performing games, proposed matrix changes, new game development, allocation of prize pool percentages and functionality changes such as price point per ticket, number of draws, etc.	X	
5. Reviews and takes into consideration recommendations and, in its sole discretion, approves or rejects changes		X
6. Provides direction and instructions for marketing Lottery Products		X
7. Markets Lottery Products based on Texas Lottery directions and instructions	X	
8. Provides the Successful Proposer with the list of Instant Ticket games to be closed		X
9. Provides feedback on the list of Instant Ticket games to be closed	X	
DETAIL REQUIREMENTS	RESPONSE SECTION(S)	
10. The Successful Proposer shall provide the proposed fiscal year Instant Ticket game plan on or before January 31st annually. This plan will include the recommended number of new Instant Ticket games by price point. The Successful Proposer shall also provide proposed modifications to the Instant Ticket game product strategy and a three (3) year sales projection for the product category.	8.3.3	
11. The Successful Proposer must actively participate and contribute in Instant Ticket game planning/review meetings.	8.3.3	

DETAIL REQUIREMENTS	RESPONSE SECTION(S)
12. The Successful Proposer must recommend a plan to optimize the initial allocation and distribution of new Instant Ticket games.	8.3.3
13. The Successful Proposer must provide an annual detailed analysis of all Texas Lottery On-Line Games. At a minimum, the analysis must include the following: <ol style="list-style-type: none"> three (3) year sales projections for each game; possible game modifications that may result in maximizing sales; and sales projections for any proposed game modifications. 	8.3.3
14. The Successful Proposer must provide weekly sales reports and other sales data as required by the Texas Lottery. The weekly sales reports must include an evaluation of the sales data, the development of trend analysis, and any recommended actions to be taken in response to that data.	8.3.3

Table 81. Marketing Response Requirements

RESPONSE REQUIREMENT
1. The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.
2. The Proposer must identify the marketing staff whose full-time responsibilities are to help the Texas Lottery identify new product and marketing strategies. Proposers must also identify any staff who may assist with these activities, but will not be assigned to the Texas Lottery account on a full-time basis (e.g., corporate marketing staff).
3. The Proposer must describe its marketing organization structure and how it will support and optimize Texas Lottery sales.

RESPONSE TO TABLE 81: MARKETING RESPONSE REQUIREMENTS

8.3.1 ACKNOWLEDGEMENT OF ROLES AND RESPONSIBILITIES AND DETAIL REQUIREMENTS

Response Requirements 1: The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.

Scientific Games acknowledges and accepts the roles and responsibilities, and will comply, and often exceed, the detail requirements in RFP Section 8.3.

8.3.2 MARKETING STAFF DEVOTED TO NEW PRODUCT AND MARKETING STRATEGIES

Response Requirements 2: The Proposer must identify the marketing staff whose full-time responsibilities are to help the Texas Lottery identify new product and marketing strategies. Proposers must also identify any staff who may assist with these activities, but will not be assigned to the Texas Lottery account on a full-time basis (e.g., corporate marketing staff).

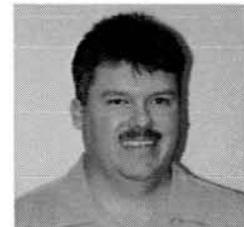
IN-STATE MARKETING ORGANIZATION (DEDICATED)

As stated in **Section 8.2.2**, Scientific Games will appoint Anthony Molica as Deputy Director, Sales and Marketing. Reporting to Tony directly, Scientific Games will assign Christian Ross as Director of Marketing whose full-time responsibilities will be to help the Texas Lottery identify new product and marketing strategies. He will be chiefly responsible for the new product development process from ideation to research to game launch. Christian has extensive marketing experience, and has spent almost his entire business career in the lottery industry. He has strong balance of both the creative and analytical aspects of marketing, having spent a total of 17 years working for four different online systems vendors in a range of roles.



Christian Ross

Further, we will hire two specialists to assist with the development of new games in both the instants and online categories. The Instants Product Specialist will be Jason Durbin, currently Instant Account Manager for Scientific Games in Florida. He has 10 years of direct lottery experience working for one of the largest U.S. lotteries with one of the most successful instant game programs.



Jason Durbin

The Online Product Specialist will be Liz Dimmick who is currently the Regional Marketing Manager for Scientific Games for the Tri-state Lotteries of Maine, New Hampshire and Vermont. She is a 23-year lottery veteran, having worked closely with the New York, Minnesota, and Delaware Lotteries prior to her current assignment. Liz has been instrumental in the launch of many new and innovative new game launches and game enhancements with the Tri-state Lotteries including the migration of the in-state lotto Megabucks to a \$2 price point, the introduction of an instant win online product category known as Fast Play, and the launch of the first multi-state raffle in the U.S.



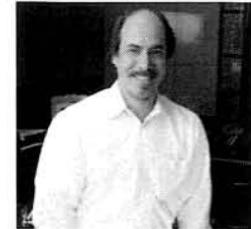
Liz Dimmick

The Research Associate, Cameron Garrett, will also report to the Director of Marketing, and will work closely with both the in-state Marketing team and the Corporate Marketing group. His credentials will be described in more detail in **Section 8.8.5**.

In a supplemental role beyond the required Sales and Marketing required positions, a Retail Execution Manager, Brooke Greene, will be appointed to the Texas account, reporting to Christian Ross directly. She will oversee the provision of additional retail support and implementation of best retail execution practices for top performing store locations by directing and managing the team of 20 Lottery Marketing Representatives (LMRs). Brooke is currently the Retail Development Manager within the Corporate Marketing group, but her experience as an in-store marketing support person in other consumer product categories makes her the ideal person to direct this group. She will work closely with the Directors of Marketing and Sales to ensure a coordinated approach within the retail environment. The goal of the LMR is to provide enhanced merchandising and sales support services to the top performing retailer deciles. These individuals will develop relationships with new and existing retailers, and provide information and feedback to maximize sales volume.



Brooke Greene



Ron Miguel



SUPERIOR VALUE
CORPORATE MARKETING

The appointed Promotions Manager, Ron Miguel, will also report to the Director of Marketing. He will work closely with the Texas Lottery and Scientific Games marketing personnel to identify, manage, and appropriately staff Lottery-sponsored and attended events throughout the year. Ron will be responsible for coordinating chain and independent store events and promotions with Scientific Games Corporate Chain Account Manager, Independent Accounts Manager, and the sales and marketing staff. He will provide regular activity reports and ROI analyses of all events attended to better determine future event participation.

Ron will further manage the activities of the five Promotion Coordinators. The Promotion Coordinators will support and coordinate a wide variety of special event activities to advertise and promote the sale of lottery products throughout Texas. This team will also be responsible for preparing and maintaining the displays, coordinating and tracking the prize giveaways, and actively participating in the special event itself. Ron has extensive lottery industry experience from both the lottery and vendor perspective, having worked in the Promotions department of the Florida Lottery, heading the sales and marketing department of the New Mexico Lottery, and in an account management position within the Corporate Sales division of Scientific Games.

Given the number of years of combined experience of Christian Ross, Jason Durbin, and Liz Dimmick in both marketing principles and the lottery industry, Scientific Games has provided the Texas Lottery with its A-team for marketing management and full-line product development support.

CORPORATE MARKETING SUPPORT (NON-DEDICATED)

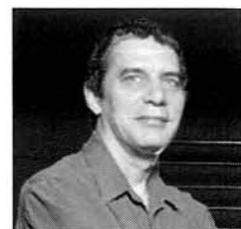
Under the guidance of Keith Cash, Vice President of Sales, Pam Lee, Senior Regional Sales Director, will continue to serve as the key Corporate Marketing contact for the Texas Lottery account. The Lottery is very familiar with Pam's skills and experience, as she has been the main account representative for Texas for over six years. Pam also brings her experience from working with other industry leading lotteries to her role as Senior Regional Sales Director for Texas, including Massachusetts, Kentucky, Arizona, to name a few.

*Pam Lee*

Leslie Badger, Senior Director, Lottery Product Marketing along with the Corporate Game Design Team will also assist with the product development initiatives of the Texas Lottery, but will not be assigned to the account full-time. Leslie is a recipient of the 2009 Global Excellence Award in Marketing, an elite Scientific Games employee award for outstanding accomplishments. In this case, she was part of a team that won for teamwork based on the successful launch of online game, Lucky for Life, on behalf of the Connecticut Lottery.

*Leslie Badger*

Scientific Games will appoint Game Designer, Charles Boykin, to the Texas Lottery account, but he will not be physically located in-state. Charles is a Senior Game Designer with great familiarity of Texas – he received his Masters and PhD in Mathematics from the University of North Texas in 1994 and 2003 respectively.

*Charles Boykin*

Jennifer Welshons, Vice President, Global Marketing, together with Ambika Jack, Director of Global Research, and Eric Mitchell, Senior Director, Marketing Information Systems will all assist with the account initiatives, but will not be assigned to the Texas Lottery account full-time. Their credentials and experience will be described in more detail in **Section 8.8.4**.

*Jennifer Welshons*

Jim Kennedy, Senior Vice President, Sales & Global Marketing, will be the Corporate sponsor and customer advocate for the Texas Lottery within the Executive ranks of Scientific Games. With over 25 years of lottery industry experience, and having worked in many varied capacities within the Marketing department of Scientific Games, Jim will lend his experience, guidance, and unyielding support for the Lottery.

*Jim Kennedy*

8.3.3 MARKETING ORGANIZATION STRUCTURE (DRs 10, 11, 12, 13 and 14)

Response Requirements 3: The Proposer must describe its marketing organization structure and how it will support and optimize Texas Lottery sales.

In **Section 8.3.2**, we described the specific personnel who will be responsible, directly and indirectly, for product development and marketing support for the Texas Lottery. While the extensive marketing and lottery industry experience is evident in all of our named marketing staff, it is our approach to the structure of the marketing organization that makes Scientific Games unique and is the foundation of the success we have achieved from supporting our customer network.

With both the marketing and sales departments placed within the same organization, we are able to ensure that we provide our customers with a coordinated approach that does not result in these two divisions working at odds with each other, but in a unified, collaborative manner, to the benefit of our customers. Also, with the largest and most active research group of any lottery vendor, Scientific Games is best able to incorporate the voice of the player and the retailer into our product development efforts. We encourage, foster, and practice regularly scheduled, two-way communication between our Corporate Marketing and in-state Marketing support teams, thereby guaranteeing that our local site marketing staff is not left to flounder without the ability to leverage the resources of Corporate Marketing. We are proud of the fact that this unified marketing support is one of the primary benefits that our customers cite as an advantage of having Scientific Games as their vendor partner.

With the described team in place, Scientific Games stands ready to move the Texas Lottery's sales **and revenues** to the next level of growth. As the industry's first and premier Fullline vendor and as a leader in the area of Cooperative Services, Scientific Games is in the unique position of being able to see our customers' business as a **whole**—not just the instant side of the business, and not just the online side of the business, but as a complex, multi-faceted operation that must exist in an increasingly competitive retail environment. Our customers can rely on our guidance and direction because they know that **we** are looking at their business like **they** look at their business—from the ground up and at every angle.

Scientific Games will provide an annual detailed analysis of all Texas Lottery instant online games and we will actively participate and contribute in instant ticket game planning/review meetings and recommend a plan to optimize the initial allocation and distribution of new instant ticket games. At a minimum, the analysis will include the following:

- a. Three year sales projections for each game and/or product category;
- b. Possible game modifications to instant and/or online game product strategy that may result in maximizing sales; and
- c. Sales projections for any proposed game modifications.
- d. The recommended number of instant ticket games by price point.

Lastly, Scientific Games will provide weekly sales reports and other sales data as required by the Texas Lottery. The weekly sales reports must include an evaluation of the sales data, the development of trend analysis, and any recommended actions to be taken in response to that data.

This satisfies RFP Table 80, Detail Requirement Nos. 10 through 14.

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PRODUCT PLAN SUMMARY

While not specifically requested by the RFP, it is our hope that the previous pages provide the Texas Lottery with insight into our approach to product planning and development. As stated at the beginning of this section, all of our product planning and development is grounded in extensive market research, a more detailed description of which can be found in **Section 8.8**. We are proud of the fact that we are the most experienced Fullline supplier in the industry, with a truly holistic view of the Texas Lottery business. We understand that the Texas Lottery is not solely in the online game business, nor is it solely in the instant game business. We understand that the Texas Lottery is in the lottery game business, and that both online and instant games must not only co-exist with one another, but have the ability to support one another and grow as a result.

We are excited about the possibility of applying our extensive product planning and development experience – for both instant and online games – to work for the Texas Lottery and helping them grow sales and revenues for the benefit of all Texans.

3RD LICENSED BRAND PRODUCT PORTFOLIO FOR ONLINE AND INSTANT GAMES

Scientific Games is pleased to include in our base price offering free use of our 3rd party licensed brand product portfolio for online and instant games — available at no charge to the Texas Lottery. This represents a significant value to the Texas Lottery in both the reduction of current instant ticket licensed brand acquisition costs and the possible implementation of 3rd party licensed branded online games without additional licensing fees would bring an entirely new marketing and sales visibility to the online game category with introduction of any new online games with licensed brand tie-ins.



With the entire Scientific Games' catalogue of industry leading, performance-proven licensed games available in both the instant and online product categories for no additional expense to the Texas Lottery, the opportunities to reach more casual/occasional players in both the scratch and online games is a fundamental superior advantage to the Lottery.

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8.4 LOTTERY SALES REPRESENTATIVES

RFP Requirement: Lottery Sales Representatives (LSR) Services are those activities dealing with sales support to Retailers and the promotion and sale of Lottery Products. LSR functions can be generally categorized as Retailer setup and training, supply and inventory management, and sales and marketing. Retailers are provided a variety of goods and materials to support and sell Texas Lottery Products. These include point of sale materials, supplies (e.g., playslips, On-Line Ticket stock and printer ribbons) and promotional goods.

Scientific Games considers this RFP requirement to be informational, therefore no response is required.

Table 82. LSR Service Requirements

ROLES AND RESPONSIBILITIES	SUCCESSFUL PROPOSER	TLC
1. Develops, documents and maintains standards and procedures for LSRs	X	
2. Provides the Texas Lottery a copy of the standards and procedures when changes or additions are made	X	
3. Develops LSR territory and training schedule	X	
4. Maintains, updates and changes LSR assignments as necessary	X	
5. Provides quarterly Lottery Product emphasis and promotional themes		X
NEW RETAILER APPLICATION		
6. Recruits new Retailers on an ongoing basis	X	
7. Receives Retailer application for licensing		X
8. Enters Retailer information into the Lottery Gaming System and notifies the Successful Proposer and the Retailer if the Retailer's application is incomplete		X
9. Assists the Texas Lottery in contacting the Retailer to request missing information and provides the information to the Texas Lottery	X	
10. Finalizes Retailer application entry into the Lottery Gaming System and notifies the Successful Proposer after the Retailer's application has been approved or denied		X
11. Provides Successful Proposer a report, generated by the Lottery Gaming System, of all Retailers that are approved		X
12. Notifies Retailer of application approval and schedules site visit	X	
13. Conducts site visit and determines optimal equipment display configuration	X	
14. Begins process to setup and install Lottery equipment at Retailer location	X	
15. Activates account and mails license to Retailer		X
NEW RETAILER SETUP		
16. Recommends a type of Terminal to be installed at the Retailer	X	

Table 82. LSR Service Requirements

ROLES AND RESPONSIBILITIES	SUCCESSFUL PROPOSER	TLC
17. Reviews and approves the type of Terminal to be installed at the Retailer		X
18. Orders, delivers, installs playstations, Instant Ticket bins, signage, POS and materials	X	
19. Assists Retailer with the display of promotional material and signage	X	
RETAILER RENEWALS		
20. Provides report to the Successful Proposer showing expiring Retailer licenses by district		X
21. Notifies Retailers of impending license expiration		X
22. Proactively works with Retailer to submit application renewal	X	
23. Assists the Retailer with the completion of the application if the Retailer application is incomplete	X	
24. Updates the Lottery Gaming System in order to disable the Retailer's Terminal(s) if the Retailer's application is not renewed		X
25. Retrieves lottery equipment, promotional materials and ticket inventory from Retailer if the Retailer's application is not renewed	X	
26. Updates licensing information in the Lottery Gaming System		X
DETAIL REQUIREMENTS		RESPONSE SECTION(S)
27. The Successful Proposer must provide Retailers with signage, supplies and other materials as required by the Texas Lottery.	8.4.0.2	
28. The Successful Proposer must provide LSR support to service the Texas Lottery's Retailer base. The Successful Proposer must support growth in the Retailer base with an appropriate increase in the Successful Proposer's LSR staffing.	8.4.0.2	
29. The Successful Proposer must provide a comprehensive annual incentive plan for LSRs and sales and business development management, on or before May 31st of each year. This plan must be updated quarterly based on Texas Lottery Product emphasis guidelines. The Texas Lottery must approve the incentive plan before it is implemented and any proposed modification to the incentive plan must be submitted to the Texas Lottery for approval prior to implementation.	8.4.0.3	
30. The Successful Proposer must provide a monthly report of all LSR assignments at the Retailer level and by sales district.	8.4.0.2	

DETAIL REQUIREMENTS	RESPONSE SECTION(S)
31. The Successful Proposer must treat the TLC claim centers as a Retailer location for the purposes of supply replenishment and point of sale materials.	8.4.0.2

Table 83. LSR Services Response Requirements

RESPONSE REQUIREMENT
1. The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.
2. The Proposer must describe its LSR organization structure and how it will support Lottery Retailers across the entire geographic and population diversity of the State of Texas. Proposers must identify the Proposer's staff to Retailer ratio for the provision of Lottery Sales Representative activities.
3. The Proposer must provide an overview of its incentive plan for LSRs.
4. The Proposer must describe how sales services will be customized to strategically optimize sales performance.

RESPONSE TO TABLE 83: LSR SERVICES RESPONSE REQUIREMENTS

8.4.0.1 ACKNOWLEDGEMENT OF ROLES AND RESPONSIBILITIES AND DETAIL REQUIREMENTS

Response Requirement 1: The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.

Scientific Games acknowledges and accepts the roles and responsibilities, and will comply with, and often exceed, the detail requirements indicated in RFP Section 8.4.

8.4.0.2 LSR ORGANIZATION STRUCTURE (DRs 27, 28, 30 and 31)

Response Requirement 2: The Proposer must describe its LSR organization structure and how it will support Lottery Retailers across the entire geographic and population diversity of the State of Texas. Proposers must identify the Proposer's staff to Retailer ratio for the provision of Lottery Sales Representative activities.

As discussed previously in **Section 8.2.3**, Scientific Games

While the tasks may vary depending on an individual Retailer's

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need or based on the latest marketing effort, there are a number of standard tasks that each LSR will endeavor to accomplish at each visit:

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Scientific Games is also very conscious of the Texas Lottery's Hispanic Retailer and player base, and we would ensure that there are an appropriate number of multi-lingual LSRs to meet the needs of these important constituents. In fact, two of our ten identified District Sales Managers are fully bilingual, Angel Lopez, and Erixon Feliciano.

Scientific Games will provide Retailers with signage, supplies and other materials as required by the Texas Lottery, thereby satisfying RFP Table 82, Detail Requirement No. 27.

As described above, Scientific Games will provide LSR support to service the Texas Lottery's Retailer base. We will support growth in the Retailer base with an appropriate increase in our LSR staffing. This satisfies RFP Table 82, Detail Requirement No. 28.

Scientific Games will provide a monthly report of all LSR assignments at the Retailer level and by sales district, thereby satisfying RFP Table 82, Detail Requirement No. 30.



SUPERIOR VALUE

Scientific Games has proactively recruited two bilingual District Sales Managers among our Sales Management team. Even though this is not an RFP requirement, we recognize the importance of this skill for the state of Texas. We will also actively recruit a portion of our LSR and LMR field Sales Support team to have this capability as well.

Scientific Games will also treat the Lottery claim centers as a Retailer location for the purposes of supply replenishment and point-of-sale materials, satisfying RFP Table 82, Detail Requirement No. 31.

LSR TRAINING

Even with an experienced LSR staff, there is always the need for continued training and education. After all, the environment in which an LSR must thrive is constantly changing, from the products they support, to the space those products must occupy, from new technology to changes in marketing strategy. LSRs must stay on top of everything that affects their Retailers and the sale of Lottery games.

Scientific Games has developed a customized Sales Representative training program that teaches LSRs the best practices of lottery marketing and merchandising, managing unforeseen issues and problems, optimizing Retailer communication, overcoming technical issues, providing promotions management, and more. Our LSR training program also stresses that the LSRs themselves will ultimately become trainers, helping their Retailers understand and master the necessary skills to increase sales of lottery products and how a strong lottery presence directly impacts the Retailer's bottom line.

Scientific Games has also recently created a Sales Representative Forum in which LSRs from our managed sites all over the country can share ideas, ask questions, offer advice and generally help themselves and others by drawing on their common experience. This forum is moderated by Jeff Sinacori, Vice President of Retail Development, and is conducted monthly by conference call and webinar to facilitate the various schedules and time zones.

Scientific Games has been actively involved in the training of LSRs for several lotteries, including China where we have successfully trained over 17,000 LSRs. This staggering number enabled us to really fine tune our training approach and develop the most comprehensive and efficient LSR training program in the industry. We are excited about the prospect of putting this experience to work for the Texas Lottery.



Scientific Games has created a customized sales Rep training program known as Sales Force that trains our LSR and LMR teams in retailer execution best practices.

8.4.0.3 LSR INCENTIVE PLAN (DR 29)

Response Requirement 3: The Proposer must provide an overview of its incentive plan for LSRs.

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Not released**

8.4.0.4 CUSTOMIZING SALES SERVICES TO OPTIMIZE SALES PERFORMANCE

RFP Requirement: The Proposer must describe how sales services will be customized to strategically optimize sales performance.

There are a number of ways, large and small, that Scientific Games would customize sales services to optimize sales performance for the Texas Lottery. The most important and critical of these is the implementation of our Lottery Marketing Representative program, referenced earlier in **Section 8.3.2** and described in more detail in **Section 8.4.1.2**. The Lottery Marketing Representative (LMR) would offer supplemental marketing support to the Lottery's top performing Retailers in addition to the every two week visit by the LSR.

Other ways that Scientific Games would customize sales services to optimize sales performance include:

BI-LINGUAL LMRS

A minimum of five of the LMRS would be bi-lingual to better serve those Retailers that are Hispanic-owned or serve a Hispanic customer base. Scientific Games would also look for other opportunities to better serve the Hispanic player base with Spanish-language point-of-sale, how-to-play brochures and other collateral material. A research study that we conducted with Texas Lottery Retailers indicated that only about half of those polled had received any sort of Spanish-language materials.

SALES SUPPORT

Each LSR would also be equipped with _____ enabling the LSR to spend his or her time where they can make the most difference — in the store. OrderPad, which leverages the benefits of _____ provides each LSR with a

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For example, form is designed to give the LSR the ability to place instant ticket order:

Another example of ability to help the LSR make customized, Retailer-specific decisions and recommendations is its

Trends may be determined by graphically comparing retailers' sales over various periods of time.

GEO-DEMOGRAPHIC SOFTWARE

Another use of our geo-demographic software would be to ascertain where certain Retailers and Retailer types might improve sales of their Lottery products. Scientific Games is capable of conducting a number of analyses to determine where a specific Retailer or group of Retailers might improve their performance including historic sales data, a survey of geographically proximate retailers, traffic patterns, sales in like trade styles and other metrics that suggest minimum sales levels. These analyses will enable us to develop customized improvement plans for each under-performing retailer which outlines the steps necessary to reach and exceed those minimum sales levels.

HIGH VOLUME RETAILERS

While Scientific Games believes that every Retailer should be visited by their LSR, we understand that some . Our District Sales

Manager will work with the LSRs to determine which Retailers customized, LSR-specific plan to accommodate these Retailers.

LSR AND FIELD SERVICE TRUNK STOCK

All LSRs and Field Service staff . In this way, both LSRs and Field Service staff can provide customized inventory assistance which optimizes the potential for increased sales.

8.4.1 RETAILER VISIT

RFP Requirement: Each Retailer receives scheduled visits by a LSR. LSRs play a critical role in promoting Texas Lottery Products to Retailers. LSR visits are tailored based on the needs of the Retailer and guidelines provided by the Texas Lottery. The Retailer visits serve a variety of purposes, but the functions can be generally categorized as Retailer setup and training, supply and inventory management, and sales and marketing. The following table identifies the Retailer Visit requirements.

Scientific Games considers this RFP requirement to be informational, therefore no response is required.

Table B4. Retailer Visit Requirements

ROLES AND RESPONSIBILITIES	SUCCESSFUL PROPOSER	TLC
1. Provides annual sales cycle schedule	X	
2. Approves annual sales cycle schedule		X
3. Visits Retailers based on the agreed upon sales cycle schedule	X	
4. Educates Retailers on new Lottery Products (what's special/different), Retailer/player contests and new promotions	X	
5. Trains Retailers on new upcoming Lottery Products (including but not limited to: marketing differences, key marketing aspects, etc.) and answers any game-related questions	X	
6. Trains Retailers on Terminal operations, and Lottery processes, procedures and Retailer regulatory requirements as directed by the Texas Lottery	X	
7. Conducts a physical inventory of Instant Tickets and On-Line Ticket stock and calls in ticket orders as needed	X	
8. Displays new promotional materials, checks that promotional signage is properly displayed, optimizes placement of Instant Ticket dispensers, checks brochure and play slip inventory, ensures playstations are neat and orderly, and checks the inventory of other supplies (printer ribbon, ticket claim forms, Retailer adjustment forms, etc.)	X	
9. Determines signage or promotional material needs for the next scheduled visit	X	
10. Works with Retailers on in-store merchandising efforts, marketing and sales techniques to promote Lottery Products	X	
DETAIL REQUIREMENTS	RESPONSE SECTION(S)	
11. The Successful Proposer must provide an automated tracking and reporting system to track LSR visits to Retailer locations via the Lottery Gaming System.	8.4.1.2	

DETAIL REQUIREMENTS	RESPONSE SECTION(S)
12. The Successful Proposer must visit each Retailer at least once during each two (2) week sales cycle regardless of sales level or geographic region. As the Retailer network increases, the Successful Proposer shall be required to increase the staffing requirements to maintain the visitation and support responsibility requirements. The Successful Proposer must submit the sales cycle schedule to the Texas Lottery on an annual basis for each State fiscal year no later than August 1 each year.	8.4.1.2
13. The Successful Proposer must provide a plan, for approval by the Texas Lottery, to supplement the staffing, visitation and support requirements outlined in #12 of this Section to drive enhanced Retailer sales levels.	8.4.1.2
14. LSRs must deliver sell-in, advertising and other materials to all Retailers in their territory within the designated sales cycle schedule, unless otherwise authorized by the Texas Lottery. All advertising materials must be delivered two weeks prior to the start of a new Lottery Product unless otherwise authorized by the Texas Lottery.	8.4.1.2
15. LSRs must properly process, assign and return On-Line Ticket stock according to Texas Lottery rules and procedures.	8.4.1.2
16. LSRs must develop and administer promotional programs with Retailers in their territory.	8.4.1.2
17. LSRs must position and maintain Instant Ticket dispensers at all Retailer locations, replace any faded or broken dispensers, and maintain an optimum sales environment for Instant Tickets.	8.4.1.2
18. LSRs must meet Retailer satisfaction targets as set by the Texas Lottery. Annual Retailer satisfaction levels, as measured by the Texas Lottery through a statewide sampling of Retailers regarding LSR service and performance, shall be equal to or greater than 90%. The Successful Proposer shall provide corrective action plans to the Texas Lottery to address missed Retailer satisfaction targets.	8.4.1.2
19. When a Retailer's license to sell Texas Lottery tickets is terminated or suspended, LSRs must recover the license and all materials provided to the Retailer by the Successful Proposer or the Texas Lottery. These visits are high priority and may require a same Day visit. LSRs shall be required to coordinate with all parties in order to recover and return the property.	8.4.1.2
20. On a continuing basis, LSRs shall inform the Texas Lottery about any regulatory issues, ownership changes, or any other conditions that might impact a Retailer's license.	8.4.1.2

DETAIL REQUIREMENTS	RESPONSE SECTION(S)
21. At the request of the Texas Lottery, LSRs shall be directed to visit a Retailer(s) on an emergency basis to assist the Texas Lottery in retrieving information, equipment, inventory, etc., from the Retailer. The LSR shall report back to the Texas Lottery the status of the visit as required by the Texas Lottery.	8.4.1.2
22. The Successful Proposer must monitor and manage LSR performance to ensure that all LSR visit standards are being met.	8.4.1.3

Table 85. Retailer Visit Response Requirements

RESPONSE REQUIREMENT
1. The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.
2. The Proposer must describe its overall approach to Retailer visits and support. The Proposer must describe its plan for enhanced visits to Retailers that exceeds the minimum required visits for general support and sales activity and that emphasizes sales optimization among the Retailer base. The Proposer must provide an overview of the methodology and strategy that will be used to enhance sales.
3. The Proposer must describe how it will monitor and manage LSR performance to ensure that all LSR visit standards are being met.

Table 86. Retailer Visit Service Levels

SLR #	SLR NAME
3.60.51	LSR Visits
3.60.52	Retailer Satisfaction
3.60.53	Failure to Properly Process or Assign On-Line Ticket Stock

RESPONSE TO TABLE 85: RETAILER VISIT RESPONSE REQUIREMENTS

8.4.1.1 ACKNOWLEDGEMENT OF ROLES AND RESPONSIBILITIES AND DETAIL REQUIREMENTS

Response Requirement 1: The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.

Scientific Games acknowledges and accepts the roles and responsibilities, and will comply with, and often exceed the detail requirements indicated in RFP Section 8.4.1.

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8.4.1.2 RETAILER VISITS AND SUPPORT (DRs 12 and 13)

Response Requirement 2: The Proposer must describe its overall approach to Retailer visits and support. The Proposer must describe its plan for enhanced visits to Retailers that exceeds the minimum required visits for general support and sales activity and that emphasizes sales optimization among the Retailer base. The Proposer must provide an overview of the methodology and strategy that will be used to enhance sales.

Scientific Games will visit each Retailer at least once during each two week sales cycle regardless of sales level or geographic region. As the Retailer network increases, Scientific Games understands we will be required to increase the staffing requirements to maintain the visitation and support responsibility requirements. We will submit the sales cycle schedule to the Texas Lottery on an annual basis no later than August 1 each year. This satisfied RFP Table 84, Detail Requirement No. 12.

Scientific Games will also provide a plan, for approval by the Texas Lottery, to supplement the staffing, visitation and support requirements outlined in RFP Table 84, Detail Requirement No. 12 to drive enhanced Retailer sales levels, thereby satisfying Detail Requirement No. 13.

Each LSR

form is designed to give the LSR the ability to quickly recap the retailer visit, indicating the work performed during the visit and what issues need further attention. Once completed, the

Detail Requirement 11.

For example, a new instant game launch would have tasks that need to be completed at each retailer. Those tasks might be (1) sell-in game to owner/manager, (2) train clerks, (3) hang dangler, (4) place window sign and (5) place poster in play station. The project may have a completion date of 2 weeks in the future. As LSRs visit each retailer, they mark each task as complete. As the week progresses, both the LSR and the Sales Management team can audit the percentage of completion achieved for the entire project and for each individual task. Sales Management can check completion rates for territories, entire regions and statewide as well.

Other LSR duties will include:

Accomplishing the above listed duties satisfies Table 84, Detail Requirements 14, 15, 16, 17 and 19, 20, 21. Each LSR will also strive to exceed Retailer satisfaction targets set by the Lottery, equal to or greater than 90%, and Scientific Games will provide corrective action plans to the Lottery to address any missed satisfaction targets, thereby satisfying Table 84, Detail Requirement 18.

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8.4.1.3 LSR PERFORMANCE (DR 22)

Response Requirement 3: The Proposer must describe how it will monitor and manage LSR performance to ensure that all LSR visit standards are being met.

Scientific Games will provide the Texas Lottery Commission with an annual sales cycle schedule. As discussed elsewhere in this proposal and in detail in **Section 8.2.4**, Scientific Games

These LSR visits are structured to accomplish a number of tasks, including:

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As stated previously in this response, our goal for the LSRs is to maintain and hopefully exceed the current high satisfaction marks that the Lottery currently enjoys with its Retailers. To this end, we will monitor and manage LSR performance to ensure that all Retailer visit standards are being met and to provide the Lottery with corrective action plans to address any missed Retailer satisfaction targets. This satisfies RFP Table 84, Detail Requirement No. 22.

Also, since each LSR

checklist might have the following items to be completed:

All of this information, including which duties were completed and which were not, would be accessible by Sales management and any appropriate Lottery personnel so that the LSR's progress and performance can be checked at any given time.

As an separately priced Offered Option, Scientific Games would also engage the services of a third party mystery shopper to audit retail locations for properly placed product and point-of-sale material. These audits, which could be part of an overall incentive plan for both LSRs and Retailers, could be at various times and ongoing to keep LSRs and Retailers constantly aware of their lottery product marketing and merchandising efforts. Having an ongoing, third party mystery shopper program also ensures that the evaluations being conducted are more objective, resulting in actionable outputs.



Having both LMRs and LSRs in the Lottery's top performing Retailers also provides a system of checks and balances between the two branches while enabling one to assist the other with the common goal of increasing sales at retail.

Part of this effort to maintain the high visit standards expected of the LSRs is ongoing training and communications to ensure that the LSRs are working with all the latest information, materials and resources necessary to ensure their Retailers' success. Scientific Games staff at the Supervisor and Manager level will also conduct regular ride-arounds with the LSRs to ensure that all duties and responsibilities are being performed at the highest possible level. Annually-scheduled performance reviews will also be conducted so that input and feedback can be given to the LSRs about how they might improve their performance based on objectives set, and a review of accomplishments.

8.4.2 LSR TICKET RETRIEVAL, TRANSFERS AND RETURNS

RFP Requirement: *Instant Tickets may be retrieved for various reasons during the LSR's regularly scheduled sales cycle visit or during an emergency visit that is requested by the Texas Lottery. The LSR is responsible for optimizing the inventory mix at retail locations in coordination with Retailers. LSRs can transfer full packs between retail locations or arrange for the return of full packs of tickets upon the request of the Retailer. Damaged and other unsaleable tickets may be returned and Retailers may be charged an administrative fee or credited for the return of the tickets.*

There are three types of ticket returns that occur from Retailer locations: partial pack returns, full pack returns and manual returns. LSRs are responsible for the return ticket processes at the Retailer level. This section covers the steps to transfer tickets from the Retailer location through verification and return processing at the central distribution warehouse facility.

Following the retrieval of tickets from the Retailer:

1. Manual (Damaged, Defective, Retailer Sales Terminal unavailable for processing, etc.) pack ticket returns are delivered to the central distribution warehouse for credit to the Retailer's account and retention for destruction.
2. Full pack ticket returns (processed by Terminal at Retailer) will be delivered to the central distribution warehouse for verification and destruction or re-distribution based on the status of the game.
3. Partial pack ticket returns (processed by Terminal at Retailer) will be delivered to the central distribution warehouse for verification of the range of tickets returned and retention for destruction.

The following table identifies LSR Ticket Retrieval, Transfers and Returns requirements.

Scientific Games considers this RFP Requirement to be informational, therefore no response is required.

Table 87. LSR Ticket Retrieval, Transfers and Returns Requirements

ROLES AND RESPONSIBILITIES	SUCCESSFUL PROPOSER	TLC
1. Optimizes the inventory mix at retail locations through pack transfers to other retail locations and returns upon the request of the Retailer	X	
2. Picks up Instant Tickets from Retailers	X	
3. Recovers tickets from other locations (including but not limited to police stations, other governmental agency offices, Texas Lottery claim centers, etc.) as directed by the Texas Lottery	X	
4. Uses Retailer Sales Terminal to process returns of Instant Ticket inventory according to processes approved by the Texas Lottery	X	
5. When Retailer Sales Terminal is not available for Instant Ticket returns, documents return manually on forms and in accordance with processes approved by the Texas Lottery	X	
6. Returns tickets to the central distribution warehouse or delivers to other Retailer(s)	X	

DETAIL REQUIREMENTS	RESPONSE SECTION(S)
<p>7. LSRs shall be required by the Texas Lottery to:</p> <ul style="list-style-type: none"> a. recover unsold Instant Tickets, accounting forms or other materials from Retailers within their territory; b. document the recovery of unsold Instant Tickets, accounting forms or other materials from Retailers as prescribed and directed by the Texas Lottery; and c. deliver the unsold tickets and documentation, accounting forms or other materials from Retailers as prescribed and directed by the Texas Lottery. 	8.4.2.2
<p>8. The Successful Proposer must have a process that ensures Instant Tickets are returned from Retailers, field offices, and other locations in an accurate, timely and secure manner. The process must address both full and partial pack inventory returns. Ticket returns include returns processed through the Retailer Sales Terminal and manual returns when the Terminal is unavailable. Approval of the process is at the sole discretion of the Texas Lottery. The process must at a minimum address the following:</p> <ul style="list-style-type: none"> a. Preparation of documentation listing Instant Ticket inventory returned; b. Accuracy of documentation listing Instant Ticket inventory returned; c. Procedures for resolving discrepancies relating to Instant Ticket inventory returned; d. Utilization of Retailer Sales Terminals for processing Instant Ticket inventory returned; e. Physical security of Instant Ticket inventory returned; f. Standard schedule for transporting Instant Ticket inventory from point of pick up to warehouse; g. Methods to be utilized for transporting Instant Ticket inventory returned; and h. Methods to be utilized for expedited transport of Instant Ticket inventory. 	8.4.2.2
<p>9. The Successful Proposer must develop processes and/or procedures, subject to approval by the Texas Lottery, for Retailer-to-Retailer pack transfers of full packs of Instant Tickets and rolls of On-Line Ticket stock. The processes and/or procedures must identify the methods for carrying out these transfers and the security and control measures that will be put in place and how system records will be maintained.</p>	8.4.6.3

Table 88. LSR Ticket Retrieval, Transfers and Returns Response Requirements

RESPONSE REQUIREMENT	
1.	The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.
2.	The Proposer shall describe how it will perform ticket retrieval, transfers and returns to optimize the inventory mix at retail locations in coordination with Retailer.
3.	The Proposer must describe how Retailer-to-Retailer pack transfers will be utilized to optimize inventory availability. Proposers must describe the methods for carrying out these transfers and the security and control measures that will be put in place and how system records will be maintained.

Table 89. LSR Ticket Retrieval, Transfers and Returns Service Levels

SLR #	SLR NAME
3.60.54	Improperly Processed Packs of Instant Tickets

RESPONSE TO TABLE 88: LSR TICKET RETRIEVAL, TRANSFERS AND RETURNS RESPONSE REQUIREMENTS

8.4.2.1 ACKNOWLEDGEMENT OF ROLES AND RESPONSIBILITIES AND DETAIL REQUIREMENTS

Response Requirement 1: The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.

Scientific Games acknowledges and accepts the roles and responsibilities and will comply with, and often exceed, the detail requirements indicated in RFP Section 8.4.2.

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8.4.2.2 TICKET RETRIEVAL, TRANSFER AND RETURNS

Response Requirement 2: The Proposer shall describe how it will perform ticket retrieval, transfers and returns to optimize the inventory mix at retail locations in coordination with Retailer.

Scientific Games is experienced in the retrieval, transfer and return of ticket packs so that the inventory mix at each retail locations is optimized.

Additionally, each LSR will:

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Accomplishing the above tasks satisfies Table 87, Detail Requirement No. 7.

Satisfying Table 87, Detail Requirement 8, Scientific Games' Instant Ticket return process ensures that all Instant Tickets are returned from Retailers, field offices, and other locations in an accurate, timely and secure manner. The process accommodates both full and partial pack inventory returns. Scientific Games' Instant Ticket return process also accommodates returns processed through the Retailer Sales Terminal as well as manual returns when the Terminal is unavailable.

Scientific Games understands that its Instant Ticket return process must be approved by the Texas Lottery and will, at a minimum, address the following:

- Preparation of documentation listing Instant Ticket inventory returned
- Accuracy of documentation listing Instant Ticket inventory returned
- Procedures for resolving discrepancies relating to Instant Ticket inventory returned
- Utilization of Retailer Sales Terminals for processing Instant Ticket inventory returned
- Physical security of Instant Ticket inventory returned
- Standard schedule for transporting Instant Ticket inventory from point of pick up to warehouse
- Methods to be utilized for transporting Instant Ticket inventory returned
- Methods to be utilized for expedited transport of Instant Ticket inventory

8.4.2.3 RETAILER-TO-RETAILER PACK TRANSFERS (DR 9)

Response Requirement 3: The Proposer must describe how Retailer-to-Retailer pack transfers will be utilized to optimize inventory availability. Proposers must describe the methods for carrying out these transfers and the security and control measures that will be put in place and how system records will be maintained.

An LSR

Online ticket stock returned by Retailers shall

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8.4.3 INSTANT TICKET GAME CLOSE

RFP Requirement: The Texas Lottery makes the determination to close an Instant Ticket game based on business rules established by the Texas Lottery. The Texas Lottery currently closes games based on one or more of the following four criteria:

1. All the top prizes in the game have been claimed;
2. Over 85% of the Instant Tickets for the game have been sold;
3. The Instant Ticket game is under performing; or
4. A business decision, which could include an emergency game close where there is a problem with the game that the Texas Lottery has determined necessitates closing the game.

After an Instant Ticket game is declared closed, any remaining Instant Tickets (and packs) for the game must be collected by LSRs and reconciled against Instant Ticket inventory records.

Scientific Games considers this RFP requirement to be informational, therefore no response is required.

Table 90. Instant Ticket Game Close Requirements

ROLES AND RESPONSIBILITIES	SUCCESSFUL PROPOSER	TLC
1. Notifies the Successful Proposer of Instant Ticket game closing dates		X
2. Stops distributing Instant Ticket game to Retailers when instructed to do so by the Texas Lottery	X	
3. Notifies LSRs to pick up closed Instant Ticket game inventory from Retailers	X	
DETAIL REQUIREMENTS	RESPONSE SECTION(S)	
4. The Successful Proposer must enter the game "call" and/or "end of game" information into the Lottery Gaming System within four (4) business hours after notification from the Texas Lottery.	8.4.7.2	
5. The Successful Proposer picks up Instant Ticket game inventory from Retailers within 45 Days of the "call" date or as required to ensure games are removed from Retailer locations per Texas Lottery procedures.	8.4.7.2	

Table 91. Instant Ticket Game Close Response Requirements

RESPONSE REQUIREMENT
1. The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.
2. The Proposer must describe its process for handling Instant Ticket Game close.

RESPONSE TO TABLE 91: INSTANT TICKET GAME RESPONSE REQUIREMENTS

8.4.3.1 ACKNOWLEDGEMENT OF ROLES AND RESPONSIBILITIES AND DETAIL REQUIREMENTS

Response Requirement 1: The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.

Scientific Games acknowledges and accepts the roles and responsibilities, and will comply with, and often exceed, the detail requirements indicated in RFP Section 8.4.3.

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8.4.3.2 INSTANT TICKET GAME CLOSE (DRs 4 and 5)

Response Requirement 2: The Proposer must describe its process for handling Instant Ticket Game close.

Scientific Games has managed instant tickets, as a printed product, as a warehouse/distribution commodity, and as a resource to be monitored/managed through our Lottery Gaming System products. Our operations staff in dozens of jurisdictions has designed, implemented, and performed numerous instant game procedures, including the closing of instant games.

We understand the four presented reasons for closing a Texas instant game.

We will ensure that our Texas operations staff will enter end-of-game information within four hours following notification from the Texas Lottery, thereby satisfying RFP Table 90, Detail Requirement No. 4.

We are familiar with the process of collecting outstanding tickets for a closed game and preparing them for destruction. We will pick up from retailer locations instant tickets for a closed game within 45 days of the call date or as specifically required by the Texas Lottery. We will always comply with the latest Texas Lottery procedures and policies. We will assist in the reconciliation of inventory through system reports and pack status changes. This satisfies RFP Table 90, Detail Requirement No. 5.

GAME CLOSE REPORTING

AEGIS-EF will perform game-end accounting for closed instant games. Scientific Games will provide the appropriate end-of-game accounting reports upon request for a particular game, including summaries and detail reports, providing the following data elements:

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Specific end-of-game reports include the following:

.....

GAME CLOSE PROCESS

Following is the general process used to close an instant game; during the business requirements collection phase of the implementation project, we will customize these steps to be consistent with Texas Lottery procedures, practices, and policies.

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GAME CLOSE STATUS TRANSITIONS

standard

Figure 8.4-7 is an amalgam of

Figure 8.4-7: Game Close Status Transitions

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Figure 8.4-7: Game Close Status Transitions

8.5 RETAILER CONTESTS AND RETAILER-BASED PLAYER PROMOTIONS

RFP Requirement: Retailer Contests and Player Promotions are utilized to optimize Lottery Product sales. Throughout the year, the Texas Lottery determines which Lottery Products are to be used in a contest and/or promotion. The following table identifies Retailer Contests and Retailer-based Player Promotions requirements.

Scientific Games considers this RFP requirement to be informational, therefore no response is required.

Table 92. Retailer Contests and Retailer-based Player Promotions Requirements

ROLES AND RESPONSIBILITIES	SUCCESSFUL PROPOSER	TLC
ON-LINE GAMES		
1. Performs analysis and prepares reports evaluating the success of prior contests and promotions in recommending future promotions	X	
2. Recommends the Retailer Contest and/or Player Promotion parameters	X	
3. Approves Retailer Contest and/or Player Promotion parameters		X
4. Enters parameters for a Retailer Contest and/or Player Promotion for an On-Line game into the Lottery Gaming System	X	
5. Distributes promotional materials	X	
6. Provides ongoing and final reporting related to the On-Line game promotion to the Texas Lottery	X	
7. Delivers prizes to Retailers and receives sign-off for receipt of prizes	X	
8. Provides documentation of prize receipt confirmations to the Texas Lottery as requested	X	
INSTANT GAMES		
9. Performs analysis and prepares reports evaluating the success of prior contests and promotions in recommending future promotions	X	
10. Recommends the Retailer Contest and/or Player Promotion parameters	X	
11. Approves Retailer Contest and/or Player Promotion parameters		X
12. Distributes promotional materials	X	
13. Administers contest for an Instant Ticket game promotion, and provides list of Retailer and/or player winners to the Texas Lottery	X	
14. Delivers prizes to Retailers and receives sign-off of receipt of prizes	X	
15. Provides documentation of prize receipt confirmations to the Texas Lottery as requested	X	
16. Delivers prizes to the players		X

DETAIL REQUIREMENTS	RESPONSE SECTION(S)
17. The Successful Proposer must recommend incentive programs for Retailers, including when such programs should be initiated and appropriate analysis reflecting the benefits of such programs in optimizing revenue to the State from sales of Texas Lottery Products.	8.5.3
18. On or before May 31st each year, the Successful Proposer must provide an annual incentive program plan, based on the State fiscal year, for Retailers for approval by the Texas Lottery. Proposed changes to this plan must be submitted to the Texas Lottery for prior approval.	8.5.3
19. The Successful Proposer must deliver the list of winning Retailer(s) within five (5) Working Days of the conclusion of the contest. Upon approval of the list by the Texas Lottery, the Successful Proposer must deliver the prizes to the winning Retailer(s) within thirty (30) Working Days and provide signed receipts from the winning Retailer(s) to the Texas Lottery.	8.5.3
20. The Successful Proposer must provide to the Texas Lottery a stand-alone, automated Random Number Generator (RNG), plus one backup RNG, certified by a third party to support player and/or Retailer incentives or promotions.	8.5.3
21. The Successful Proposer must provide and support a Web-based system, based on Texas Lottery requirements, for a player registration program that involves registering players for various informational, promotional (e.g., unique player-printed coupons, reward tracking, etc.), and data gathering purposes. This will be done in conjunction with a Texas Lottery website and the database must be accessible to Texas Lottery personnel. The Successful Proposer must store player information, based on Texas Lottery guidelines, in a database that permits ad hoc inquiry and reporting activities in addition to routine scheduled reporting. The Successful Proposer must convert any existing player registration data to this new system. The Successful Proposer must accommodate banners on the Web pages that may employ advertising, promotions, etc., approved by the Texas Lottery. The Web-based system must be able to communicate with players using different messaging formats including, but not limited to, Really Simple Syndication (RSS), text messaging, etc., consistent with current technology. The interface for players to access this Web site should be very intuitive and user friendly.	7.6.3.4

Table 93. Retailer Management Response Requirements

RESPONSE REQUIREMENT
1. The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.
2. The Proposer must describe how it will utilize Retailer and player contests and promotions to increase Instant and On-Line ticket sales.

Table 93. Retailer Management Response Requirements

RESPONSE REQUIREMENT

3. The Proposer must describe its incentive programs for Retailers, including when such programs should be initiated and the benefits of such programs in maximizing revenue to the State from sales of Texas Lottery Products.

RESPONSE TO TABLE 93: RETAILER CONTESTS AND RETAILER-BASED PLAYER PROMOTIONS RESPONSE REQUIREMENTS

8.5.1 ACKNOWLEDGMENT OF ROLES AND RESPONSIBILITIES AND DETAIL REQUIREMENTS

Response Requirement 1: The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.

Scientific Games acknowledges and accepts the roles and responsibilities, and will comply with, and often exceed, the detail requirements indicated in RFP Section 8.5.

8.5.2 CONTESTS AND PROMOTIONS

Response Requirement 2: The Proposer must describe how it will utilize Retailer and player contests and promotions to increase Instant and On-Line ticket sales.

Scientific Games has long understood the impact that a strong promotional schedule can have on sales and has worked in partnership with both our instant and online customers to build a robust promotional portfolio. Scientific Games stands ready to put this promotional experience to work for the Texas Lottery and is prepared to recommend, execute and analyze online and instant game promotional programs designed to increase sales and revenues for the Texas Lottery and its retailers.

Scientific Games' promotions portfolio includes retailer incentive programs, retailer and player contests and promotions, and even Web-enabled games and promotions capable of extending the Texas Lottery brand and providing additional opportunities to drive sales. Scientific Games looks forward to recommending an overall strategy for retailer contests and player promotions to the Texas Lottery. Our [REDACTED] has the capability of providing a broad range of promotional features for the Texas Lottery to implement.

Additionally, using the [REDACTED] Scientific Games is pleased to offer [REDACTED] n and Second Chance Drawing modules to the Texas Lottery as part of our base offering. A detailed description of this comprehensive product group is found in **Section 7.6.3.4.**

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PROMOTION ENGINE CAPABILITIES

Scientific Games has designed its _____ to include a robust promotions management module. Legacy lottery systems built promotions into the transaction processing engine, which means that every time a lottery wishes to implement a new promotion, development time needs to be invested to program and test the promotion on the transaction engine. This development and testing time lengthens and delays the launch to market and increases overall risk to the integrity of the system.

Scientific Games' vast promotional library, easily implemented on the _____, provides a broad range of promotional features and functionality which we describe in detail in **Section 7.6.3.2**. Promotions are excellent tools for introducing lottery products to non-players, new games to the existing and potential player base, increasing sales among current players, or incentivizing retailers and/or clerks to promote the lottery's products, network-wide, with a specific chain, or even at a single retail location.

Fully realizing the importance of promotions, Scientific Games has developed a dynamic and versatile promotion engine that will enable the Texas Lottery to implement different types of promotions concurrently in different parts of the state and with different levels of intensity. The _____ is easily able to handle more than one promotion at a time; in fact, we frequently run multiple promotions on multiple games in many of our client states, facilitating the ability for lotteries to support a multi-faceted promotions program. The lead time required from idea creation until actual implementation will fit well within the Lottery's planning calendar.

After the initial set-up, parameters can be changed in a relatively short time frame allowing the Lottery to capture promotional opportunities as they arise. Graphical images known as bitmaps with tailored marketing messages, game logos, promotional teasers, or partner brands can be easily downloaded to transcend the online ticket from simply a "bearer's instrument" to a "sales piece" as illustrated in Figure 8.5-1.

We believe the goal of promotions is to increase player trial of a game or to generate additional revenue or, ideally, both. The chances of success are amplified if you focus both on the lottery players as well as your retailers. Promotions elicit the most play when the front line sales people—the retailers through their clerk staff—ensure that players are aware of the promotions.



Figure 8.5-1: Promotional Bitmap Example

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Not released**

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Not released

**Confidentiality Claimed
Not released**

**Confidentiality Claimed
Not released**

8.5.3 RETAILER INCENTIVE PROGRAMS (DRs 17, 18, 19 and 20)

Response Requirement 6: The Proposer must describe its incentive programs for Retailers, including when such programs should be initiated and the benefits of such programs in maximizing revenue to the State from sales of Texas Lottery Products.

Scientific Games believes in the power of incentivizing retailers towards better performance and higher sales. After all, higher sales not only benefit Texas children, but the retailer as well and are a good reminder of how valuable Lottery products are to his/her bottom line. To this end, we will provide the Texas Lottery with an annual incentive plan for its retailer network by May 31st of each year. This satisfies RFP Table 92, Detail Requirement Nos. 17 and 18.

Scientific Games understands that retailer incentives can be utilized to achieve a number of objectives, including the bolstering of new or existing product sales across the entire retailer network, or to help specific, low-performing retailers improve their individual store sales. Our retailer incentive portfolio is diverse and by utilizing these incentives, the Texas Lottery will accomplish all of these objectives and more.

Scientific Games also understands that a strong retailer incentive program portfolio includes incentives for all types of retailers, from chains to mom and pops to grocery stores, and for all levels of the retailer network, including clerks, managers, owners, and the corporate level.

While we believe that there should always be some sort of retailer incentive program in the marketplace at any given time, we recommend a variety of programs to generate interest and excitement and to facilitate participation among all retailers. After all, it is a lot easier (and less expensive) to reach and motivate your almost 17,000 retailers than it is to reach and motivate many millions of players. But a properly motivated and excited retailer base can pass that excitement and motivation down to its customers, creating a domino effect that leads to increased sales. Retailers are the Lottery's ambassadors and a well designed incentive program will motivate retailers to be an advocate for the Lottery's many games to their customers.

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Not released**

8.6 PROMOTIONAL EVENTS AND RETAILER PROMOTIONS

RFP Requirement: The Texas Lottery works with the Lottery Operator to select promotional selling events and in store Retailer promotions that create awareness and interest for Texas Lottery Products among adult Texans. The sale of Lottery tickets at selling events and conducting in-store Retailer promotions are intended to increase product trial and educate new and potential players about Lottery Products. The Texas Lottery also conducts product trial events where Lottery Products are not sold.

TLC promotions emphasize creating awareness of Lottery Products, their availability in certain retail environments and product trial. Promotional Instant Tickets and promotional items may be distributed at these events. Retailer promotions, selling events, non-selling events, Retailer sales incentives, and media promotions are used in coordination to create awareness, interest and trial of Lottery Products.

Promotional Events

The Texas Lottery currently participates in approximately 70 to 80 community and statewide fairs, festivals and events around the State of Texas each year. The events include selling and non-selling (product trial) events and range from single-day smaller community events (e.g., minor league baseball games, etc.) to the State Fair of Texas which operates for approximately one month each Fall.

Retailer Promotions

A list of current Retailer promotions types and their description is detailed below:

Active Participation Events

- **Customer Appreciation Events** – The Lottery Operator provides a promotional trailer, equipment and staff for Retailer special events, anniversary sales or grand openings. The Lottery Operator coordinates the promotion with the Retailer and provides POS to advertise the event. The Retailer is required to sell tickets from the trailer and supply prizes for the spinning wheel used for Lottery promotions. The Retailer may be required to provide media support such as radio remotes, TV or newspaper advertising, and promotional flyers as approved by the Lottery.
- **Spin & Win Events** – The Lottery Operator conducts promotions using the Lottery spinning wheel at Retailer locations. The Lottery Operator coordinates the promotion with the Retailer, provides POS to advertise the event, and brings equipment and staff for the promotion. Players are required to purchase Texas Lottery tickets in order to spin the wheel and win promotional prizes provided by the Texas Lottery and the Retailer.
- **Ambassador Promotions** – The Lottery Operator conducts Ambassador Promotions. Lottery Operator staff work at the Retailer location during a designated period to act as a Lottery Product ambassador engaging customers and teaching them about Lottery Products and/or the equipment used to sell Lottery Products (e.g., player-activated equipment, etc.). Players receive a promotional item or other prize provided by the Retailer with a eligible Lottery purchase.

Passive Participation Events

- **Retailer Store 2nd Chance Drawings** – The Lottery Operator supplies Retailers with a drawing box, entry forms, Texas Lottery promotional items and POS advertising the dates and times of the drawing. The Retailer is required to provide a prize(s) from the store. Players with a non-winning Lottery ticket get to enter their ticket into the drawing for a chance to win a prize. No purchase can be required for this promotion.
- **Ask for the Sale** – The Lottery Operator provides Retailers a designated number of Instant Tickets (provided by the Texas Lottery), clerk stickers, and POS to promote the Ask for the Sale promotion. The Ask for the Sale promotion is a way to increase Lottery sales and to train employees to always ask for the sale. If a clerk forgets to ask the customer if he/she would like to purchase a Lottery Product, the customer will receive a free Instant Ticket. After the promotion, any tickets remaining are awarded to the Retailer to divide among the Retailer's sales staff.

The following table identifies the Promotional Events and Retailer Promotions requirements.

Scientific Games considers this RFP requirement to be informational, therefore no response is required.

Table 94. Promotional Events and Retailer Promotions Requirements

ROLES AND RESPONSIBILITIES	SUCCESSFUL PROPOSER	TLC
1. Recommends annual promotional events and Retailer (store-level) promotions in support of Lottery Products	X	
2. Jointly develops annual promotional events and Retailer promotions plan	X	
3. Finalizes and approves annual promotions plan		X
4. Provides recap of each promotional event and Retailer Promotion which includes a sales summary, promotional item usage figures and other event measurement data as required	X	
5. Reviews and evaluates event and promotion summaries		X
6. Jointly performs an analysis of promotional item allocations related to the annual promotions plan	X	X
7. Procures promotional items (e.g., t-shirts, caps, hats, umbrellas, etc.) for the promotional events		X
PROMOTIONAL (SELLING AND NON-SELLING) EVENTS		
8. Jointly identifies promotional items available each quarter for planned events	X	X
9. Submits a request for promotional items related to each event	X	
10. Recommends selling Retailers for participation in selling event promotions	X	
11. Approves Retailer recommendation and promotional items requested and determines the number of promotional tickets for the event		X
12. Coordinates the deployment (statewide) of all equipment and materials needed to support each event	X	
13. Sets up the event site and all related equipment (including marketing/promotional materials and signage) and enables the Retailer for Lottery Product sales at the selling event	X	
14. Conducts player education and distribution of promotional items/tickets at the event	X	
15. Breaks down all equipment and materials on site for the event and returns them to storage.	X	
16. Accounts for all remaining promotional items/tickets at the end of the event and returns them as directed by the Texas Lottery	X	

Table 94. Promotional Events and Retailer Promotions Requirements

ROLES AND RESPONSIBILITIES	SUCCESSFUL PROPOSER	TLC
RETAILER PROMOTIONS		
17. Jointly identifies promotional items available each quarter for promotions	X	X
18. Submits a request for promotional items related to proposed promotions	X	
19. Approves promotional items and proposed promotions and determines and provides the number of promotional tickets to be used for each promotion		X
20. Procures and coordinates the deployment (statewide) of all equipment and materials needed to support each promotion	X	
21. Sets up the event site and all related equipment (including marketing/promotional materials and signage) and enables the Retailer for Lottery Product sales if applicable	X	
22. Conducts player education and distribution of promotional items/tickets at the promotion if applicable	X	
23. Breaks down all equipment and materials on site for the event and returns them to storage	X	
24. Accounts for all remaining promotional items/tickets at the end of the promotion and returns them as directed by the Texas Lottery	X	
DETAIL REQUIREMENTS		RESPONSE SECTION(S)
25. The Successful Proposer must recommend promotional events and Retailer promotions in an annual plan submitted to the Texas Lottery by April 30 of each year. The Promotions Plan must include recommendations for Lottery Product kick-off events, annual promotional events (e.g., State Fair of Texas, South by Southwest Music and Film Festival, etc.). The Plan must be robust and detailed and contain a package of suggested promotional events and programs that take into account the full scope of the Texas Lottery's advertising and marketing efforts in creating a complete package of support for Lottery Products across the State. The Plan must contain projected staffing requirements, promotional item and ticket quantity projections distribution, point-of-sale signage needs and related equipment plans.	8.6.2	
26. The Successful Proposer shall provide dedicated promotions staff, including a promotions manager/coordinator, responsible for managing and administering the annual Promotions Plan in coordination with the Texas Lottery.	8.6.3	

DETAIL REQUIREMENTS	RESPONSE SECTION(S)
<p>27. The Successful Proposer must also provide specially trained staff and dedicated equipment to conduct promotional activities where an on-site presence is required in all regions of the State. The Successful Proposer shall be required to support:</p> <ul style="list-style-type: none"> a. 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. b. Total Active Participation Retailer Promotions not exceeding 7.5% of the Retailer base for the State per year. c. Total Passive Participation Retailer Promotions not exceeding 18% of the Retailer base for the State per year. 	8.6.2
<p>28. The Successful Proposer shall be responsible for event safety and security for the Retailer, Successful Proposer staff, Texas Lottery staff and the public.</p>	8.6.2
<p>29. The Successful Proposer shall provide Texas Lottery-branded uniforms (hat, shirt, jacket, etc.) for all Successful Proposer and Retailer event staff.</p>	8.6.2
<p>30. For each promotional event, as specified by the Texas Lottery, the Successful Proposer must:</p> <ul style="list-style-type: none"> a. provide promotions staff to conduct promotional activities throughout the event including nights, weekends and holidays; b. coordinate Lottery Product sales at single or multiple site locations, as required; c. provide technical support for the duration of the event; and d. ensure the Retailer is available to participate in the selling event. 	8.6.2
<p>31. The Successful Proposer must be capable of supporting multiple Retailer Promotions occurring at the same time in the State.</p>	8.6.2
<p>32. The Successful Proposer must provide a detailed written report to the Texas Lottery evaluating each promotional event or Retailer Promotion inclusive of recommendations for future participation in the event/promotion or modifications for enhancing future success. Reports must be filed by type of promotion, district and date or as otherwise specified by the Texas Lottery.</p>	8.6.2
<p>33. The Successful Proposer's Promotions manager/coordinator must ensure all promotional equipment needed for promotional events and Retailer promotions arrives at the event clean and in good working order, according to the Texas Lottery promotional event schedule.</p>	8.6.2

DETAIL REQUIREMENTS	RESPONSE SECTION(S)
<p>34. The Successful Proposer must provide all promotional equipment to support the promotions plan. Currently, the following equipment is utilized to support the promotions plan. The Texas Lottery reserves the sole right to approve the promotional equipment and art work recommended by the Successful Proposer.</p> <ul style="list-style-type: none"> a. Large Lone Star Spinning Wheels. Thirty-six inch (36") spinning wheels, screw on molding, six (6) foot metal pole with metal base, axle for metal pole, heavy-duty plastic indicator with indicator holder. b. Small Lone Star Spinning Wheels. Twenty-four inch (24") spinning wheels, screw on molding, five (5) foot metal pole with metal base, axle for metal pole, heavy-duty plastic indicator with indicator holder. c. Legends for Spinning Wheels. The Successful Proposer must provide erasable legends per trailer for the spinning wheels. Design, size, and other exact specifications for the legend must be approved by the Texas Lottery prior to production. d. Promotional Trailers. A sufficient number of Promotional trailers must be provided to support the Promotions Plan schedule. Promotional trailers must be of appropriate size to meet the needs and support the Promotions Plan. Currently, the Texas Lottery uses two different size trailers with the largest being seven (7) feet, six (6) inches (7'6") inside height by eight (8) feet (8') wide by twelve (12) feet (12') long. At a minimum, the trailers must have compatible hookups for Lottery gaming equipment to operate multiple components simultaneously. There must be a method for securing cash and Lottery tickets in the trailer. Each trailer must be equipped with four (4) exterior adjustable flood lights, have a minimum power requirement of 20 amps and must include at least four (4) internal and two (2) external one hundred ten (110) volt outlets. Each trailer must include a 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. Trailer design considerations must include customer flow, safety, equipment and electrical needs, security, lighting, signage, storage, and Retailer, player and staffing needs. Other design and trailer options of similar or like quality may be considered by the Texas Lottery. The Successful Proposer must submit multiple options for consideration by the Texas Lottery that will support the promotions plan. The final design, size, specifications, equipment and layout of the trailers must be approved by the Texas Lottery prior to production. 	8.6.2

DETAIL REQUIREMENTS	RESPONSE SECTION(S)
<p>e. PA Systems. The Successful Proposer must provide a sufficient number of PA systems to support the Promotions Plan schedule. Each trailer must have a PA system with two (2) handheld cordless microphones and two wireless (non-handheld) microphones. The PA system must have an amp of at least two hundred (200) watts of power and must have two (2) speakers.</p> <p>f. General Supplies and Equipment. The Successful Proposer must provide all items that are essential to conducting a promotional event or Retailer promotion. This will include 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.</p>	
35. The Successful Proposer must maintain all promotional equipment in good working order, and all promotional equipment must be available for use in meeting the approved promotions plan schedule.	8.6.2
36. The Successful Proposer must maintain and track all promotional equipment inventory.	8.6.2

Table 95. Promotional Events Response Requirements

RESPONSE REQUIREMENT
1. The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.
2. The Proposer must provide a description of the promotional equipment and capabilities to support the promotions plan and describe the Proposer's approach to promotions and how the plan will be developed.
3. The Proposer must identify the entire promotions program team whose full-time responsibility will be to develop and run the statewide promotions plan. Proposers must provide detailed job descriptions for all the promotions team members. The Proposer must describe its use of full-time dedicated team members working on the program and must also identify any other staff who will assist with the promotions plan, describing how the team will be coordinated and trained to maximize the benefits of the program.
4. The Proposer may offer an alternative approach and equipment for conducting promotional events and Retailer promotions in support of Lottery Products. The Texas Lottery reserves the sole right to select the approach and equipment to be used for all promotional events.

Table 96. Promotional Events Service Levels

SLR #	SLR NAME
3.60.55	Failure to Support a Promotional Event

RESPONSE TO TABLE 95: PROMOTIONAL EVENTS RESPONSE REQUIREMENTS

8.6.1 ACKNOWLEDGMENT OF ROLES AND RESPONSIBILITIES AND DETAIL REQUIREMENTS

Response Requirement 1: The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.

Scientific Games acknowledges and accepts the roles and responsibilities, and will comply with, and often exceed, the detail requirements indicated in RFP Section 8.6.

8.6.2 PROMOTIONAL EQUIPMENT AND CAPABILITIES (DRs 25, 27, 28, 29, 30, 31, 32, 33, 34, 35 and 36)

Response Requirement 2: The Proposer must provide a description of the promotional equipment and capabilities to support the promotions plan and describe the Proposer's approach to promotions and how the plan will be developed.

Scientific Games believes in the power of events and promotions to create awareness, communicate information, generate trial and build excitement around the Texas Lottery and the products they offer — excitement not only among Texas Lottery's players, but its retailers as well. We stand ready to recommend promotional events and store-level promotions to the Texas Lottery which supports the trial and sale of lottery products. This promotional and event plan will be submitted to the Lottery by April 30 of each year, thereby satisfying RFP Table 94, Detail Requirement No. 25.

Too often, promotional plans are driven by a calendar and the events that populate that calendar. When this happens, marketers are left looking for ways to fit their round-peg-product into the square-hole-event of the moment. Scientific Games approaches promotional planning differently. When developing a promotional plan for our customers, we do not start with a calendar, we start with the product. Whether it is a new \$20 game that needs an extra push or a new online game feature that is about to be rolled out, we believe that is better to find an event or promotion that supports a product instead of a product that supports a promotion or an event. It may seem like a minor distinction, but it is one that is critical to our approach to promotion and event planning.

Scientific Games will work with the Lottery to determine the specific games or game features to promote in the upcoming calendar year. We would then begin to look for existing venues to showcase these games and game features and/or begin developing our own events to support the promotional objectives. We understand that there are some events, such as the State Fair and various high-visibility venues that are obvious opportunities to showcase the Texas Lottery and its portfolio of games.

We also believe that the best promotional plans are both structured to be used as a reference, but also flexible to take advantage of unforeseen opportunities.

The plan will include recommendations for promotions supporting new product launches, customer appreciation, product trial events and annual events such as the State Fair of Texas. The plan will complement and contribute to the success of the Lottery's overall marketing and advertising efforts. Additionally, Scientific Games will provide a recap of each promotion that evaluates the promotion and recommends either future participation or modifications for enhancing future success. This report will also include a sales summary, promotional item usage and allocation as well all other relevant data, satisfying Table 94, Detail Requirement No. 32.

In support of the promotions and events plan, Scientific Games will provide a dedicated promotions staff, including a Promotions Manager whose responsibility will be to manage and administer the plan in conjunction with the Texas Lottery. Other specially-trained staff will be provided as well when an on-site presence is required. Scientific Games also believes that bi-lingual promotional staff members would greatly contribute to the success of the annual promotions and events plan, and we will proactively explore opportunities to employ Hispanic-speaking promotional staff members.

In developing the annual promotions and events plan, a thorough review of plans from previous years will be conducted to look for opportunities and improvements. All aspects of the plan will be reviewed including staffing, the procurement and allocation of promotional items, retailer participation, public events not previously held that might offer an opportunity for trial/sales, and any efficiencies that might be realized through scheduling thereby satisfying RFP Table 94, Detail Requirement No. 32. Input from regional sales staff will be solicited for suggestions and input on local events that might contribute to the success of the overall plan. Whenever possible and appropriate, coordination with state and local governments will be fostered so that the Texas Lottery is aware of any and all events in the coming year that might be of interest from a promotional standpoint.

Scientific Games will work with the Texas Lottery to identify those retailers whose participation in these promotions and events would be mutually beneficial and best serve the goal of increasing trial and sales of lottery products. Once those retailers have been identified, Scientific Games would coordinate with the retailers to ensure the success of the promotion and ultimately the success of the retailers. Scientific Games Promotions staff will be capable of supporting multiple Retailer promotions occurring at the same time, satisfying RFP Table 94, Detail Requirement No. 31.

Scientific Games understands that it is required to support promotional events not exceeding 120 calendar days per year and that each event may last one day or as many as 30 with no more than four events being conducted concurrently state-wide. However, we are fully capable of supporting multiple Retailer promotions occurring at the same time in the state, thereby satisfying RFP Table 94, Detail Requirement No. 31. Scientific Games further understands that active participation retailer promotions not exceed 7.5% of the retailer base per year and passive participation retailer promotions not exceed 18% of the retailer base per year, thereby satisfying RFP Table 94, Detail Requirement No. 27.

In terms of event and promotions management and coordination, Scientific Games will:

- Provide Promotions staff to conduct promotional activities
- Be responsible for event safety and security

- Provide Texas Lottery-branded uniforms to all promotional staff
- Coordinate the sale of Lottery products at the event/promotion
- Provide technical support during the event/promotion
- Ensure retailer participation in the event
- Ensure that all necessary equipment arrives clean and in working order
- Maintain all equipment in good working order
- Maintain and track all promotional event inventory

The above bullets satisfy RFP Table 94, Detail Requirement Nos. 28, 29, 30, 33, 35 and 36.

Scientific Games also agrees to provide any and all promotional equipment necessary to support the promotions and event plan, including the following items as described in the RFP Table 94, Detail Requirement No. 34:

- Large Lone Star Spinning Wheels
- Small Lone Star Spinning Wheels
- Legends for Spinning Wheels
- Promotional Trailers
- Second Chance Drawing with Entry Forms
- Ask for the Sale Clerk Stickers
- PA Systems
- Other General Supplies and Equipment

8.6.3 PROMOTIONS PROGRAM TEAM (DR 26)

Response Requirement 3: The Proposer must identify the entire promotions program team whose full-time responsibility will be to develop and run the statewide promotions plan. Proposers must provide detailed job descriptions for all the promotions team members. The Proposer must describe its use of full-time dedicated team members working on the program and must also identify any other staff who will assist with the promotions plan, describing how the team will be coordinated and trained to maximize the benefits of the program.

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8.6.4 ALTERNATIVE APPROACH AND EQUIPMENT

Response Requirement 4: The Proposer may offer an alternative approach and equipment for conducting promotional events and Retailer promotions in support of Lottery Products. The Texas Lottery reserves the sole right to select the approach and equipment to be used for all promotional events.

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8.7 MARKETING MATERIALS AND RELATED EQUIPMENT

RFP Requirement: The Lottery Operator provides a variety of marketing materials and related equipment to support sales and marketing activities for all Lottery Products. Texas Lottery Retailers carry an average of twenty-four (24) Instant Ticket Games per store. The following table identifies the marketing materials and related equipment requirements.

Scientific Games considers this RFP requirement to be informational, therefore no response is required.

Table 97. Marketing Materials and Related Equipment Requirements

ROLES AND RESPONSIBILITIES	SUCCESSFUL PROPOSER	TLC
1. Provides, delivers, positions and maintains a supply of Instant Ticket dispensers to support all active selling games for each Retailer	X	
2. Provides each Retailer a Texas Lottery-approved sign	X	
3. Provides each Retailer a playstation	X	
DETAIL REQUIREMENTS	RESPONSE SECTION(S)	
<p>4. The Successful Proposer must provide a variety of marketing materials and related equipment that fit the varying Retailer environments and placement criteria. At a minimum, the Successful Proposer must provide each Retailer the following materials/equipment:</p> <ul style="list-style-type: none"> a. Playstation—A device that is stocked with Texas Lottery play slips and brochures readily available for customers to take and fill out, in addition to displaying current Lottery promotional material. The Successful Proposer must provide an adequate number of playstations to accommodate all licensed Retailers; b. Instant Ticket dispenser—The dispensers must be able to securely store, display and dispense all tickets and pack sizes offered by the Texas Lottery. The Successful Proposer must provide an adequate number of dispensers to accommodate the inventory selection maintained by the Retailer (on average, 24 Instant Ticket games, but with a range of 4 to 100 games). The Successful Proposer must also provide unique dispensers that can be used to market and sell specialized Lottery Products that may be offered from time to time (e.g., spotlight game, suite of games, etc.); and c. Neon Lottery Signs with attached LED/Starlite Signs—The LED/Starlite signs must include a scrolling messaging display that is remotely programmable by the Texas Lottery. Signs must be updated via wired/wireless communication through the Retailer Sales Terminal/Lottery Gaming System. The Texas Lottery reserves the sole right to approve the equipment recommended by the Successful Proposer. Current deployment of marketing materials and related equipment can be found in Appendix 1, TLC Current State Operations. 	8.7.2	

DETAIL REQUIREMENTS	RESPONSE SECTION(S)
5. The Successful Proposer shall ensure the Instant Ticket dispensers, playstations, and Texas Lottery signs are in new or "like-new" condition including but not limited to appearance and functionality and shall replace promptly worn/damaged equipment at the request of the Texas Lottery.	8.7.2
6. The Successful Proposer shall resolve all non-sales and/or non-validation equipment problems and return the equipment to service within three (3) Days of notification as required under section 3.60.45.	8.7.2
7. The Successful Proposer may be required to provide and install Texas Lottery-approved signage on the Successful Proposer's fleet vehicles that are used in the State of Texas.	8.7.2
8. The Successful Proposer must provide a quarterly inventory of all marketing materials and related equipment. The inventory must include a summary of the condition of all items.	8.7.2

Table 98. Marketing Materials and Related Equipment Response Requirements

RESPONSE REQUIREMENT
1. The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.
2. The Proposer must provide an overview of the marketing materials and related equipment that will be used to support sales and marketing activities for all Lottery Products.
3. The Proposer must describe its capability to update signage within the Retailer environment via wired/wireless communication with the Retailer Sales Terminal/Lottery Gaming System.

Table 99. Marketing Materials and Related Equipment Service Levels

SLR #	SLR NAME
3.60.45	Failure to Resolve a Lottery Non-Sales and/or Validation Equipment Problem within the Specified Timeframe
3.60.56	Inability to Program the Programmable Signs
3.60.57	Inability of the Programmable Signs to Communicate

RESPONSE TO TABLE 98: MARKETING MATERIALS AND RELATED EQUIPMENT RESPONSE REQUIREMENTS

8.7.1 ACKNOWLEDGMENT OF ROLES AND RESPONSIBILITIES AND DETAIL REQUIREMENTS

Response Requirement 1: The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.

Scientific Games acknowledges and accepts the roles and responsibilities, and will comply with, and often exceed, the detail requirements indicated in RFP Section 8.7.

8.7.2 MARKETING MATERIALS AND RELATED EQUIPMENT

Response Requirement 2: The Proposer must provide an overview of the marketing materials and related equipment that will be used to support sales and marketing activities for all Lottery Products.

Should Scientific Games become the Texas Lottery's Operations and Services Provider, we will provide the following marketing support items to each retailer in support of our goal to maximize sales and revenues for the state of Texas.

INSTANT TICKET DISPENSERS

Scientific Games is excited to offer as part of its base price to the Lottery the Dual Bingo ticket dispensers which are shown in Figure 8.7-1. These dispensers are capable of storing and displaying all tickets and pack sizes offered by the Texas Lottery and feature a curved front panel providing more display space without the need for more counter space.

We will provide an adequate supply of dispensers to accommodate the inventory selection maintained by the retailer base and understand that the number of games carried by a retailer can range from 4 to 100. If the Lottery should decide that it prefers an alternate dispenser to the Dual Bingo dispenser being recommended, we will apply the acquisition cost of the Dual Bingo dispensers to the type desired by the Texas Lottery. Scientific Games will also provide unique dispensers that can be used to sell specialized Lottery products that may be offered from time to time.

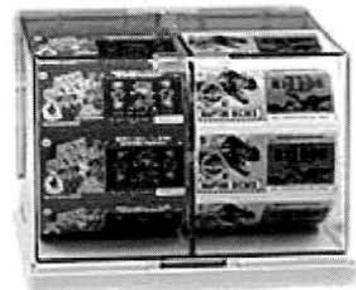


Figure 8.7-1: Dual Bingo Instant Game Dispenser

NEON LOTTERY SIGN WITH ATTACHED LED/STARLITE SIGNS

The Neon with attached LED signs provided by Scientific Games will include a scrolling messaging display that is remotely programmable by the Texas Lottery and can be updated via wired/wireless communication through the retailer sales terminal/lottery gaming system. We provide and manage similar signs with our Maine, Oklahoma and Puerto Rico lottery accounts.

PLAYSTATION

Scientific Games will provide each retailer with a playstation capable of holding playslips and brochures for customers in addition to displaying promotional material. These play stations will be ADA compliant with the actual configuration and design subject to the Texas Lottery's final approval. An example from the Oklahoma Lottery is shown in Figure 8.7-2.

These ticket dispensers, playstations and neon Lottery signs satisfying RFP Table 97, Detail Requirement 4a, 4b and 4c, will be new or like new in condition in their appearance and functionality, thereby further satisfying RFP Table 97, Detail Requirement No. 5. We will also provide the Lottery with a quarterly inventory of all materials and equipment that includes a summary of the condition of these items, thereby satisfying RFP Table 97, Detail Requirement No. 8.

In addition to the above materials, and included in our base price, Scientific Games will provide each retailer with a 19" flat panel LCD monitor that can be positioned in either a landscape or portrait mode (see **Section 8.2.3.1** for a more detailed description of this monitor as well as the Lottery InMotion content management platform on which it will be based).

As part of our effort to provide supplemental marketing support to the Texas Lottery's top performing retailers through our Lottery Marketing Representative program (discussed in more detail in **Section 8.4.1.2**), and included in our base price, Scientific Games will provide these top performing 20% retailers with several additional pieces of marketing material, including 4' x 6' floor mats emblazoned with the Texas Lottery's logo and customized point-of-sale for window display. Should the Lottery wish to place these items in other retailers beyond the top performing 20%, Scientific Games stands ready to accommodate this request as an separately priced Offered Option.

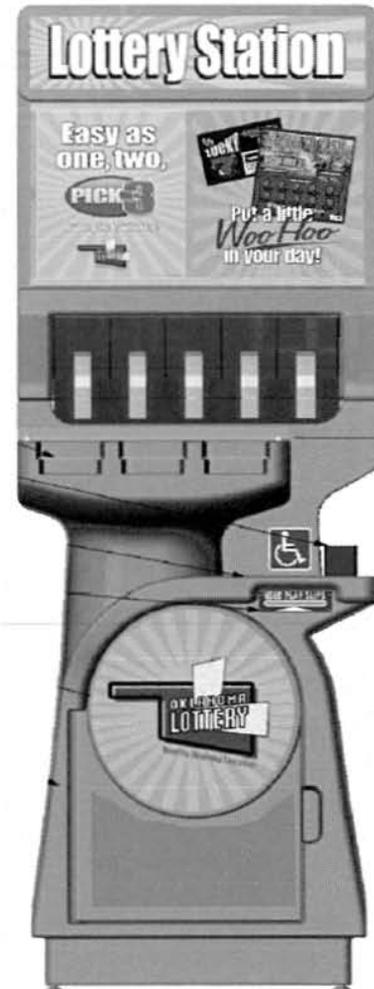


Figure 8.7-2: Oklahoma Lottery Play Station



Scientific Games will also provide the Lottery's top performing 100 retailers with counter wraps featuring dynamic, exciting graphics sure to grab the customer's attention and keep the Texas Lottery and its game portfolio top-of-mind. Should the Lottery wish to place these counter wraps in other retailers beyond the top performing 100, Scientific Games stands ready to accommodate this request as an separately priced Offered Option.

Scientific Games agrees to resolve all non-sales and/or non-validation problems and return the equipment to service within three days of notification as required under Section 3.60.45, thereby satisfying RFP Table 97, Detail Requirement 6.

Scientific Games understands that it may be required to provide and install Texas Lottery-approved signage on our fleet vehicles and agrees to fulfill this requirement if directed to do so by the Texas Lottery. To this end, Scientific Games has provided customized vehicle magnets as an Offered Option included in our base price in Section 8.6.4, thereby satisfying RFP Table 97, Detail Requirement 7.



Scientific Games agrees to provide a quarterly inventory of all marketing materials and related equipment, including a summary of the condition of all items, thereby satisfying RFP Table 97, Detail Requirement No. 8.

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8.7.3 UPDATING SIGNAGE WITHIN THE RETAILER ENVIRONMENT

Response Requirement 3: *The Proposer must describe its capability to update signage within the Retailer environment via wired/wireless communication with the Retailer Sales Terminal/Lottery Gaming System.*

Updating in-store signage at retail is an easy, hassle-free process with our WAVE™ terminal. Jackpot values for games (and messages) are sent from the WAVE™ terminal to the transmitter

The _____ with the new jackpots and messages when they change. The _____ allows the Lottery to display jackpots for multiple games, on any number of signs within a single store. The communications between the jackpot displays (the signs) and the transmitter use _____

Each sign is _____

As part of the Oklahoma Lottery Fullline contract, Scientific Games installed about 950 Powerball jackpot signs. The consensus of retailers is that the wireless jackpot signs are a key driver in keeping jackpot information and updates at the forefront of the players' mind, and are a contributing factor for the strong bloc lotto sales experienced in that state. Scientific Games has implemented similar programs in Maine and Puerto Rico. Figure 8.7-3 provides a sample of the Powerball jackpot sign deployed in Oklahoma.



Figure 8.7-3: Oklahoma Lottery Powerball Jackpot Sign

A WORLD OF POSSIBILITIES

JENNIFER WELSHONS

Vice President
Global Marketing



A MESSAGE FROM JENNIFER WELSHONS

Vice President

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"Establishing partnerships for growth; we hear it all the time in the lottery industry. By partnering together, we can make a bigger difference and return more dollars to good causes. The reality is that often times, these partnerships do not really get off the ground and the Lottery is left on its own to uncover growth strategies in uncharted territory.

The Scientific Games Marketing Department is different. We do not just say we want to be your partner, we demonstrate this through our commitment to market analysis, consumer understanding, and product innovation. Our team is structured specifically to work with those customers seeking return on investment. We do our best to keep abreast of the latest trends in the lottery industry as well as in the broader area of consumer marketing, research and behavioral economics. We realize that for the Texas Lottery to sustain growth, your organization needs to rely on partners who can provide effective support through data-driven solutions.

To leverage this synergy, our instant, online and retail marketing staff members are centralized within the Global Marketing Group. This better facilitates holistic learning, while keeping in mind the diverse portfolio of products and the selling environment. We take great pride in working with our lottery partners to design, develop, and launch new, creative game content that returns greater value consumers by offering them exciting games to play in an enhanced, promotion driven retail environment.

Key to this interaction though is what makes Scientific Games stand out from the rest: the foundation of our marketing information systems. Being able to not just possess data, but to take that data and mine it into actionable strategies is the real driver behind why we are able to form true partnerships. This is why we have invested heavily in tools and systems such as

Mining this data and synthesizing it with other consumer, retailer and online game sales information helps drive strategy for our primary customers. We truly believe that through systems and analyses, encompassing all of the marketing 'Ps,' we can better serve our customers in reaching their end goal of optimizing the return to good causes.

We value our relationship with the Texas Lottery as a partner for printing and hope that we have the opportunity to elevate this relationship to be your partner for total game portfolio growth. As with many lotteries today, the Texas Lottery is facing increased pressure for continued growth in a diverse and dynamic market, and a challenging economy. We look forward to sharing a compass on that journey."

1



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8.8 RESEARCH AND LOTTERY PRODUCT DEVELOPMENT

RFP Requirement: The Lottery Operator conducts research to gather insightful and reliable information about people's perceptions, attitudes, and behaviors as they relate (actually or potentially) to the Texas Lottery and its products. The goal is to provide supportive information that may be used in decision-making and budget development processes. The primary objective of research conducted by the Lottery Operator is to identify opportunities to improve and sustain existing Lottery Products' sales and develop new Lottery Products and/or Lottery Product enhancements to meet or exceed customer expectations.

Scientific Games considers this RFP requirement to be informational, therefore no response is required.

Table 100. Research and Lottery Product Development Requirements

ROLES AND RESPONSIBILITIES	SUCCESSFUL PROPOSER	TLC
1. Monitors new lottery products or lottery game enhancements implemented in other States for viability in Texas	X	
2. Develops new lottery product concepts	X	
3. Conducts and provides the results of research studies and performs an analysis of the viability of the lottery products or lottery product enhancements that will be proposed to the Texas Lottery	X	
4. Provides requested research data to the Texas Lottery within an agreed-upon time period	X	
5. Analyzes and develops variety of research reports based on information and data provided		X
6. Evaluates viability of new lottery product or lottery product enhancement introduction in context of current product offerings		X
DETAIL REQUIREMENTS	RESPONSE SECTION(S)	
7. The Successful Proposer must maintain an ongoing research and development program in the areas of game design and new concept development and operation. The results of such research must be shared with the Texas Lottery upon request.	8.8.2	
8. The Successful Proposer must consult with the Texas Lottery related to research design whenever research is conducted on the Texas Lottery's behalf.	8.8.2	

DETAIL REQUIREMENTS	RESPONSE SECTION(S)
<p>9. The Successful Proposer must provide geo-demographic sales forecasts to assist in marketing and expansion decisions. Sales forecasts must include, but are not limited to, the following:</p> <ul style="list-style-type: none"> a. Mapping capability—capable of mapping to at least street level by each major city in the state and county in the rural areas; b. Geo-coding—the ability to use floating decimal or comparable architecture to plot Retailer locations; c. 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; and d. Site Identification—ability to break down areas by business type. 	8.8.3
<p>10. The Successful Proposer must provide the Texas Lottery with the latest version of graphics programs that can provide sales analysis by county, zip code, city, or other criteria as designated by the Texas Lottery.</p>	8.8.3
<p>11. The Successful Proposer must provide comparative reports against other U.S. lotteries on a quarterly basis and must make the data accessible to Texas Lottery personnel.</p>	8.8.3
<p>12. At least quarterly or upon the request of the Texas Lottery, the Successful Proposer shall identify up to two million (2,000,000) 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.</p>	8.8.2
<p>13. The Successful Proposer shall respond timely to requests for research and data requirements (e.g., zone level purchasing information) from Texas Lottery research and advertising vendors.</p>	8.8.2
<p>14. Upon request by the Texas Lottery, the Successful Proposer must provide a detailed analysis and plan for new lottery products or product modifications. At a minimum, the analysis must include the following:</p> <ul style="list-style-type: none"> a. additional lottery products proposed—indicate the order in which those products might be introduced in Texas; b. 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; and c. the possible impact (cannibalization) of new games or game modifications on existing Lottery Products. 	8.3.3

Table 101. Research and Lottery Product Development Response Requirements

RESPONSE REQUIREMENT	
1.	The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.
2.	The Proposer must provide an overview of its research and development process for new games and new game introductions. This must include an overview of all the variety of research methods utilized to develop, gather, analyze and report data.
3.	The Proposer must describe the methods that will be utilized to obtain and use geographic and psychographic information for making business recommendations to the Texas Lottery.
4.	The Proposer must identify the research and development staff whose full-time responsibilities are to conduct research on new selling opportunities and new marketing strategies. Proposers must also identify any staff who may assist with these activities, but will not be assigned to the Texas Lottery account on a full-time basis.
5.	The Proposer must identify the research and/or data analyst staff whose full-time responsibilities are to respond to special reporting requests, develop/respond to requests for specialized sales analysis, etc. Proposers must also identify any staff who may assist with these requirements, but will not be assigned to the Texas Lottery account on a full-time basis.

RESPONSE TO TABLE 101: RESEARCH AND LOTTERY PRODUCT DEVELOPMENT RESPONSE REQUIREMENTS

8.8.1 ACKNOWLEDGEMENT OF ROLES AND RESPONSIBILITIES AND DETAIL REQUIREMENTS

Response Requirement 1: The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.

Scientific Games acknowledges and accepts the roles and responsibilities, and will comply, and often exceed, the detail requirements indicated in RFP Section 8.8.

8.8.2 RESEARCH AND DEVELOPMENT PROCESS

Response Requirement 2: The Proposer must provide an overview of its research and development process for new games and new game introductions. This must include an overview of all the variety of research methods utilized to develop, gather, analyze and report data.

Scientific Games understands that new games are the lifeblood of Lottery sales. We are passionate about the product development process and have been an industry leader in developing exciting new instant game and online game content.

Scientific Games recognizes the importance of effective research and development initiatives to support our primary customers' efforts to achieve and exceed their goals. In the rapidly changing and ever-competitive business world, continuous new product development is also essential for the success and prosperity of companies worldwide. Incremental sales growth stems from product differentiation and market positioning. Without it, cannibalization of sales can result and growth can be negatively impacted. Our perspective is unique since we are not dependent solely on one specific product, product line, or service for revenue generation. As the industry's first and most experienced Fullline vendor, we continuously research and develop products and provide services to optimally position the entire lottery product portfolio to achieve incremental revenue growth. Further, we agree to share these efforts at the Lottery's request, satisfying RFP Table 100, Detail Requirement 7. Scientific Games also agrees to respond in a timely manner to any research and data requests made by the Lottery's research and advertising vendors, satisfying RFP Table 100, Detail Requirement No. 13.

Our offered Research Associate, Cameron Garrett, whose extensive experience and impressive skill set is described in more detail later in **Section 8.8.4** and **Section 8.8.5**, will assist the Texas Lottery in all of its research and product development efforts. His strong analytical and strategic skills will allow him to work closely with the Instant and Online Product Specialists on a regular basis to provide research and development support. Cameron will be an extremely valuable resource on-site at the Lottery.



Cameron Garrett

Our approach to product research and development for new game content, while fairly straightforward in execution, is based upon a step-by-step, gated process which guides the flow and progression of a new game through a series of tasks. Figure 8.8-1 provides an overview of our product development process which is founded on four key phases or activities: evaluation, creation, research and recommendation. Scientific Games agrees to consult with the Texas Lottery whenever research is conducted on its behalf, satisfying RFP Table 100, Detail Requirement No. 8.

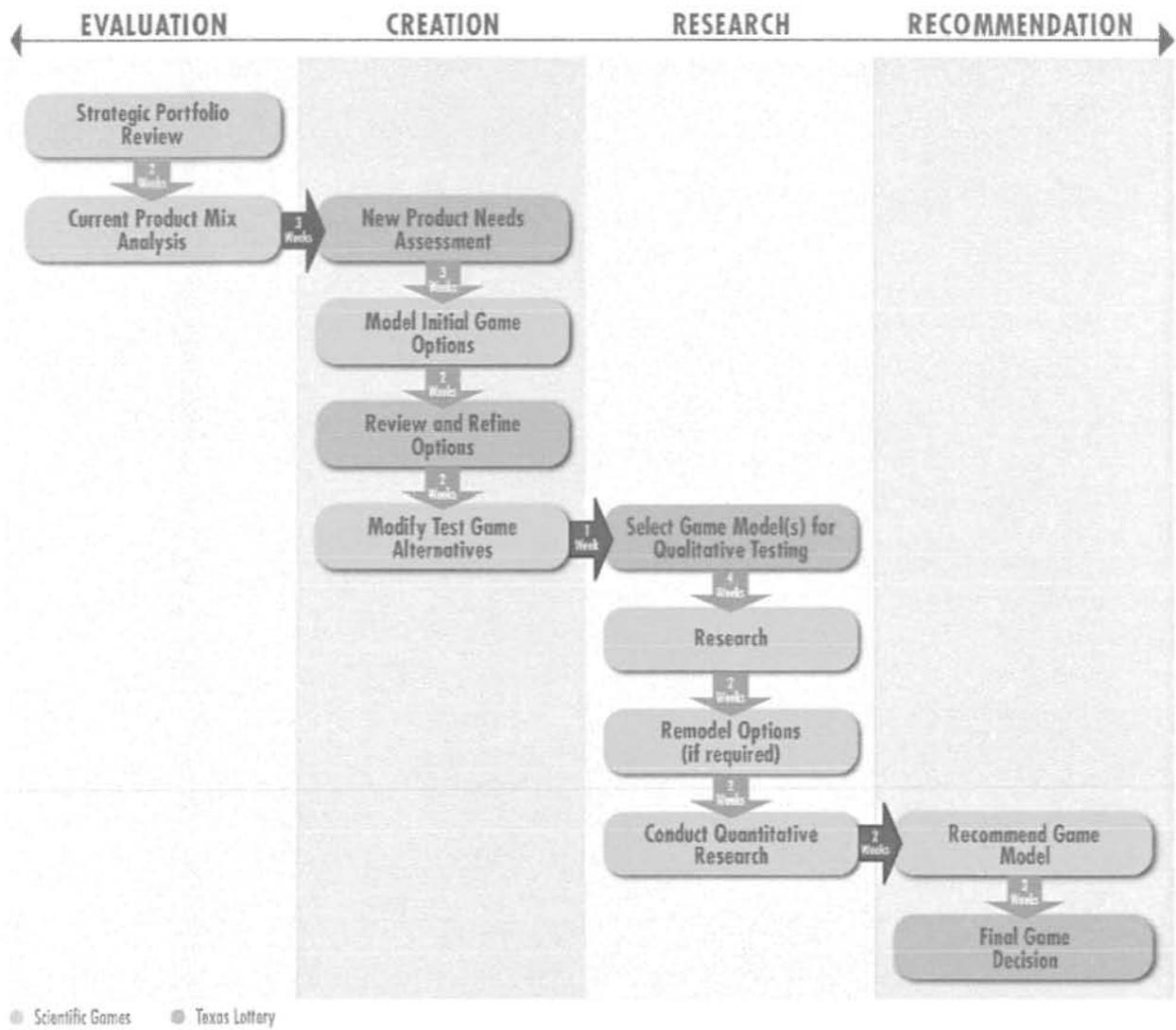


Figure 8.8-1: Product Development Process Overview

Scientific Games begins by looking at sales by game for the entire U.S. market. This shows how various lottery products are performing on a national basis over time so that various trends can be seen. A recently conducted sales analysis, for example, indicated that from 2002 to 2009, bloc lotto games and instant games show the highest level of growth. Other interesting findings included:

- The instant game is the fastest growing category in the U.S., increasing by 29.5% from FY04-09. Instant products have now become the dominant sales producers at 56.7% of the market. For the last five fiscal years, however, the growth of instant sales has slowed and was actually negative for FY09 versus FY08. No doubt that this category as well as the lottery industry as a whole has been affected by the recessive trends in the U.S. economy.
- Online retail sales have grown 4.5% mostly due to Numbers games contributing 10.5% with a remarkable gain of 21.1% for the 4-digit game. Total sales of Numbers games comprised 18.0% of total U.S. lottery sales for FY09.

- Lotto categories together have experienced a 7.1% decrease, with in-state Lotto games losing 34.5%. Bloc Lotto and Hot Lotto sales were up 12.0% and 236.6% respectively mostly due to new jurisdictions joining the multi-state games. All Lotto categories contribute 18.5% to industry sales.
- Monitor Games have grown 15.1% since FY04. They have become a very important sales driver for the top five lotteries in the U.S. Keno still dominates this category but select new successful products have been emerging and growing in playership – for example, Racetrax in Maryland.
- The Other game category has increased 165.1% mostly as a result of new game launches by many lotteries searching for new revenue sources (Instant Win, Raffles and MUSL's Wild Card 2 and 2by2 are included in this category).

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MARKET RESEARCH

Scientific Games understands that the Texas Lottery has an existing relationship with a research vendor. However, we stand ready to assist and support the Lottery in its research efforts and can provide Market Research planning and management services as well as the procurement of these studies as an separately priced Offered Option.



The key to a successful marketing research program is to focus on the fundamentals. For lotteries, this means balancing the basics of pleasing the customer (both players and retailers) and meeting marketplace needs, while simultaneously getting and giving the most value for each research dollar spent. Research is an important tool and the type of research carried out should be carefully chosen, designed and conducted with the goal of obtaining useful and insightful results that will help the Texas Lottery achieve its sales and profitability goals.

The value of marketing research is often debated – is it a waste of time or can it provide actionable information? The mere presence of research can cause entire organizations to be tentative, indecisive and become victims of “analysis paralysis.” The solution appears simple in that there are two options: stop doing research or do research that ensures actionable results. Not doing market research altogether is a lot like shutting your eyes because you do not like what you see. It solves one problem but creates a bigger one in the long run. But turning your eyes in a different direction can often provide different perspective and open up a whole new world of research possibilities.

Lotteries often want to view market research in terms of sheer return on investment (ROI); however another way in which market research expenditures should be evaluated is to ask whether it helps avoid costly mistakes. Market research carried out before serious money and time is spent on a product or service can certainly cut down on problems. For example, researching a new online game early on can cut down on costly and time-consuming programming changes. Research on instant games can uncover small nuances that are easily changed before execution to enhance the game’s sales performance.

Market research, just like business in general, is a team sport. There are players, rules and ways to keep score. When each player on the market research team knows his or her role and does it, the team is likely to succeed. There are typically four main players needed to carry out any research project:

1. **Management** – Those decision makers whose buy-in of the research results is essential in being able to implement the product or service at-hand; at the Texas Lottery this would likely be the Executive Director and his key staff.
2. **Client** – The main project manager or “customer” in need of the information to make a recommendation to management; the Lottery’s Instant Product Manager and Marketing Director would fall into this category.
3. **Researcher** – The person trained in research which is responsible for providing real-world data interpretation and ensuring that the client/vendor gap is bridged; that the client gets exactly what he or she needs and that the vendor has proposed the best methodology to meet the information and budget needs. While some lotteries have Research Directors, this is often a role that does not exist within a government-managed lottery organization.
4. **Vendor** – The qualified research supplier procured to carry out the desired research, following Council of American Survey Research Associations (CASRO) standards, and deliver the information in an unbiased, cohesive and factual manner.

This dedicated team of individuals is the key to successful research projects. While the client is the end-user of the information obtained, a researcher has to remember to not just calculate; that ultimately the goal of every project is to provide information that furthers the basic marketing objective sought by the client. Researchers must be ever cognizant of the real-world meaning and application of the data they are providing to the client.

As lotteries continue to become "leaner and meaner," dollars earmarked for research continue to be easy targets for budget reductions. It is therefore incumbent on those persons responsible for contracting marketing research services to get the most out of every research dollar.

This very reason is why Scientific Games' research department exists. Whereas lottery staff must focus on a myriad of other issues, our sole focus is research. Our goal is to promote the use, understanding and value of market research by offering actionable information and assistance to our lottery customers to help them achieve their revenue goals. We are devoted to reviewing case studies (both inside and outside of the lottery industry), discovering new research techniques, ensuring proper use of all research methodologies, and drilling down into data and trends. We are fortunate to be able to do this from a state specific perspective, but also from a broad industry perspective given our contact with nearly every lottery in the United States and many around the world.

Marketing Research Types and Services

Navigating the research waters can be overwhelming and confusing. Scientific Games' research department will be happy to provide any level of assistance the Texas Lottery would like – from simply consulting on a single project to working with the Lottery on the framework for the overall plan. In the 10+ years we have existed within Scientific Games, we have worked on close to 1,000 research projects, including many projects for lottery start-ups, which have run the gamut of products and methodologies. We are fortunate to have the opportunity to work with nearly every domestic lottery and many international ones as well, allowing us to delve into industry issues from around the globe. This reservoir of information helps us decipher best practices for lotteries and new forms of gaming.

Overwhelming



Effective



We want to help make any research undertaken by the Texas Lottery simple and easy to implement. As a starting point in this process of developing a research plan, we have identified four main groups in which most research can be categorized. The appropriate combination and level of research in any one of these categories is determined during the planning process at the Lottery's discretion.

The four groups of research are:

1. Secondary Research
2. Primary Research Analysis
3. Geo-Demographic Analysis
4. Marketing Information Systems

Assisting the Texas Lottery with any of these categories and providing research assistance in whatever capacity the Lottery wishes is just a part of what we hope to bring to our partnership. There are a number of services we can provide, both from an in-house perspective and through our long-time relationships with dozens of qualified vendors. We pride ourselves on staying connected not just with the lottery industry, but with the market research world as well. This constant flow of information allows us to do the leg-work for our lottery customers and bring new and effective research products to their attention.

Scientific Games would now like to present a bit of detail on the categories of research and our experience with each.

1. Secondary Research

Lotteries are often sitting on a gold mine of data, but have not had the opportunity to investigate what is already available that may meet the needs of the current research objectives. Sometimes secondary research (data collected for a purpose other than the one at hand) can provide information about player buying habits, likes and dislikes for certain product features, lottery awareness and market trends. When research dollars are scarce, a trip to the lottery archives may offer a practical alternative to conducting primary research.



Scientific Games has a wealth of secondary information and is constantly creating secondary analyses. Having more than 30 domestic instant product customers and 13 domestic online product customers (including Puerto Rico) allows us to create the most comprehensive databases of secondary lottery information in the world. We look to this customer data, as well as trade association data, syndicated data and data from other consumer product goods industries to create our analyses.

The following are examples of some of the products we create by taking secondary data and turning it into actionable information. Many of these will be provided to the Texas Lottery per the request for sales data and trend analyses.

State-of-the-State Analysis – Inter-jurisdictional analysis of Top 16 U.S. lotteries (as measured by weekly per capita instant sales) including year over year comparisons of game introductions, price points, sales by price point, average selling price payouts, and online game categories. Since 1994, Scientific Games has been a pioneer in developing this industry-wide compilation of data which has been updated, analyzed and presented hundreds of times. Satisfying RFP Table 100, Detail Requirement 11, Scientific Games will provide this report, to the Texas Lottery on a quarterly basis and make the data accessible to Texas Lottery personnel.

U.S. Best Performing Games CD – Annual collection of the best-selling games of the previous years, ranked by average weekly gross margin per capita; artwork and prize structures included for select games. This CD has been produced for the past several years and is useful during the game planning process.

Industry White Papers – Scientific Games periodically publishes white papers on key industry topics such as Optimal Prize Payout, Good to Great Stories and The 15 Determinants of Demand. Since the inception of the research department ten years ago, a number of industry white papers have been produced in response to timely issues.

Optimal Payout Analyses – Working with an outside economist, Scientific Games examines the “sweet spot” at which a lottery optimizes its payout within a price point, while also realizing optimal net profits. While the idea of optimal payout has been explored in a variety of ways over the years, this specific method of analysis has been conducted at Scientific Games for the past two years for six jurisdictions.

Sales Index Analysis – The Sales Index Analysis is a product derived from our [redacted]. This analysis is extremely useful in analyzing the success of individual games as they compare to other games within the same price point. An

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index of 100 indicates that a game is performing average within its price point. This analysis is one that Scientific Games has been providing to customers for years - some on a weekly basis, others monthly – all depending upon the state's desire.

Prize Structure Analysis – The key benefit of a Prize Structure Analysis is that it provides a solid measure for determining and developing effective prize structures. The biggest expense in a lottery's budget is prize expense, and as such, requires in-depth analysis of the effectiveness of how that money is spent to ensure it is optimized. The Prize Structure Analysis looks at the odds of winning certain prize categories and compares it to the most successful lotteries' prize structures. A critical component of a lottery's strategic marketing efforts is taking an in-depth look at where money is being allocated within the instant product. This type of analysis is has been a routine part of our business for several years now and is conducted for many of our customers at least once a year.

Attribute Analysis – The Attribute Analysis takes sales and game performance analysis to a deeper level. The ability to isolate particular attributes and identify their effect on sales can be a very powerful tool for lotteries. The Attribute Analysis allows a lottery to combine the best possible attributes into each game design which will assist in maximizing sales and net revenue along with the Sales Index Analysis, this is something Scientific Games has been providing to customers for many years. This is typically done once or twice a year, or on an as-needed basis.

Featured Partners – While there are many services Scientific Games can provide from in-house resources, there are also many times where outside experts are needed to produce successful research results. We are proud of the relationships we have with our highly qualified vendors and we want the Texas Lottery to be aware that we are committed to building alliances with organizations that will best meet the business need. In the area of secondary analyses, these are just two of the extremely valuable partners we work with.

Dean Houston Full-Service Advertising and Marketing Communications Agency

- Partner with Scientific Games since 1988
- Assisted with our State-of-the-Industry comprehensive industry analyses since 1994

Mather Economics

- Economics business consulting firm based in Atlanta
- Staffed by PhD's with experience in economic performance analysis, usability studies, and optimization and forecasting analysis
- Provides ongoing modeling for optimal payout, as well as a number of other Scientific Games key strategic initiatives

2. Primary Research Analysis

Once the Texas Lottery has reviewed all available data and determines that the current issue is not one that can be solved with existing information or that the appropriate data is not available through any other sources (such as Scientific Games or trade organizations), then we must look to other avenues such as primary research (custom information collected for a specific purpose). It is at



this point that careful consideration should be given to a study's research objectives, including how the study should be conducted and by whom the results will be used.

Often primary research is conducted in an environment where the results are needed yesterday. Given time pressures, a study can be put into the field before the objectives or scope of the research are adequately defined. Under such circumstances, the research may either address a question that is too broad or narrow in scope. Or in the worst case scenario, it may not address the question at all! This is often the case when a lottery reports that a research project yielded no worthwhile results.

Similarly, certain sophisticated techniques such as conjoint analysis or multidimensional scaling may be difficult to interpret or incorporate into product decisions if time is not spent up front determining how the results will be presented. This time can mean the difference between a study making a valuable contribution or being a costly mistake.

Once the scope of the study, the research objectives, and users are defined, it should be decided whether sufficient in-house resources are available to conduct the study or whether the amount of staff or expertise warrant an outside supplier. If the answer is to look outside the Lottery, then choosing the right research supplier becomes the next major step. Cost-effective research is then carefully designed to meet the specific decision-making needs of the Texas Lottery.

Generalized consumer or player information may be nice to have, but customized research that seeks answers to specific questions is more likely to yield results that are actionable. An outside researcher who does exactly what you ask and no more may not be providing the best value to the Texas Lottery.

Evaluation of Supplier – One of the biggest headaches for a lottery in conducting primary research is the process of procuring not “just a research vendor,” but the right research vendor for the project. This is one of the areas where the depth and breadth of experience in Scientific Games' research department may prove helpful to the Lottery. To begin with, all firms are not created equal. The services offered by marketing research vendors vary greatly. Not only can the cost of a project differ by thousands of dollars but so can the quality control procedures and the subsequent reliability of the results. That is why we encourage our lottery customers to evaluate research proposals not simply on the basis of cost, but on the basis of many of the factors that will ultimately affect the quality of the end results.

If Scientific Games were to procure a project on behalf of the Texas Lottery, there are some basic questions and responses that we would ask and evaluate to ensure a good match between the Lottery and the prospective research supplier. Examples of some of these questions would be:

1. **Who will be doing my research?**

- Most likely it is not the person selling the research
- Will it be passed on to a more junior staff member?
- Please supply a list of all project staff

2. **Is the supplier a full-service market research company?**

- Will the field work and tabulations be done in-house or be subcontracted out to another firm? (this is very important in determining the level of quality control that will be in place during your project)
- Will you be providing analysis and recommendations upon completion of the study?

3. **Will my project be customized research or a pre-packaged solution?**

- Will the survey be designed specifically to meet my needs or is it being based on a questionnaire that has already been tested?
- If using a previously tested instrument, can you provide reliability statistics associated with it?

4. **What are your general qualifications?**

- What is your experience with lottery industry research?
- Length of time in business?
- Other industries you support?
- List of references?

5. **Explain to me your quality control procedures.**

- Are call-backs a part of your standard procedure? (if procuring a telephone survey)
- What is your supervisor to interviewer ratio?
- Up to what percent of responses do you validate?

As you can see, there are many aspects to consider besides price when considering a research vendor for a project. Due to time and budget constraints these days, it is often incumbent upon the researcher and the client to become experts at extracting key data points from and recognizing important patterns within simple cross-tabulated data. Scientific Games' research department stands willing to assist the Texas Lottery's research team in any capacity so that you maintain the highest likelihood of obtaining the best data for the Lottery.

The following studies are examples of some of the primary research projects we would be able to procure on behalf of the Texas Lottery, if it so desired.

- **Segmentation Study** – Based on the foundation of a quantitative survey, segmentation research is designed to identify reachable and sizable segments of the population so that products and services can be developed to meet their needs. It is based on core motivations and is typically the foundation of a lottery's research plan. Scientific Games has worked on over 75 segmentation studies for lottery customers. This experience has proven invaluable in understanding various approaches to segmentation.
- **Tracking Study** – A tracking study is an ongoing quantitative measure (typically via phone or internet) to determine any changes in segment sizes and key behaviors such as playership, attitudes and awareness. Arguably, this is the most important research a lottery will undertake. We have had experience working on nearly 100 lottery tracking studies since the early 1990's. This broad view challenges us to examine the data in new and creative ways.

- **Focus Groups** – A focus group is a qualitative research study where eight to ten respondents gather for a moderated session to discuss issues ranging from instant concept testing to new terminal usability. While they are not statistically projectable to the population, results provide invaluable insights into the “why’s” of the topic among various player groups. Focus groups are a commonly used methodology within the lottery industry hence we have had the opportunity to work on over 700 groups on a variety of topics.
- **Telephone/Mail Survey** – This type of research is a quantitative survey administered via telephone or through the mail where respondents can be asked about any number of topics. Telephone is still the truest form of random research in the U.S., while mail is appropriate for reaching specific individuals. Telephone and mail surveys are the basis for a number of study types and have been widely used by Scientific Games’ customers.
- **Internet Survey** – This type of research is also a quantitative survey administered via the internet from a sample of criteria-screened panel respondents or sometimes from VIP or players club members. With over 70% of U.S. households having internet access, this has become a quick, reliable, cost efficient method for obtaining a variety of types of information. Lotteries are using this cost-efficient vehicle more and more for conducting research. Scientific Games’ staff has worked on and created dozens of internet surveys over the years.
- **Conjoint Analysis** – A conjoint analysis is a very powerful statistical technique that offers a way to understand what it is about a product or service that drives customers’ interest in it and their purchase choices. With this type of you research, consumers are placed in hypothetical situations and asked to make trade-offs between product characteristics and budget. It is a technique of “Stated Preference” (observing behavior) rather than “Revealed Preference” (self reported purchases). This unique methodology has been employed several times with our customers, and our staff has had experience working on these types of projects.
- **Perceptual Mapping** – A quantitative survey is the basis for this study to identify gaps where there is consumer preference, but no current product occupies this perceptual space. Respondents are asked how important various product attributes are to them, and they are asked how they rate existing products on those attributes. Perceptual mapping is then a way to graphically portray their perceptions and preferences. Perceptual mapping is an all too often underutilized methodology in the lottery industry. While we have some experience with these types of projects, we would welcome the opportunity to explore future projects.
- **Invoke** – Invoke Solutions is a global market research develops proprietary research technologies to provide innovative solutions. Since their founding in 1999, Invoke has developed a series of platforms, called Invoke Engage, that offer interactive, real-time and hybrid qualitative-quantitative methodologies for data collection. Invoke’s suite of Engage platforms have been used by successful businesses worldwide, including four of the top six consumer products goods companies, to help them meet their business objectives. Additionally, magazines such as the Boston Business Journal and Business Week have featured Invoke in recent articles. While the suite of Invoke’s Engage platforms are both powerful and cover a mix internet and mobile data collection methodologies, the unique nature of these offerings requires the use of an approved research partner to organize and operate sessions to ensure they progress smoothly.

During the past five years, Scientific Games has worked with Invoke to meet the objectives of many projects, testing both instant games and online game concepts. We believe the suite of products offered by Invoke offer some of the most efficient and cost-effective ways to gather lottery player insights and will become increasingly popular. For this reason, we have trained a lottery

moderator in the methodology to work exclusively with Scientific Games and Invoke to provide a cohesive and direct approach to research that removes complexity and drives decision making. A brief overview of Invoke's Engage platform options is provided in Figure 8.8-11.

Figure 8.8-11: Invoke's Engage Platform Options

INVOKE'S ENGAGE PLATFORM			
	WHAT IS IT?	HOW IS IT USED?	WHAT IS THE EXPERIENCE LIKE?
Engage Live	Live, 60-90 minute moderated internet based hybrid event with up to 300 participants	Used for in-depth examinations of broad range of topics or concept testing	Sessions are highly interactive, adaptive and incorporate the use of a variety of stimuli including static images and graphic animations.
Engage LiveXPress	Live, moderated internet based hybrid event with up to 75 participants	Used for quick, focused insights on a limited set of topics or concepts	Sessions are highly interactive, rapid with a fixed set of multi-media stimuli.
Engage Open	An adaptation of Invoke's Engage Live for harder to reach lottery players and other groups	Used for in-depth examinations of broad range of topics or concept testing	Interactive sessions are left open for a period of days giving the target player groups the opportunity to enter and complete the session at their leisure. The sessions still incorporate the use of multi-media stimuli and enable the moderator to make changes and chat with respondents while the session is in field.
Engage Live + Open	The best of both worlds; a live hybrid research event that is also followed by an open event to expand the sample size	Used for in-depth examinations of a broad range of topics, or concepts, with a larger audience	Highly interactive live sessions that are adaptive, incorporate multi-media stimuli and are left open for a period of days.

Figure 8.8-11: Invoke's Engage Platform Options

INVOKE'S ENGAGE PLATFORM			
	WHAT IS IT?	HOW IS IT USED?	WHAT IS THE EXPERIENCE LIKE?
Engage Multi-Day	Large scale hybrid events available over a period of days with new interactive questioning daily	Used for ideation or brainstorming sessions, with lottery players club members, diary research, product testing and pre-post studies	Sessions are highly interactive, responsive to each day's findings, and incorporate multi-media stimuli.
Engage Mobile	Instant insight at the point of experience via short SMS-based survey and real-time reporting	Used for ongoing or event-driven insight in the actual retail experience	An interactive, on-site experience using SMS-based questioning and real-time online reporting.
Engage Analytics	Real-time, interactive dashboards and reporting for all research data from Engage and other popular survey environments	Integrates with multiple survey environments to deliver data that is easily interpreted	Users are able to generate, view interact with and share.
Engage iBus	Fully fused omnibus solution with the ability to ask any mix of qualitative and quantitative questions	Used to gather fast insights using the power of Invoke's Engage platform with the cost efficiencies of an omnibus	Interactive sessions which incorporate the multi-media stimuli and offers lotteries to insert new questions while the survey is in field.

Our experience has taught us that depending on the objectives at hand, Invoke's Engage Live + Open solution offers an extremely effective methodology for gathering lottery player feedback. At a basic level, research using Engage Live + Open involves a live internet session with a pre-determined number of respondents followed by an open session for typically another week.

Respondents who are invited to participate in both the live and open session are pre-screened as they would be for any other research project. In addition to being screened on their lottery playing habits, respondents' computer systems are also inconspicuously screened to ensure they meet minimum compatibility requirements. Once the screening is completed respondents who qualify receive invitations to participate in either the Live or Open session. However, in this case, there are not

just 8 to 10 respondents in either session, as there would be in focus groups, but rather 50+ respondents reacting to stimuli, engaged in "conversation" and providing answers to a series of pre-programmed questions.

The benefits of Invoke Engage Live + Open Research sessions are as follows:

- Ability to obtain open ended responses, as well as data from up to 300 well-targeted people at one time
- Robust sample size and geographic dispersion
- No client travel involved
- Instantly walk away from session with results
- Immediate report downloads, including editable charts and graphs

An experienced moderator controls the Engage Live session while it is progress and sends questions and multimedia stimuli out to the audience. In addition to pre-scripted questions drafted by the Lottery, client viewers are able to add on-the-fly questions to drill down into important issues as they arise. The research participants can be recruited via an internet panel or, depending upon the objectives of the research, the Lottery may use an internal source, such as a Players' Club.

Once the Engage Live session is completed the Engage Open session becomes available in an Engage Live + Open project. Engage Open offers the same interactivity of a Live session in that the moderator and even key observers are able to chat one-on-one with participants but instead of taking place in a single 60 – 75 minute time block, participants are able to enter the questionnaire whenever it is convenient from them. During an Engage Live + Open project, the Lottery can participate remotely through an observer dashboard to watch the results build in real-time. Anyone observing can jointly analyze, problem-solve, and probe deeper on key issues as they surface. Reports and transcripts are immediately available upon the conclusion of both the Live and Open sessions, and combined results from both sessions are available two to three days later so that the Lottery can ensure fast follow-up action.

One of the most beneficial features of Engage platform projects is that full transcripts are immediately available at the end of both the Live and the Open sessions. Results from the combined session are then available two to three days after, that ensuring that the Lottery is able to follow-up quickly on the information gathered during the research. In addition to transcripts, deliverables from any Engage projects include editable PowerPoint graphs and a full report with recommendations from the approved moderator.

Focus Groups

Focus groups are an important part any research program and invaluable in providing insights on how to change game concepts to increase player appeal. Scientific Games has extensive experience with focus groups. Over the past several years, we have been involved with over 700 individual focus groups, allowing us to develop a general process designed to maximize the value of this methodology.

In general, when using focus groups for new concept testing, the process begins with 8 to 10 participants per group being shown an unscratched version of an instant game concept or a game model or simulation of an online game concept, and are then asked for their immediate reaction. These initial impressions provide a good assessment of pick up appeal. Participants are then

probed further on their likes and dislikes in terms of the overall game concept, the name of the game, the theme, the look of the ticket, and perception of ease of play.

For the instant game group, once these metrics have been established, the participants are shown a scratched version of the same instant ticket. After a brief examination, they are asked to determine the winning value (if any) of the ticket. The moderator probes to identify and understand any confusion and, if needed, for ways to improve the game to make it less confusing to the player. Having seen both unscratched and scratched versions of the ticket, participants are then asked their overall reaction to the game.

For an online focus group discussion, the participants would all be asked to complete a mock-up of a playslip in a similar fashion to the way they would in a retail store. The moderator would then enter the selections for a few of the participants into the simulator software loaded on a standard laptop. The individual can then observe his/her selections played out on the simulator a screenshot of which is shown in Figure 8.8-12, to determine if they have a winning or non-winning ticket. The simulator by design has both winning and non-winning ticket representations randomly occurring to give participants a sense of the play style and value proposition, even in a non-winning scenario. The last thing we want is reveal only winning experiences, as it will unduly sway the participants' opinion of the game and their willingness to purchase it in the market.

These reactions are compared with those given before the game was played to see if there were changes. The moderator probes to understand why a participant's opinion may have changed – what it is about the game that causes them to like the game more or less than before. This process is repeated until all of the games being tested have been discussed.

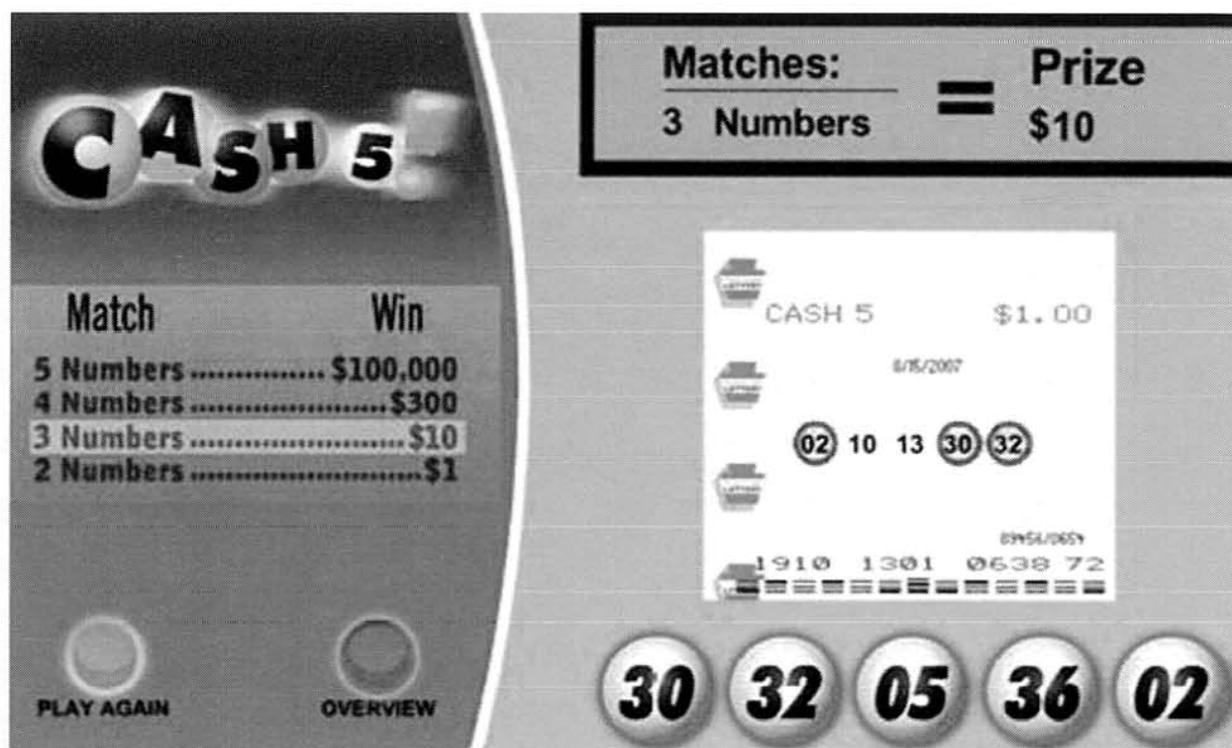


Figure 8.8-12: Online Game Simulator Screenshot

Other elements may be added to the focus group process as appropriate. A final spending exercise, for example, is a way to get a sense of how likely participants would be to spend money on tickets if they were launched. Once the Lottery has a sales history, existing games may be discussed and used as benchmarks, comparing the group's reaction to the new concepts compared to an existing ticket, for which there is some measure of success (e.g., ticket sales).

While focus groups lend themselves well to exploring players' reactions to new game concepts, their usefulness should not be limited solely to new concept testing. Focus groups are also an excellent method for exploring a variety of other issues, such as:

- **General Player Issues** – Why do players play the games they do? What do they consider a good value on a ticket given the price paid for it? What game features do players like? Are they willing to pay more for them? What makes them buy a game again? What catches their attention?
- **Developing Higher Price Points** – What are the differences between those playing \$1 and \$2 games and those playing higher price points? What are the obstacles players face when considering buying higher priced point tickets? What can be done to increase sales of these price points? What must a game have or offer to incite a \$1 or \$2 player to move up to higher price points?
- **Infrequent, Lapsed or Non-Players** – Why do they purchase instant or online games infrequently or not at all? Is there any lottery game that they would buy? What would it take to get them to purchase tickets more frequently, purchase tickets again, or start purchasing tickets? Would licensed property games, featuring merchandise prizes, encourage these consumers to play instant or online games?
- **Increasing Lottery Ticket Purchases** – What would make players buy more lottery games? What barriers to

purchase do they currently face and can they be overcome?

- **Winner Awareness** – Are players aware of the prizes being won? Is there a need for a winner awareness campaign? How could such a campaign be most effective?
- **Retailer Issues** – How can lottery transactions be made easier and faster for the retailers? Are there any issues which keep them from selling more lottery games? How do they feel about certain games? How do they feel about the current product mix and number of games launched or available per year?

Any of the research projects mentioned in this section can be important components of a research plan. Based upon our experience, we have developed standards which allow us to provide recommendations; however the ultimate mix of research and the level of detail of a project are based on an individual lottery's needs and budget.

Featured Partners – Even more than secondary research projects, primary research efforts typically require the expertise of outside research firms. We are proud to work with some of the top research firms in the world and most certainly the top in the industry. Of course any research and its chosen vendor are at the Texas Lottery's discretion, so we have provided a list of many of our primary research partners and their respective backgrounds and expertise. Again, we will be willing to work with any research firm the Lottery wishes, these are simply suggestions based upon our experience with each.

TNS

- World leader in market research, global market information and business analysis
- Full-service Quantitative and Qualitative research in Lottery sector
- Second largest custom research vendor in the world
- Lottery data collection team has over 20 years of combined experience in consumer research, over 10 in lottery specifically

IPSOS

- Global survey-based market research company specializing in advertising, loyalty, marketing media and public affairs research
- Global leader in quantitative lottery research
- Full-service Quantitative and Qualitative research in Lottery sector
- Specialized lottery and gaming research team
- 15 years of experience in conducting numerous studies for over 15 North American lottery jurisdictions

TRIG

- Full-service global custom market research vendor with expertise in strategic brand product and pricing consulting, and segmentation
- Specialized lottery and gaming research team
- 15 years of experience in conducting numerous studies for 15 North American lottery jurisdictions

BLJ Marketing Lottery Marketing Consulting

- Experienced Focus Group Moderator
- Moderated over 500 lottery focus groups involving instant game testing, online game development, sports lottery games, barriers to play, retailer satisfaction, advertising creative development, game positioning
- 30 years of research experience
- 25 years of lottery experience
- Brian Jang was the former Research and Product Development Manager at the British Columbia Lottery Corporation

Seaver Creative

- Lottery Marketing Consulting
- Focus Group Moderating
- Marketing Plan Development
- 21 years of lottery experience
- Tom Seaver has held various product management and advertising positions supporting the Missouri, Virginia and Colorado lotteries

Candler Communications

- Lottery Marketing Consulting
- Focus Group Moderating
- Invoke Moderating
- Instant Game Design
- 20 years of marketing and product development experience
- John Paul Candler has 15 years of lottery specific experience including positions supporting the Virginia and Maryland Lotteries, as well as Scientific Games where he served as the Instant Product Marketing and Development Manager for five years
- John Paul is the only certified Invoke lottery moderator in the lottery industry

Focus with Fettig

- Focus Group Moderating
- Pat Fettig has over 20 years of research experience, including working for Procter & Gamble
- Conducted focus groups for 10 domestic lotteries including West Virginia, Pennsylvania, Ohio, Georgia, Nebraska, Kentucky, South Carolina, Tennessee, Arkansas and Florida

Research Incorporated

- Focus Group Moderating
- Debbie McNamara has more than 20 years of research experience, including conducting both qualitative and quantitative research projects for the South Carolina Education Lottery, Milliken, Newell Rubbermaid and Michelin.
- Moderates 50+ focus groups a year

Invoke Solutions

- Provided the first real-time hybrid qualitative/quantitative research technology platform (Engage Live) to enable instant insights and confident decision making through live internet sessions
- In addition to Engage Live, Invoke's other platforms allow for lottery consumer experiences to be collected via mobile phone and omnibus methodologies

3. Geo-Demographic Analysis

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Another useful category of research is geo-demographic in nature. Geo-demography – the “marriage” of geography and demographics – has become an indispensable tool for market analysis and segmentation. Scientific Games has partnered with _____, one of the leading providers of premium demographic and marketing databases. _____ provides us with a powerful geo-demographic reporting and mapping system that enables us to create sophisticated analyses for our customers. This geo-demographic segmentation system is a versatile tool that allows lotteries to define players with accuracy, understand what makes them “tick,” and pinpoint their location on a map.



Lotteries can then apply carefully selected marketing strategies that will hit the mark with accuracy and accountability. By answering such questions as who are current and potential lottery players; what are their lifestyles like; where do they live; where can we find more of them; and what media is best for reaching them, lotteries can turn their attention to player profiling and development, site selection, and targeted direct mail campaigns.

One of the many components of _____ is its powerful cluster system, which enables us to analyze for the Texas Lottery the vast amounts of instant and online game sales data gathered daily. Using statistical techniques, markets are grouped into segments of potential customers with similar needs and characteristics who are likely to exhibit similar purchase behavior.

The following are descriptions of a number of geo-demographic analyses which could be created for the Texas Lottery.

Market/Player Analysis – This is the most comprehensive analysis that we create using the system. We take an in-depth look at both instant and online games and sales in the marketplace, including product trends, geographic distribution of sales, players and general retailer distribution. This analysis is one that is commonly requested by our customers and therefore we have worked on dozens of these reports.

Retailer Optimization – This is one of the most common uses for the system. We look at the mix of retailers by trade style and find the best fit for the market. We also consider where terminals could be added to accommodate more players and where terminals are under or over performing resulting in opportunity costs. Given our Fullline™ role in the industry, we have conducted many retailer optimization studies looking both at instant and online sales optimization.

Advertising and Promotion Analysis – Through the custom cluster system, we can evaluate which promotions appealed to which specific groups. We can then use winners' files to adjust for people buying where they work versus where they live. There is also a benefit in being able to see "visually" on a map the areas where segments of the population responded more. While this type of analysis has not often been done in our industry, Scientific Games feels that the findings would yield good directional information.

Licensed Property Follow Up Analysis – We take sales and winners files and look for differences between those segments that played the licensed property game versus those typically playing other lottery games. Combined with some basic primary research, this becomes an incredibly valuable piece of research in validating the use of licensed products to bring in new/different players. Since the acquisition of MDI, Scientific Games' research department has conducted dozens of follow up studies (both geo-demographic and with primary research components) to determine the success of new player involvement.

All of our geo-demographic work is conducted in-house, however to produce the analyses mentioned above, we rely on tools and data sets from a number of outside sources. is our primary tool for conducting geo-demographic analyses and will be discussed in further detail in **Section 8.8.3**.

4. Marketing Information Systems

We have learned that within the lottery industry, we – lotteries and vendors alike – are very data rich, but often analysis-poor; not because we want to be or are not capable of thinking through analyses, but because the infrastructure is not in place to effectively use the data in the ways we would like. This is where the fourth category that helps to pull together a marketing and research plan comes into play—Marketing Information Systems.



For years, our lottery customers have come to us in search of information that could help them answer some urgent need. While we always try and do our best to meet the request, we realized along the way that we typically have the information but cannot always get to it exactly as we need it or as quickly as we would like. This is why we are well along the way of achieving our mission to develop tools and systems that will allow us and the Texas Lottery to make use of the wealth of available industry data.

Through structure and automation, we are committed to trying to solve many of the main impediments to good analysis. The products described below are just a few of the examples of this endeavor. Our AEGIS-MAP platform and our Game Gallery database, described earlier in this section, are examples of our commitment to making the massive amounts of data available to our industry easily accessible, and in a format that helps our partners make the best decision possible.

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8.8.3 GEOGRAPHIC AND PSYCHOGRAPHIC INFORMATION

Response Requirement 5: The Proposer must describe the methods that will be utilized to obtain and use geographic and psychographic information for making business recommendations to the Texas Lottery.

Scientific Games will provide geo-demographic sales forecasts to assist in marketing and expansion decisions within our base offering at no additional cost. Sales forecasts will include, the following:

- a. Mapping Capability – Capable of mapping to at least street level by each major city in the state and county in the rural areas;
- b. Geo-Coding – The ability to use floating decimal or comparable architecture to plot Retailer locations;
- c. 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; and
- d. Site Identification – Ability to break down areas by business type.

Scientific Games will use the _____ to obtain and provide geographic and psychographic information to the Texas Lottery for making business recommendations.

_____ believes that optimal _____ is about accessing, integrating, and analyzing a wide variety of data sources (including spatial data) via a high-performance, automated analytics workflow environment that seamlessly combines multiple technologies and provides reports and maps for fact-based decision-making. To deliver on this vision, _____ developed a _____ platform that is a single tool designed from the ground up to integrate, analyze, and report spatial and non-spatial data simultaneously to rapidly deliver actionable insight for geographic-oriented business decisions. The product and the company have the same name,

_____ provides a graphical development environment with which users can quickly build powerful wizards and applications that are capable of incorporating complete end-to-end business intelligence workflow functionality. Alteryx achieves this remarkable breadth of capability because it has been designed as an overall framework for most data analysis needs, using a graphical user interface that provides access to a large library of tools, which interact with numerous underlying data and analytic engines. The tools are connected via a drag-and-drop visual workflow process or “module,” which can be run on-demand while creating the module, run automatically via a scheduler, or run remotely via an assortment of user interface options to generate a wide variety of reports and maps.

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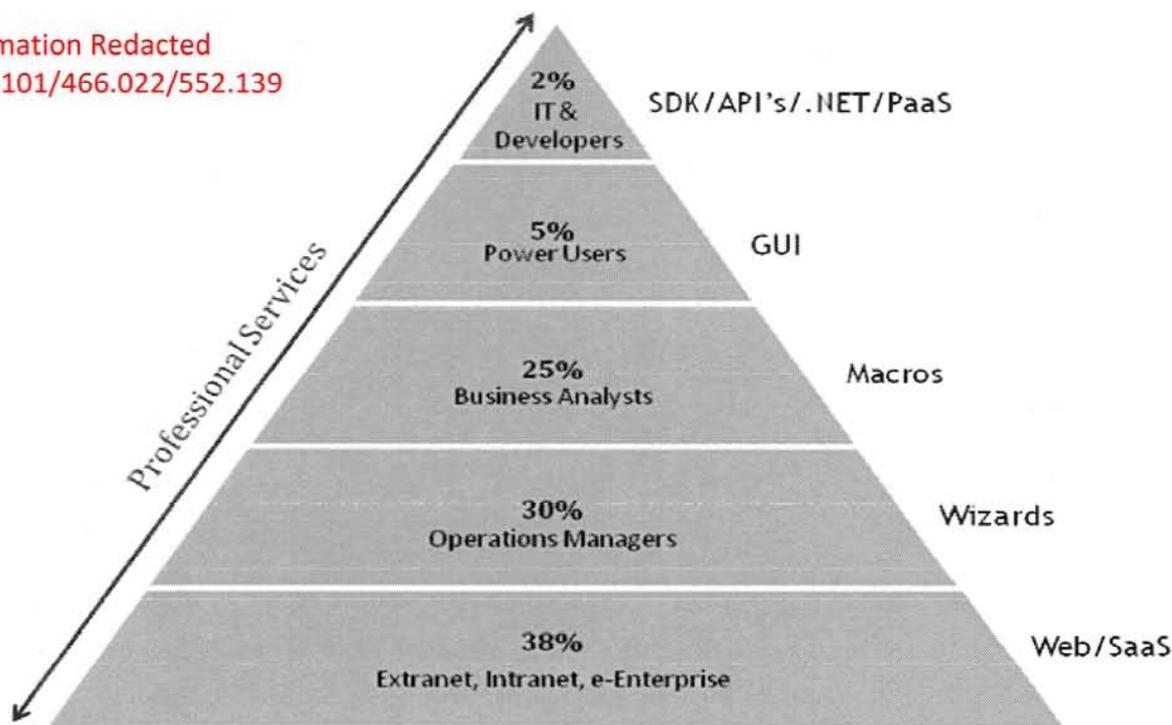


Figure 8.8-13:

Also, since the [redacted], completed applications can be rapidly deployed in various ways to support users at every level of an organization's technology skills pyramid. These deployment methods include desktop wizards, Web wizards, and integration with other applications.

[redacted] to many source databases and their associated file formats, including [redacted]

An example of the fact that [redacted] treats spatial data as just another format is its equally strong support for the [redacted]

[redacted] also offers seamlessly integrated, award-winning [redacted] from third party vendors to be used with [redacted]. In many instances, these [redacted] technology for [redacted] from within applications our customers build with this technology. As a result, Alteryx has developed strong relationships with numerous data providers and currently offers datasets for more than thirty countries, with the capacity to add proprietary or new datasets easily at any time.

One particularly important collection of [redacted] is the [redacted]. While [redacted] without this package still includes an entire library of spatial tools that customers can utilize with their own spatial data, the [redacted] package provides key spatial datasets from some [redacted] data reseller partners that unlock the full power of the [redacted] spatial analysis capabilities.

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Because Alteryx uses a simple drag-and-drop approach to constructing flexible applications, previous programming or database development is not required. Analysts focused on business processes can quickly become productive, and can deploy completed tools to an increased number of decision makers who rely on significant geographic business intelligence insights.

Users with more technical backgrounds find that automates best-practice software development methods and provides more advanced development tools, which enables them to connect to other key business applications, or create more customized data analysis processes.

Toolkit Canvas – The unique drag-and-drop workspace enables users to run applications or modules as they are being developed, instantly accessing, processing and presenting data. Data anywhere along a diagram stream can be browsed as a map, graph, table or other visual element, satisfying RFP Table 100, Detail Requirement 10. These data flow inputs and outputs can be shared between modules, or used to populate elaborate, reusable report layouts, which are designed easily using this very familiar drag-and-drop content development methodology.

As mentioned previously, a is available for that provides and enables numerous spatial analysis capabilities. The components of this option, which satisfy RFP Table 100, Detail Requirement 9, are:

- 1990 and 2000 U.S. Census data (over 5 million block centroids covering every Census-defined block in the U.S., along with each block centroid's latitude and longitude and the corresponding population and household count for that particular block). In conjunction with this data, can create standard or custom-defined trade areas in specific geographies, and can then analyze only the Census data that is contained within those trade areas.
- Geographic boundary files for areas, such as cities, counties, and postal carrier routes are also used in connection with the Census data (and other datasets, separately available) to create the standard and custom geographies to analyze.
- Street reference layers for atlas-quality mapping (over 50 high-quality US map layers are included with information about interstate highways, local roads, lakes and parks, and so forth).
- Address tools and data for geo-coding addresses, address cleansing and standardization (using CASS), and finding ZIP+4 locations. Geo-coding provides the ability to determine a latitude and longitude of an address, intersection, or ZIP Code and assign a spatial object - or at what point on earth that physically is. A spatial object is necessary for visualizing data on a map and creating circular or drive-time trade areas.
- Functionality for calculating drive-times and distances from source to destination points, and to create drive-time trade areas.

provides five powerful methods for easily packaging and deploying corporate business best practices throughout your enterprise, using the above deployment approaches.

Desktop Wizard – After a module has been developed within the interactive module development environment, users can easily create simplified, fill-in-the-blank forms, known as wizards, which can collect new input and program execution parameters as needed to execute the original process using these new instructions. These forms, accessed either as dashboard or desktop macros and Web services, interact with modules directly, bypassing entirely the interactive operation of the development environment.

This tool can also be used to satisfy RFP Table 100, Detail Requirement 12, in which Scientific Games will identify up to 2,000,000 Texas households and produce a list of these households for uses by the Texas Lottery.

Web Services – Using recently enhanced and rapidly evolving web services, extends its remarkable technology platform over the web to help a growing community of users build and deploy solutions in hours or days, not weeks and months. These Software as a Service (SaaS) solutions, built using the

) are highly customized web applications capable of achieving the kinds of speeds and data throughput capabilities demonstrated today by the enhanced

Modules Saved as Macros – A module can also be saved and used as a macro within appearing as a single icon, like any other menu tool, ready to be used in the building of other modules. This feature provides developers with a means of deploying best practices among their enterprise's users, and supports a simple and manageable library approach to controlling the sharing of every development effort and asset.

Command-Line Module Access – modules also can be called directly using command-line instructions. modules can be executed as scheduled run-time batch files or can be initiated using conventional command-line controls.

Other Tools and Capabilities

- **Data Quality and Data Integration** – Key capabilities include fuzzy matching, parsing and filtering of records, data joins and aggregations, and assembling data into groups based on key relationships
- **Data Query and Manipulation** – extremely fast data indexing, counting, linked table queries, data retrieval and list generation, dynamic selection of input variables, and many other data management capabilities
- **Reporting, Mapping, and Visualization** – offers a suite of tools to help users create reports that can include tables, charts, maps, graphs, images, and other reporting formats. The combined ability to create reports that include numerical, graphical, and mapping output delivers more impact, reveals greater insight, and enables the relationships between data and locations to be visualized.
- **Geographic News Search** – Real-time news and information about any geographic area of interest can be added to the quantitative analysis performed by applications. Integration with a vast library of news feeds ensures that the most current news will be provided.

National and Texas Specific Syndicated Data

A leading multi-media supplier will provide a comprehensive demographic, lifestyle, product usage and exposure to all forms of advertising media collected from a single sample. This leading U.S. supplier of multimedia audience research provides information to:

- Magazines
- Television
- Radio

- Internet and other media
- Leading national advertisers
- Over 450 advertising agencies

This supplier conducts more than 26,000 personal interviews with consumers annually throughout the continental United States. Their Survey of the American Consumer is the basis for all of the data sources they complete and represents their commitment to produce the most reliable and comprehensive consumer marketing and media database available.

During each wave of data collection the media choices, demographics, lifestyles, attitudes and usage of almost 6,000 products — including lottery products — in 550 categories is collected from a representative sample that is projected out to replicate the 226 million adult consumers in the U.S. In addition to accurately representing the average American, the Spanish-speaking market is fully represented. The high response rate among Spanish-dominant consumers is strong evidence of the power of the personal interview, a core methodology for this multi-media supplier.

Segmenting customers by their responses to psychographic questions is key to delivering insights into their core motivations and beliefs that are unavailable with stand-alone demographic analyses. Currently 28 psychographic segmentations are offered in nine categories that include:

- Advertising and Media
- Community, Politics, Environment and Attitudinal Outlook
- Fashion and Shopping
- Finance
- Health and Nutrition
- Sports and Leisure
- Technology
- Travel and Transportation

Any of the above psychographic segmentations and previously mentioned product category batteries can be used to develop of custom Player at a Glance analysis for the Texas Lottery. Additionally, all of the psychographic batteries and segmentations can be cross-tabulated against hundreds of demographic and lottery product categories including the following generation groups:

- Millennials
- GenXers
- Boomers
- Early Boomers
- Late Boomers
- Pre-Boomers

Additionally, Market by Market reports on everything covered in the larger Survey of the American Survey but at the local DMA level. Lottery play behaviors can be cross-tabulated by targeted consumer segments within each DMA — such as Hispanics, Baby Boomers — can be identified and quantified in local markets without loss of data reliability.

8.8.4 RESEARCH AND DEVELOPMENT STAFF

Response Requirement 6: *The Proposer must identify the research and development staff whose full-time responsibilities are to conduct research on new selling opportunities and new marketing strategies. Proposers must also identify any staff who may assist with these activities, but will not be assigned to the Texas Lottery account on a full-time basis.*

IN-STATE RESEARCH AND DEVELOPMENT (DEDICATED)

Organizations rarely find individuals who are adept at not only building infrastructure to create actionable information, but who can also interpret that information into strategy and product. The Texas Lottery will find this unique skill set in our offered Research Associate, Cameron Garrett. Cameron holds a Bachelor's Degree in International Business from Rollins College and is a recipient of the 2009 Global Excellence Award in Marketing, an elite Scientific Games employee award for outstanding accomplishments. In his current role as Senior Marketing Analyst, he has developed a number of automated reporting and analysis systems, has authored numerous industry white papers, and is an active member of Scientific Games' Emerging Market Council. His strong analytical and strategic skills will allow him to work closely with the Instant and Online Product Specialists on a regular basis to provide research and development support. Cameron will be an extremely valuable resource on-site for the Texas Lottery.

Scientific Games will also hire two additional specialists to assist with the development of new games in both the instants and online categories. The Instants Product Specialist will be Jason Durbin, currently Instant Account Manager for Scientific Games in Florida. He has 10 years of direct lottery experience working for one of the largest U.S. lotteries with one of the most successful instant game programs. The Online Product Specialist will be Liz Dimmick who is currently the Regional Marketing Manager for Scientific Games for the Tri-state Lotteries of Maine, New Hampshire and Vermont.



An in-state research group capable of developing data into product and strategy recommendations.



Cameron Garrett

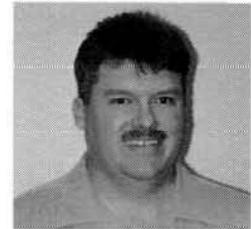
She is a 23-year lottery veteran, having worked closely with the New York, Minnesota, and Delaware Lotteries prior to her current assignment. Liz has been instrumental in the launch of many new and innovative game launches and game enhancements with the Tri-state Lotteries including the migration of the in-state lotto Megabucks to a \$2 price point, the introduction of an instant win online product category known as Fast Play, and the launch of the first multi-state raffle in the U.S.

CORPORATE MARKETING RESEARCH AND PRODUCT DEVELOPMENT (NON-DEDICATED)

Along with the local staff, our corporate marketing and research group will work in partnership with the Texas Lottery. We do not just view ourselves as Scientific Games' research department; we truly see ourselves as the Texas Lottery's partner in conducting good, sound research.

Our research team led by Jennifer Welshons, Vice President of Global Marketing, will strive to assist the Texas Lottery in accomplishing its research objectives. In her eleven years of involvement with lottery research, she has had the unique opportunity of working on hundreds of projects covering a wide variety of industry topics, testing numerous new products and investigating many jurisdictions-both domestic and international. Her expertise includes qualitative and quantitative methodologies, as well as many facets of secondary data analysis and strategic marketing. After receiving her Master's Degree in communication research from the University of Florida in 1994, Jennifer worked on the supplier-side of research designing and managing projects for a variety of industries. She worked with customers such as The Coca-Cola Company, McDonald's, Procter & Gamble, Miller Brewing, Kimberly Clark, Clorox and even Scientific Games to test new products, design new packaging and determine optimal retail shelf layouts. When she joined Scientific Games in 2000, she moved over to the client side of marketing research, bringing with her the unique supplier side perspective. This view of both worlds has proven invaluable in her ability to relate to lottery customers in their quests to procure the appropriate research, while still maintaining and understanding the research vendor side of limitations and boundaries. This foundation of research is the basis for the global marketing strategy and recommendations that are produced by Jennifer's team. Scientific Games believes that a thousand opinions bow to a single fact and we diligently apply this data-driven perspective to our work. This proven approach is something Jennifer and her team will rely upon in assisting the Texas Lottery with its marketing and research efforts.

Of course, none of the marketing and research projects Scientific Games has been a part of could have been done by a team of one. There are many other extremely talented individuals that make up our competent group. Another individual who will lend support to the Texas Lottery in the area of research and development is Ambika Jack. Ambika is Scientific Games' Director of Global Research and is experienced in research design and methodology, statistical software, data analysis, report writing and questionnaire development. She received her Master's Degree in Educational Psychology with an emphasis in research, evaluation, measurement and statistics, from the University of Georgia in 2003.



Jason Durbin



Liz Dimmick



Jennifer Welshons



Ambika Jack

She currently serves as the Chair of the AMA's Market Research Group in Atlanta. This position allows her access to the latest alternatives in research vendors and methodologies which she is able to pass along to Scientific Games customers. Ambika serves as a point of contact for design and coordination of primary research projects (e.g., focus groups, tracking studies, segmentation studies, etc.) for 30+ domestic and international lotteries, as well as development of large-scale internal research initiatives. Her team is also the central source for U.S. and international lottery sales data and provides support to the Analytics group which relies on this ongoing accurate information for statistical modeling to help better predict future sales. She will routinely work with the on-site staff to ensure the Texas Lottery's needs are being met with full satisfaction.

As described in **Section 8.3.2**, Leslie Badger as Senior Director, Lottery Product Marketing along with the Corporate Game Design Team will also assist with the product development initiatives of the Texas Lottery. This support will be both in terms of new selling opportunities such as online game design and promotions planning, as well as marketing strategies that allow for better retail execution such as alternative terminal types, different or new ways to promote the lottery product category, and merchandising options for various retailer types.

Pam Lee will continue to serve the Texas Lottery account in the capacity of Senior Regional Sales Director. She has more than 17 years of marketing experience with 15 years of lottery-specific experience at Scientific Games, and more than five years specific experience with the Texas Lottery. She will continue in her present role to support the Lottery's Executive Management and Products Team. She has great experience with supporting sales and marketing initiatives for both instant and online games and promotions as well as advertising campaigns. Pam was nominated by the Kentucky Lottery and received a Powers Award in 2009 for her outstanding customer service. She was recognized for this accomplishment by the lottery industry as well as her customers and peers during the NASPL Conference in Oklahoma City. This award is further testament to Pam's immeasurable skills and the valuable insights that she brings to her customers. Pam is also well-versed in strategic planning, game design and prize structure development. Given her expertise, she has overall account responsibility for many of Scientific Games' largest customers, including the Texas Lottery account. Pam will work directly with



Scientific Games has the most comprehensive database of secondary lottery information in the world.



Leslie Badger



Pam Lee

the Scientific Games in-state marketing team to develop new and enhanced games and promotion strategies that will continue to grow sales for the Texas Lottery as they strive to positively impact the return to the Foundation School Fund.

Rhonda Gillen is Scientific Games' Director of Creative Services and is responsible for managing the creative services team and new product development activities. Rhonda will be an invaluable resource to the Texas Lottery's sales and marketing team, providing game designs, promotional programs, and sales and marketing presentations. Rhonda has over 16 years of lottery experience and over 25 years of marketing and promotional experience, including ten years with Alcone Marketing, the California Lottery's promotions agency. Since joining Scientific Games, she has been responsible for managing game design and providing sales and marketing support on a variety of special projects.



Rhonda Gillen

Jeff Martineck is Scientific Games' Vice President of Instant Product Development and will play an instrumental role in developing new types of instant games and instant game features designed to increase sales and revenues for the Texas Lottery. Jeff is a 20 year lottery veteran and has held a variety of marketing and product development positions for both instant and online product categories. Jeff started out as an LSR for the Connecticut Lottery and then became their Online Product Manager. At Scientific Games, Jeff was a Regional Director until 2006 when he was promoted to Vice President of Instant Game Product Development. In this capacity, Jeff is responsible for the development of value-added printing features for instant games as well as exploring new and improved instant game distribution methods. Jeff also heads up Scientific Games' Discovery Team, discussed earlier in **Section 8.8.2**.



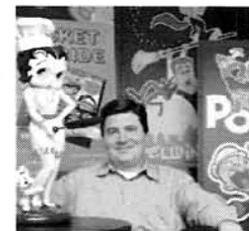
Jeff Martineck

Bev Opie will continue to serve the Texas Lottery account in the capacity of Vice President of Licensed Property Sales. She has over 30 years of marketing and product development experience, more than 20 of which have been in the lottery industry, and eight serving the Texas Lottery. She will continue in her present role to support the Lottery's Executive Management and Products team, utilizing licensing initiatives for both instant and online games and promotions as well as advertising campaigns.



Bev Opie

Bev has worked with almost every Lottery in North America on licensed games and promotions. She was actively involved in producing brand research specifically for the Texas and Hispanic markets. She will continue to work directly with the Texas Lottery Commission staff and with the Scientific Games in-state marketing team to develop appropriate branded games and promotions that will continue to grow sales for the Texas Lottery as they strive to positively impact the return to the Foundation School Fund.



Kyle Rogers

Kyle Rogers will continue to serve the Texas Lottery in his current position as Vice President and General Manager of MDI Entertainment, a position he has held for more than five years. Kyle is a 15 year lottery industry veteran, having worked ten years at the Virginia Lottery in a variety of marketing and product development positions, ultimately serving as the Virginia Lottery's Director of Marketing. Currently, Kyle is responsible for all aspects of licensed games,

from license acquisition, through game development and launch. Kyle will continue to look for opportunities to grow sales and revenues for the Texas Lottery through the creative utilization of licensed properties and their ability to generate excitement among existing players as well as bring in new players.

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8.8.5 RESEARCH AND/OR DATA ANALYST STAFF

Response Requirement 7: The Proposer must identify the research and/or data analyst staff whose full-time responsibilities are to respond to special reporting requests, develop/respond to requests for specialized sales analysis, etc. Proposers must also identify any staff who may assist with these requirements, but will not be assigned to the Texas Lottery account on a full-time basis.

IN-STATE RESEARCH AND DATA ANALYST (DEDICATED)

As mentioned previously in **Section 8.8.4**, Cameron Garrett will serve as the Research Associate on-site in Texas. In addition to his strong strategic skill set, Cameron is extremely competent in the area of data infrastructure and analysis. He is well-versed in prize structure analysis, retailer optimization analysis, geo-demographic analyses, financial reporting, and advanced retail metrics. He is an expert in _____ and has advanced proficiency in _____



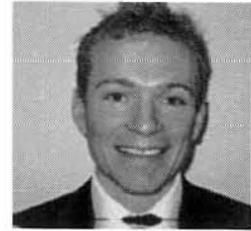
Cameron Garrett

_____ of analytical products. He will use his _____ skills to provide geo-demographic analyses for Texas such as retailer optimization, territory alignment, and direct mail lists. Cameron will make use of the variety of marketing information systems maintained by Scientific Games' corporate marketing group, such as _____. With access to game information and sales data for thousands of weeks of online and instant games, he will be able to provide the Lottery with robust analyses of what has happened in the market and predictive models for the future. He is extremely talented in all facets of data infrastructure, analysis and strategic recommendations. This combination of development and analytics is why he is the perfect fit to support the Texas Lottery organization.

CORPORATE MARKETING ANALYTICS SUPPORT AND INFORMATION SYSTEMS (NON-DEDICATED)

Without a doubt, Scientific Games has the most robust analytical capabilities in the industry. This is in no small part due to the extremely talented staff that supports our analytics and marketing information systems. The local Texas Research Associate will benefit tremendously from the work done in Alpharetta by this team. This group ensures data integrity among all of our internal reporting systems, as well as assembles that information into actionable reports to be interpreted and applied by the various lottery account teams. This includes the production of items such as the State-of-the-State analyses, Sales Index Analyses, Game Planning books and calendars, and prize structure analyses. They are the foundation for providing quality data throughout the organization. Additionally, this team is at the forefront of cutting edge analyses; those aimed at not just understanding what has happened in the market, but preparing for what will potentially happen.

Leading the charge with Scientific Games' Analytics Team is Christopher Allen, Director of Performance Marketing. Along with a team of talented analysts, Chris has taken our Analytics capabilities to a whole new level. Since joining Scientific Games in 2005, he has been working on developing marketing performance and management solutions. Prior to his current role, Chris worked as a Senior Analyst in Sales, Marketing and Operations in the largest Cable Telecoms company in the UK. He also has experience in mobile telecommunications and insurance and holds a BEng in Civil Engineering and Management from Leeds University.



Christopher Allen

The foundation for these more sophisticated analyses lies in solid data synthesis and general analysis. With the number of automated marketing systems Scientific Games employs, it is critical that the information be accurate, timely and evaluated on a regular basis in general ways. Supporting this effort is Jennifer Hunter, Marketing Specialist Supervisor, and her team of qualified marketing specialists. Jennifer joined Scientific Games in 2003 as a member of our customer service department. Since 2005, she has been an integral part of the marketing group and is able to employ her lottery customer service background, as well as her Communications Degree from the University of Florida, in providing quality analyses to the various lottery account teams.



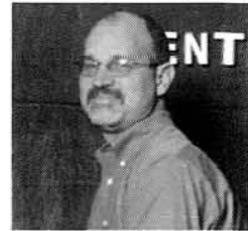
Jennifer Hunter

Often times, special products need special analyses and that is clearly evident when it comes to licensed brands. Products that make use of popular consumer brands have not only value from a retail sales perspective, but also in their ability to expand reach and playership. Because of their unique nature, Scientific Games has a dedicated resource assigned to the analysis of branded properties. Since joining the company in 2008, Amanda Saferin, Sales and Marketing Analyst, has specialized in this area. While completing her Master's Degree in Public Communications and Marketing from American University in 2007, Amanda worked as an intern at MDI, a wholly owned subsidiary of Scientific Games. This experience allowed her to develop her expertise and focus her graduate studies on the lottery industry and the capability for overcoming opposition and attracting emerging markets through strategic communication and marketing programs. In her role as Sales and Marketing analyst with Scientific Games, she supports licensed lottery products, serving as the point person for custom licensed product analyses, research and general sales support for Scientific Games' branded division, MDI. Through her collaboration with domestic and international sales staff located around the world, Amanda provides quantitative and qualitative information, analyses and written reports, supporting their objective and specific to their client. She assists in the creation and evaluation of strategic integrated marketing and communication promotions and develops property-specific information utilizing licensor contacts, secondary research and primary research commissioned by Scientific Games. She is often called upon to provide custom analyses investigating the difference in the player base of a branded game versus regular ones. She will undoubtedly be a valuable resource for the Texas Lottery as they explore the potential for applying branded properties to both the instant and online game portfolios.



Amanda Saferin

As mentioned previously, we truly believe that our analytical capabilities are unmatched in the industry. One of the areas we have concertedly focused on over the past several years is implementing automated tools to help us organize and disseminate information in the most usable formats. To successfully accomplish this endeavor took bringing on someone who could serve as a true link between marketing needs and systems constraints. We found just that person in Eric Mitchell, Senior Director of Marketing Information Systems. Eric has been involved in software development for the past 19 years. After graduating from Georgia Tech with a BS in Computer Science, he joined a start-up telecommunications company before joining Scientific Games in 1997. During his tenure with Scientific Games, he has participated in the design, development, and deployment of instant ticket distribution, lottery retailer POS, and lottery central host systems. He started with Scientific Games as senior programmer in the instant systems department developing ticket distribution and validation systems. He has since worked within Scientific Games as a systems analyst for online, architect for retail solutions, software development manager, and director of business analysis. He has been involved in many of Scientific Games' start-ups and conversions as well as worked with existing customers' maintenance. In his current role as Senior Director of Marketing Information Systems, Eric applies his broad expertise by collaborating with Scientific Games' team members to design specific modules and systems that provide unparalleled marketing guidance aimed at driving revenue for our customers.



Eric Mitchell

SUMMARY

As the previous pages show, we take research and product development seriously at Scientific Games. We are proud of our extensive experience in these two inter-related disciplines and continue to be the industry leader in bringing exciting new products — both instant and online — to market. In fact, we consider market research and product development so important to the success and growth of our customers, that we don't just charge our sales and marketing people with these responsibilities — we have entire departments dedicated to these disciplines and these departments are lead by some of the most talented people in our industry.

Our Fullline approach to research and product development means that our customers benefit from a perspective that goes beyond just instant game development or online game research. We understand the impact these two products categories can have on each other and have learned how each can support the other at the retail level and in the minds of players. Our research and product development efforts take the entire portfolio of games into consideration when charting growth strategies for our customers.

We have made sure that our research and product development teams have access to the most powerful tools and the most respected suppliers available to assist them in driving sales and revenues for our customers. From our advanced geo-demographic tool, Alteryx, to our partnership with Mediamark Research Incorporated, we have created a research and product development engine that is the heart and soul of our sales and marketing efforts.

We are excited about the prospect of putting our research and product development engine to work for the Texas Lottery and believe there is no company more capable of growing your sales and revenues than Scientific Games.

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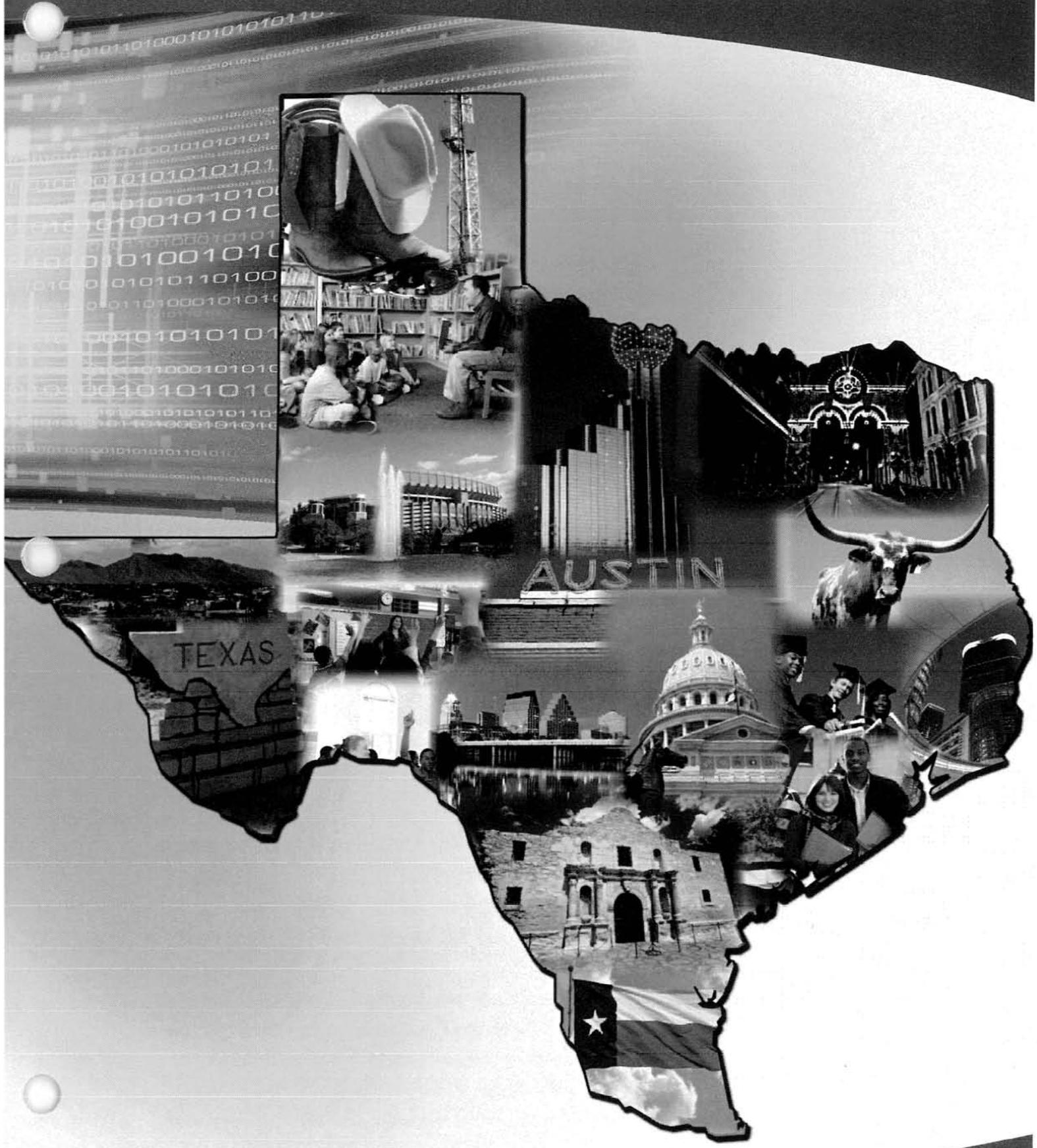


TEXAS LOTTERY

PART 9: SUMMARY

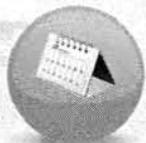


PART 9: WAREHOUSE AND DISTRIBUTION



WHY SCIENTIFIC GAMES FOR TEXAS

EXPERIENCE



- **Scientific Games pioneered the concept of providing lotteries with customized partnership programs and is the industry leader in the delivery and operation of complex instant ticket-management programs.**

Our worldwide experience converting and starting up 27 secure warehouse and distribution operations means Texas Lottery's current operations will be transitioned to the new warehouse as seamless as possible with little to no interruption of service to your retailers.

Scientific Games has designed, implemented, and operated lottery instant game warehouses in the U.S. since 1985.

Our proposed Cooperative Services Program (CSP) plan has been successfully deployed in several locations similar in scope to the TLC, including domestically in Florida and Pennsylvania, and internationally for the Italian National Lottery-Consorzio Lotterie Nazionale "Gratta e Vinci," and the China Sports Lottery.

Within the last five years alone we have completed CSP implementations seven domestic Lotteries, and expanded our cooperative service offerings internationally in Germany, Italy, the Ukraine and China.

Scientific Games' CSP program administers and manages instant game operations that provide a comprehensive suite of services for more than 200,000 retailer selling points worldwide. With a staggering return of more than \$10 billion in instant sales in FY09, our CSP customers have experienced dramatically positive results, including improved on-tin delivery, expedited retail ticket order fulfillment, and the elimination of ticket inventory shortages. Most importantly, utilization of our sophisticated CSP processes has helped our customers realize sales growth that significantly exceeds the overall industry average.

- **Scientific Games' proposed dedicated warehouse and distribution leadership staff has outstanding qualifications.**

We understand that staffing a warehouse and distribution operation with a collection of unfamiliar professionals can introduce risk for your business; this is why Scientific Games proposes the "right" team of people with lottery-specific experience. The proposed leadership team is best suited for the Texas Lottery to strategically align your business with current initiatives and those planned for the future. They are empowered to bring to you the resources needed to assist you in meeting your future goals. Scientific Games will dedicate three highly qualified, on-site warehouse and distribution management professionals to the Texas Lottery warehouse and distribution operations, including:

- *TLC Deputy Director Instant Ticket Services – Scott Ross*
 - 29 year lottery career in a wide range of instant ticket management roles
 - Key prior experience: China, Arizona, New Mexico, Florida
- *TLC Warehouse Manager – Jeremy Swanson*
 - 14 years warehouse operations experience, including six years lottery experience
 - Key prior experience: Arizona, Oklahoma, Georgia warehousing setup and operation
- *TLC Inside Sales Manager – William "BJ" Nugent*
 - 5 year lottery veteran with expertise in various inside sales roles
 - Key prior experience: Pennsylvania Tell-Sell management



WHY SCIENTIFIC GAMES FOR TEXAS

This talented team represents more than 40 years of lottery experience and is ready and able to ensure a smooth transition and deliver improved instant sales and profits to the Texas Lottery. Scientific Games will complement this leadership team with qualified local hires in Texas and, where appropriate, work with the Texas Lottery and the outgoing vendor to transfer qualified current employees to Scientific Games.

- **Scientific Games' proposed account team is comprised of the leading industry experts in the field of instant ticket warehouse and distribution services.**

We have made a strategic investment to recruit and retain the most knowledgeable and experienced lottery industry personnel in the market today. Collectively, our corporate account support group has hundreds of years of industry and corporate knowledge, including:

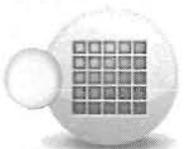
- *Jim Trask, Senior Vice President Global Printing Operations*
 - 24 year lottery career in all aspects of lottery business including instant tickets, lottery systems, marketing, and quality operations.
 - Key prior experience: Leading executive in four gaming organizations.
- *Jim Kennedy, Senior Vice President Sales and Global Marketing*
 - 25 year lottery career in all aspects of lottery business including lottery game design, marketing, research, and product development.
 - Key prior experience: Recipient of the NASPL Powers Award.
- *John Schulz, Vice President Instant Ticket Services*
 - 25 year lottery career in all aspects of lottery business including instant tickets, online lottery, and commercial game operations.
 - Key prior experience: Leading industry expert in instant ticket services.
- *Pam Lee, Senior Regional Sales Director*
 - 15 year lottery career in all aspects of strategic planning, game design, and prize structure development.
 - Key prior experience: 5 years working with the Texas Lottery. NASPL Powers Award.
- *Cherie Peyton, Senior Project Warehouse Implementation Manager*
 - 6 year lottery career with expertise in large instant ticket service deployments.
 - Key prior experience: Pennsylvania, Florida, China, Puerto Rico.

These team leaders, with an average of 22 years of lottery experience, are key differentiators that will noticeably benefit the Texas Lottery and establish Scientific Games as the preferred partner for the Texas Lottery.

DIFFERENTIATORS

- **Scientific Games is the only company in our industry to dedicate a 200 person division to the operation and improvement of instant ticket services.**

Scientific Games understands the critical importance of warehouse and distribution conversions and implementations. Scientific Games was the first vendor in our industry to realize the importance of a dedicated instant ticket services



WHY SCIENTIFIC GAMES FOR TEXAS

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division. Our dedicated division works as a unit to improve the efficiency and profitability of each of our CSP customers. All personnel assigned to implement the Texas Lottery's warehouse and distribution operations are selected from the over 200 employees in our instant ticket services division. This is the largest resource available in the industry. Their skills and experience will ensure a smooth transition of the services necessary to perform the day-to-day operational and administrative tasks for the Texas Lottery. More importantly, the ongoing team dedicated to Texas Lottery will proactively work to increase your instant sales.

- **Scientific Games is proposing the most advanced, efficient and accurate pick-and-pack operation available in the marketplace today with the**

We propose a leading edge automation system that is designed and scaled specifically for the Texas Lottery's warehouse operations. We have been working with automation experts to develop this solution to improve order accuracy, efficiency and security for our pick and pack operations. The system has been operating in Pennsylvania since August 2007 and in Florida since early 2009. The system is based on sorting technology used by major businesses including Wal-Mart, Fuji Color

Processing, Armitron and others to securely pack and ship products including jewelry, watches, electronic goods and other valuables. The crossover to our industry is straight forward and integrates perfectly complementing our existing warehouse workflow and procedures. This benefits the Texas Lottery by increasing operational efficiency, providing real-time tracking capabilities, and higher work flow accuracies. The is the most efficient and accurate process for managing, fulfilling and storing instant ticket orders in the industry today.

- **Scientific Games is the industry leader in the delivery and operation of complex instant ticket service programs.**

Scientific Games has designed, implemented and operated instant ticket game warehouses in the U.S. since 1982. We pioneered the concept of providing lotteries with customized partnership programs for instant ticket services. Globally, we have converted and implemented 27 secure warehouse and distribution operations. We work with many of the world's largest lotteries in the delivery of instant ticket warehouse and distribution services. We are highly experienced in converting large scale, mature lotteries like the Texas Lottery. We've been successful in environments of similar complexity and scale as the Texas Lottery. In the last five years, we've delivered similar services to large lotteries including; Florida, Pennsylvania, Italy, China, and to smaller lotteries including; Germany, Ukraine, Puerto Rico, Arkansas, Oklahoma, and Washington D.C. In fact, more U.S. lotteries trust Scientific Games with their warehouse and distribution services than all of our competitors combined. Scientific Games is the preferred partner of choice for lotteries around the globe in lottery warehouse and distribution services.

- **Free instant printed licensed games including free use of scientific games' industry leading brands.**
As found in more detail in **Section 8.3.3** and **Section 9.2.1**, Scientific Games is pleased to provide access to our 3rd party licensed brands for use by the Texas Lottery in their online and instant game portfolios. This includes the use of 3rd party licensed brands with no fees (both online and instant games) and access to free printed instant games that utilize our 3rd party licensed brands, including the services of our instant game design teams, secure instant game programming, printing and delivery of the games to the Texas ITMs point of delivery warehouse in Austin, Texas. This



WHY SCIENTIFIC GAMES FOR TEXAS

Offered Option included in the base price provides superior value to the Texas Lottery in the area of instant ticket games and provides the Lottery with an exceptional opportunity to connect with their players at retail.

BENEFITS



- **Scientific Games proposes the newest and highest level of services to proactively increase the Texas Lottery's retailers visibility on shipments.**

Our distribution recommendation is to [redacted] to deliver ticket orders and to utilize their real-time electronic tracking capability to ensure on time and accurate delivery.

[redacted] and efficient delivery service. [redacted] are made from marked, official UPS brown package delivery trucks and their [redacted] in [redacted] projects a positive, professional image not only for [redacted] but for our lottery partners as well.

[redacted] understands Lottery retailers and the times of delivery expected by these retailers and have been up to the task of delivering products to retailers with a 99.8% rate of on-time deliveries. The recommendation to use UPS to deliver ticket orders will allow for a smooth transition from the outgoing vendor's current use of [redacted] services. Should the situation arise where our primary courier contractor (UPS) is unable to fulfill the delivery requirements as specified, Scientific Games also maintains relationships with HUB and local contractors to provide delivery services statewide with little or no disruption in service.



**Confidentiality Claimed
Not released**

WHY SCIENTIFIC GAMES FOR TEXAS

RISK MITIGATION



- **Scientific Games operates with ISO 9000:2001 certified warehouse and distribution procedures and understands security for the entire lifecycle of the instant games.**

Deployment of ISO 9000:2001 certified warehousing and distribution procedures ensure the Texas Lottery the highest quality standard in the industry in terms of accuracy, accountability and security. Scientific Games' ISO-certified procedures and systems provide full control and audit tracking for tickets under our control. Scientific Games will provide ongoing extensive training courses for employees that will include all proper procedures for working within the warehouse, the Automatic Sorting System and returns processing. We will also conduct Inside Sales training for the inside sales team to reinforce the need for security, safety and the importance of personal integrity. All training procedures will be documented and assessed during our next ISO certification audit.



- **Scientific Games' Security Operations Plan addresses the day-to-day security concerns of the lotteries we serve.**

Our security programs combine and overlap to provide oversight, accountability and separation of duties to preserve our, and the Texas Lottery's, integrity. Scientific Games will comply with Texas Lottery approved management and security procedures and rules for the receipt, storage, assignment, delivery, return and destruction of materials associated with lottery products. The proposed secured central warehouse will meet or exceed the stated lottery requirements for the shipping and receiving of instant tickets functions. Additional built-in security systems and reduced physical handling of ticket packs enhance accountability and simplified tracking control of ticket packs in the warehouse.



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- **Scientific Games' ISO-certified procedures and systems that provide full control and auditability for tickets under our control extend to our processes for the destruction of ticket stock.**

s.

The Warehouse Supervisor at _____ facility and a designated representative from the Texas Lottery will coordinate their efforts to ensure that all materials are properly accounted for prior to the materials being shipped to _____ for destruction. A designated representative from the Lottery will then be required to authorize the shipment of these materials to _____ thus designating approval for their destruction.

At all times,
Texas Lottery's review.

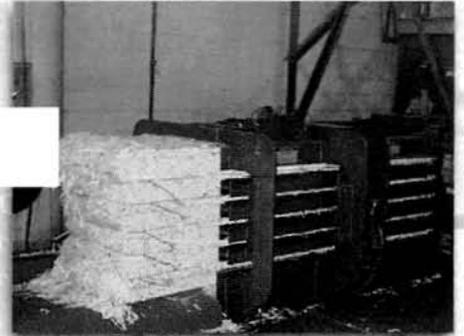
produced. Through these procedures, inventories and reports, a clear audit trail will be created to ensure full

WHY SCIENTIFIC GAMES FOR TEXAS

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accountability in every step of the ticket destruction process. The destruction of tickets and other materials will be performed only with permission of the Texas Lottery. Should the Lottery want to directly supervise this process, ticket destruction will be scheduled as necessary at

Once the tickets are destroyed and verified, a letter confirming this fact will be sent to the appropriate Texas Lottery officials by a member of Scientific Games' security department. It will also be signed, if applicable, by the Texas Lottery staff member who was present at the time of destruction. In lieu of Lottery security personnel to personally observe the ticket destruction process, scenario, will serve as witnesses.



- **Scientific Games' proposed inside sales program has many features and benefits for the Texas Lottery.**

Our approach is based on our experience in staffing and operating similar inside sales, warehousing and distribution programs for some of the industry's leading lotteries, including Arkansas, Delaware, D.C., Florida, Oklahoma, Pennsylvania, and Puerto Rico, has many proven benefits, including the following:

- **Phone Monitoring System** – Supervisors are able to monitor any incoming or outgoing calls at any individual ISR station. All ISR calls are recorded and made available to the Lottery upon request.
 - **Remote Monitoring** – The Texas Lottery can silently monitor Inside Sales Reprehensive (ISR) calls remotely via a secure web page.
 - **Phone Tracking System** – Tracks all inside sales phone calls by the individual ISR, the number of calls, the length of the calls, and the time on hold.
 - **Pack Status** – The status of any given pack of tickets is available for viewing by ISRs at any time. This includes in-transit, received, activated, and settled packs.
 - **Sales Information** – Sales prediction formula is based on "live redemptions" by individual game as assigned to individual retailers, not by distribution numbers.
 - **Order History** – Retailer order history is available online for a lottery-defined period. It is not based on the number of previous orders.
- **Back-up Distribution Facility Contingency Capability**

To ensure the most reliable instant ticket operations possible, Scientific Games will offer as part of our Business Continuity Program, the use and benefit of storing tickets in one of our national distribution centers. Scientific Games is prepared to ship tickets to retailers from one of these facilities should the need ever arise. This is an Offered Option included in the base price.





TEXAS LOTTERY

PART 9: WAREHOUSE & DISTRIBUTION



A WORLD OF POSSIBILITIES



JOHN SCHULZ

Vice President
Instant Ticket Services



A MESSAGE FROM JOHN SCHULZ

Vice President

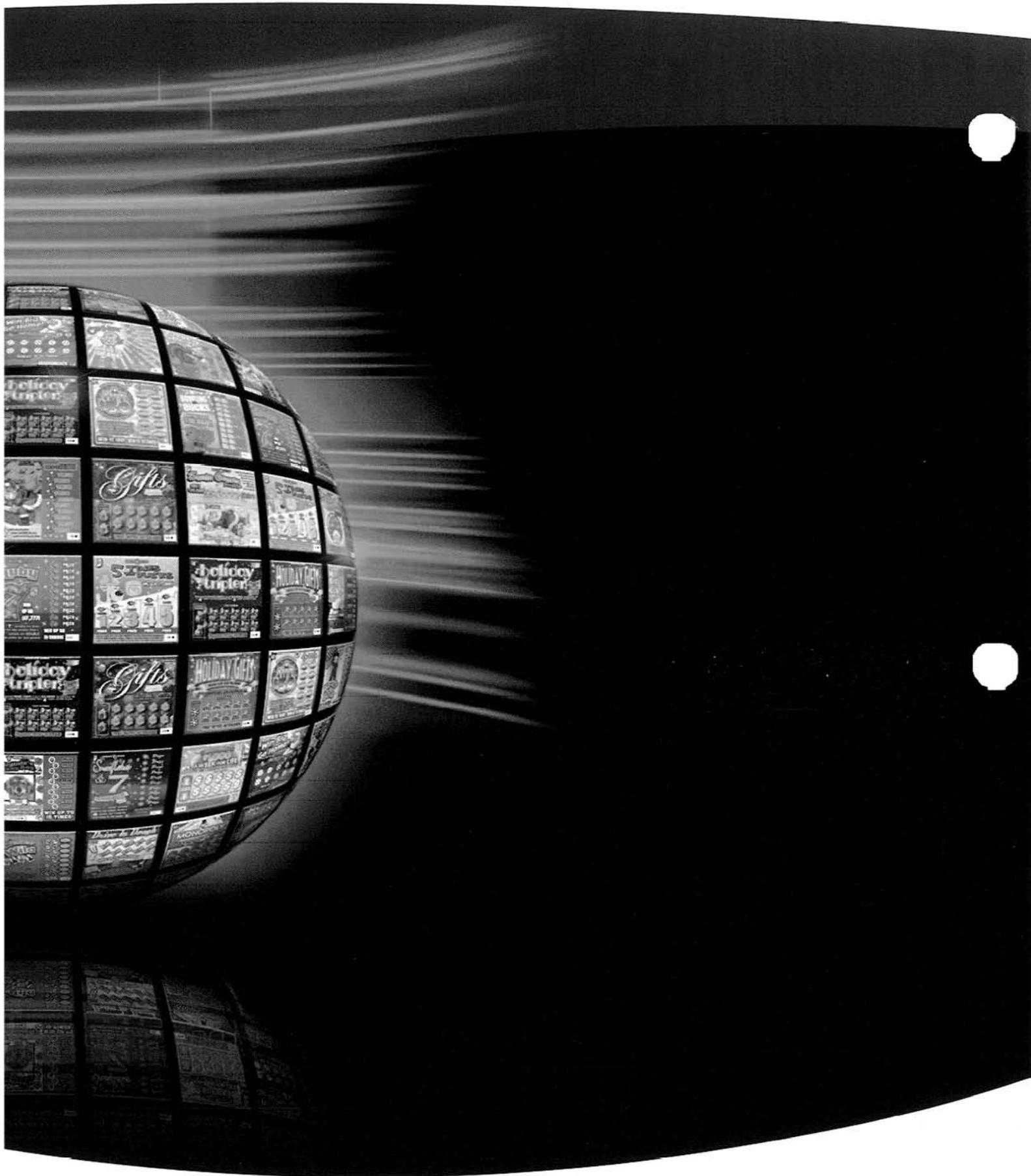
"Our objective is to provide a smooth transition of your warehousing operation from your current vendor to Scientific Games. As the leader and pioneer of warehousing conversions and start-ups since 1985, Scientific Games has the knowledge, skills, and the proven track record to deliver results for the Texas Lottery.

Scientific Games has a dedicated group of some 200 professionals that concentrate on growing the instant game sales by a variety of services, including inside sales and warehousing and distribution.

Our experienced staff has worked with lotteries around the world as well as every major vendor in the lottery industry on converting existing distribution systems or providing completely new, modern distribution systems and services. Our goal is to accomplish the Texas conversion with the least amount of disruption for your lottery, the retailers, and of course, your players. To achieve this goal we plan to use our experienced staff, our many years of conversion/integration expertise and modern system tools to make the Texas transition as transparent to the Lottery and your retailers as possible.

Over the years, the Scientific Games' instant game production facilities have delivered the industry's most sought-after instant games to the Texas marketplace aimed at increasing revenue to support the Lottery's beneficiaries. We are committed to this continued support of the successful growth of the Texas Lottery by the extension and integration of a full supply chain instant game model where being the incumbent instant game supplier only facilitates our tasks and deliverables under this scope of work."

1



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PART 9 WAREHOUSE AND DISTRIBUTION

Scientific Games pioneered the concept of providing lotteries with customized partnership programs and is the industry leader in the delivery and operation of complex instant ticket-management programs. Our flagship offering, Cooperative Services Program or CSP, is a practiced approach to managing a lottery's instant ticket operations with the goal of reducing operating costs while increasing the lottery's retail sales.

Scientific Games has a great deal of experience converting large scale, mature lotteries like the Texas Lottery's. In fact, our proposed CSP plan has been successfully deployed in several locations similar in scope to the Texas Lottery, including Florida, Pennsylvania, the Italian National Lottery-Consorzio Lotterie Nazionale "Gratta de Vinci," and the China Sports Lottery. Within the last five years we have completed CSP implementations for the following domestic lotteries:

- Arkansas – 2009
- Puerto Rico – 2009
- Florida – 2008
- Pennsylvania – 2007
- Oklahoma – 2005
- D.C. – 2005
- Ohio – 2005

We have also expanded our cooperative service offering internationally by providing services to Germany, Ukraine, Italy and China through our affiliated companies.

In Germany we currently have six CSP customers, and each agreement is customized to local demands. We provide a variety of services such as: warehousing, distribution, Tel-Sell, and field support.

Scientific Games also provides a full range of services to the largest lottery in the Ukraine. Despite a difficult economic climate retail sales grew significantly since the re-launch of instant tickets. Scientific Games set up a new site in Kiev with Tel-Sell and Marketing resources and a Pick & Pack station to support our client locally.



In Italy, Scientific Games is a member of the Consorzio Lotterie Nazionali (CLN), a consortium of lottery vendors and Italian specialty retailers. Under our contract with the CLN, we supply instant lottery tickets, game development services, marketing support, and the instant ticket management system. Since joining the CLN, retail sales have increased from approximately \$18.5 million per week to approximately \$222.8 million per week currently, an overall improvement of approximately 1,104%.

In China, Scientific Games supplied cooperative services support in the Shangdong Province and acquired a 50% interest in Guard Libanga leading provider of instant lottery ticket validation services to the Chinese Welfare Lottery.

Scientific Games' CSP program administers and manages instant game operations that provide a comprehensive suite of services for more than 200,000 retailer selling points worldwide. With a staggering return of more than \$10 billion in instant sales in FY09, our CSP customers have experienced dramatically positive results, including improved on-time delivery, expedited retail ticket order fulfillment, and the elimination of ticket inventory shortages. Most importantly, utilization of our sophisticated CSP processes has helped our customers realize sales growth that significantly exceeds the overall industry average.

Scientific Games was the first vendor in our industry to realize the importance of a dedicated instant ticket services division. Our dedicated division works as a unit to improve the efficiency and profitability of each of our CSP customers. All personnel assigned to convert the Texas Lottery's instant game operations and perform ongoing operations are selected from the over 200 employees in our CSP division. This is one of the largest CSP resources available in the industry. Their skills and experience will be applied to smoothly convert the services and to perform the day-to-day operational and administrative tasks to securely and efficiently manufacture, warehouse, and distribute instant products for the Texas Lottery. More importantly, the ongoing team dedicated to the Texas Lottery will proactively work to increase your instant sales and profits.

The following figures represent the depth and breadth of our CSP operation experience.

Instant Ticket Services Programs												
												
Instant Ticket Inventory Control	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Tel-Sell	✓	✓			✓			✓		✓	✓	✓
Field Sales	✓									✓		✓
Warehousing	✓	✓	✓		✓	✓	✓	✓		✓	✓	✓
Systems	✓	✓		✓	✓			✓	✓	✓		✓
Ticket Printing	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ticket Distribution	✓	✓	✓		✓	✓	✓	✓		✓	✓	✓
Funds Collection and Validation				✓	✓							
Back Office Systems	✓			✓	✓				✓	✓		✓
Retailer Recruitment	✓				✓					✓		
ITVMs			✓		✓	✓		✓		✓		
Other Services	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Figure 9.1-1: Current Domestic Cooperative Services by Customer

Figure 9.1-2 represents our current CSP partners.

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Figure 9.1-2: Scientific Games' Current CSP Partners

LOTTERY	VOLUME OF PACKAGES PER WEEK	NUMBER OF RETAILERS	SIZE OF DEDICATED DISTRIBUTION CENTER	YEARS AS DEDICATED SERVICE PROVIDER
Georgia Lottery Corporation 250 Williams Street, Suite 3000 Atlanta, GA 30303		7,676		17 years
Oklahoma Education Lottery 3817 N. Santa Fe Oklahoma City, OK 73118		2,100		3 years
Tennessee Education Lottery Corporation 200 Athens Way Nashville, TN 37228		4,400		6 years
South Carolina Education Lottery 1333 Main Street, Suite 400 Columbia, SC 29211		3,566		8 years
Delaware State Lottery 1575 McKee Road, Suite 102 Dover, DE 19904		498		12 years
Florida Lottery 250 Marriott Drive Tallahassee, FL 32399		13,000		13 years
Pennsylvania State Lottery 1200 Fulling Mill Road, Suite 1 Middletown, PA 17057		8,544		13 years
D.C. Lottery 2101 Martin Luther King, Jr. Ave. SE Washington D.C. 20020		449		4 years
Arkansas Scholarship Lottery 124 West Capitol Avenue, #1400 Little Rock, AR 72203		2,100		.5 years
Lotería Electrónica Edificio Fundación Ángel Ramos Suite 110 383 Ave. F.D. Roosevelt San Juan, P.R. 00918-2131		1,900		.3 years

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Figure 9.1-2: Scientific Games' Current CSP Partners

LOTTERY	VOLUME OF PACKAGES PER WEEK	NUMBER OF RETAILERS	SIZE OF DEDICATED DISTRIBUTION CENTER	YEARS AS DEDICATED SERVICE PROVIDER
Lotterie Treuhandgesellschaft mbH Hessen Rosenstrasse 5-9 65189 Wiesbaden Germany		2,000		5 years
Toto- Lotto Niedersachsen GmbH Am Tüv 2+ 4 30519 Hannover Germany		2,200		5 years
Lotto Rheinland-Pfalz GmbH Ferdinand- Sauerbruch Str. 2 56073 Koblenz Germany		1,200		5 years
MSL Shovkovichnastr.50a 01004 Kiev Ukraine		2,452		2.5 years

Figure 9.1-3 represents the numerable lotteries that comprise the China Sports Lottery, Scientific Games' largest CSP partner.

Figure 9.1-3: China Sports Lottery Information

CHINA SPORTS LOTTERY			
CUSTOMERS (LOTTERIES)	VOLUME OF TICKETS ALLOCATED PER WEEK	SALES REPRESENTATIVES SUPPORTED BY OUR DISTRIBUTION SYSTEM	RETAILER SELLING POINTS
31 provincial lotteries, 477 city lotteries, and over 1,000 county lotteries in China		16,844	154,912

At the end of this section we have provided the Texas Lottery with additional information detailing the sales growth experienced by our customers through implementation of and/or conversion to Fullline™ Scientific Games instant ticket services/CSP solution.



SUPERIOR VALUE

9.1 OVERVIEW

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RFP Requirement: All shipping and receiving functions for Instant Tickets are provided from a secured central distribution warehouse provided and maintained by the Lottery Operator. Secure warehousing facilities are also provided and maintained by the Lottery Operator for the storage and distribution and return of On-Line Ticket stock, play slips and promotional items. Packing and distribution functions include filling orders, ticket packaging, documentation, tracking, and security and destruction of unsold, returned or unused tickets, and On-Line Ticket stock. The Lottery Operator must comply with Texas-Lottery approved management and security procedures and rules for the receipt, storage, assignment, delivery, return and destruction of materials associated with Lottery Products. Delivery of Instant Tickets to Retailers is contracted with a third party courier service by the Lottery Operator.

Scientific Games has identified a prospective facility _____ area as detailed in **Section 6.6**.

This secured central warehouse will meet or exceed the stated lottery requirements

Within this facility, Scientific Games will

_____. If selected as the successful Lottery Operator, Scientific Games will comply with Texas-Lottery approved management and security procedures and rules

WHY SCIENTIFIC GAMES?

- Worldwide experience converting and starting up 27 secure warehouse and distribution operations means the TLC operation will be transitioned to the new warehouse as seamless as possible with little to no interruption of service to your retailers.
- Scientific Games has designed, implemented and operated lottery instant game warehouses in the U.S. since 1985.
- Our ISO 9000:2001 certified warehousing and distribution procedures ensure the highest quality standard in the industry in terms of accuracy, accountability and security.
- The facility will incorporate the numerous new technology in workflow improvements we have introduced from our many warehouse implementations including new technology from seven implementations since 2005.
- We know and understand instant game security for the entire lifecycle of the games. Our programs combine and overlap to provide oversight, accountability and separation of duties to preserve our integrity.
- Our warehouse and distribution system is built to permit rapid response to the market and will save time, increase your flexibility to plan and schedule games and more accurately create orders for your retailers. Its new features incorporate current best practices for instant game CSP operations and sets a new, higher standard in our industry in terms of accuracy, accountability and security.
- Additional built-in security systems and reduced physical handling of ticket packs enhance accountability and simplified tracking control of ticket packs in the warehouse.

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9.2 NEW INSTANT TICKET DELIVERY AND STORAGE

RFP Requirement: The Texas Lottery contracts with Instant Ticket Manufacturers (ITMs) to produce Instant Ticket games. The Instant Ticket games are produced at the ITM's facility and shipped to the central distribution warehouse. The ITMs provide electronic game files to be loaded on the Lottery Gaming System. Random Instant Ticket packs are tested to ensure the tickets meet Texas Lottery security and validation standards. Once approved by the Texas Lottery, Instant Tickets are distributed to Retailers across the State of Texas.

Table 102. New Instant Ticket Delivery and Storage Requirements

ROLES AND RESPONSIBILITIES	SUCCESSFUL PROPOSER	TLC	ITMS/3RD PARTY VENDORS
1. Delivers Instant Tickets to the central distribution warehouse and provides game files to be loaded on the Lottery Gaming System			X
2. Loads Instant Ticket game files on the Lottery Gaming System	X		
3. Jointly count and verify receipt of tickets	X	X	
4. Performs Instant Ticket game testing		X	X
5. Reports any game testing problems to the Successful Proposer and ITM		X	
6. Jointly perform problem analysis and address any problems	X	X	X
7. Approves or rejects Instant Ticket game		X	
8. Deletes game files for rejected Instant Ticket games from the Lottery Gaming System	X		
9. Distributes Instant Tickets according to the Instant Ticket game plan once the game is approved	X		
DETAIL REQUIREMENTS	RESPONSE SECTION(S)		
10. The Successful Proposer must load Instant Ticket game files on the Lottery Gaming System within three (3) Days of notification from the Texas Lottery and notify the Texas Lottery of completion.	9.2.2.1		
11. The Successful Proposer must recommend a plan to stage and distribute daily orders to optimize the distribution of current Instant Ticket games.	9.2.4		
12. The Successful Proposer must be able to meet the staging and distribution requirements for simultaneous game sales launches consistent with the Instant Ticket game plan as identified by the Texas Lottery.	9.2.3		
13. Upon request by the Texas Lottery, the Successful Proposer must load and distribute games on an expedited basis to meet ticket inventory and sales requirements.	9.2.4		

DETAIL REQUIREMENTS	RESPONSE SECTION(S)
14. The Successful Proposer must actively participate in the resolution of any issue/problem with the installation of a new Instant Ticket game validation file.	9.2.2.1
15. The Successful Proposer must delete game files for rejected Instant Ticket games from the Lottery Gaming System within one (1) Working Day after notification from the Texas Lottery	9.2.2.1
16. The Successful Proposer shall package and release to the Instant Ticket Manufacturer for destruction, any Instant Ticket game not approved by the Texas Lottery.	9.2.2.1

Table 103. New Instant Ticket Delivery and Storage Response Requirements

RESPONSE REQUIREMENT
1. The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.
2. The Proposer must describe the level of automation to be used in managing, fulfilling, and storing Instant Ticket orders.
3. The Proposer must describe the proposed staging and distribution plan for simultaneous Instant Ticket game sales launches.
4. The Proposer must describe in detail its warehousing and distribution methodology and staffing plan, including any automated functions.

Table 104. New Instant Ticket Delivery and Storage Service Levels

SLR #	SLR NAME
3.60.58	Failure to Load Instant Game Files within Specified Timeframe

Scientific Games acknowledges that the Texas Lottery contracts with Instant Ticket Manufacturers (ITMs) to produce instant ticket games. The instant ticket games are . The ITMs provide

Once approved by the Texas Lottery, instant tickets are distributed to retailers across the state of Texas.

As found in more detail in **Section 8.3.3**, Scientific Games is pleased to provide access to our 3rd party licensed brands for use by the Texas Lottery in their online and instant game portfolios. This includes the use of 3rd party licensed brands with no fees (both online and instant games) and access to free printed instant games that utilize our 3rd party licensed brands, including the

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**OFFERED
 IN BASE PRICE**

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This Offered Option included in the base price provides superior value to the Texas Lottery in the area of instant ticket games and provides the Lottery with an exceptional opportunity to connect with their players at retail.

RESPONSE TO TABLE 103: NEW INSTANT TICKET DELIVERY AND STORAGE RESPONSE REQUIREMENTS

9.2.1 ACKNOWLEDGEMENT OF ROLES AND RESPONSIBILITIES AND DETAIL REQUIREMENTS

Response Requirement 1: The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.

Scientific Games acknowledges and accepts the roles and responsibilities and detail requirements indicated in this section.

9.2.2 LEVEL OF AUTOMATION IN MANAGING, FULFILLING, AND STORING INSTANT TICKET ORDERS

Response Requirement 2: The Proposer must describe the level of automation to be used in managing, fulfilling, and storing Instant Ticket orders.

Over the past several years Scientific Games has embraced technology and looked for new ways to operate and maintain warehouse and distribution facilities more efficiently through automation. Our proposed

In the following confidential

section we provide a detailed description of our proposed approach for

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

Confidentiality Claimed
Not released

**Confidentiality Claimed
Not released**

Warehouse and Distribution Staffing Plan

Scientific Games understands the challenges the Lottery faces as it strives to build on the more than \$17 billion it has contributed to education since 1992. We are concerned, however, that our technologically advanced systems and the people we put behind those systems can achieve the Texas Lottery's sales and revenue goals.

In this section we detail what we believe is a key differentiator between us and other vendors: our unique CSP staffing business model.

Scientific Games understands the critical importance of CSP lottery conversions and implementations and were the first **company in our industry to dedicate an instant ticket services division that works to improve the efficiency and profitability of each of our CSP customers.** All personnel assigned to implement the Texas Lottery's instant game operations and perform ongoing operations are selected from the over 200 employees in our CSP division. Their skills and experience will ensure a smooth transition and will work hard to increase your instant sales.

Scientific Games will dedicate highly qualified, on-site warehouse and distribution management professionals to the TLC CSP operations. Combined, this talented group represents over 40 years of lottery experience and is ready to execute a smooth conversion process.

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Texas' Warehouse and Distribution Team

Your primary TLC CSP Warehouse and Distribution Management Team will consist of the following professionals:

- Scott Ross, Deputy Director, Instant Ticket Services
- Jeremy Swanson, Warehouse Manager
- William "BJ" Nugent, Inside Sales Manager (Tel-Sell)

In addition to our highly qualified General Management Team, the proposed organization of our Texas-based Distribution Operation provides multiple opportunities for qualified Texans to join our operation. The following positions are available in our warehouse for qualified local talent:

- 2 Inside Sales Supervisors (Tel-Sell)
- 30 Inside Sales Representatives (Tel-Sell)
- 1 System Administrator
- 1 Administrative Assistant
- 1 Warehouse Supervisor
- 2 Warehouse Leads

This talented team represents more than 40 years of lottery experience and is ready and able to ensure a smooth transition and deliver improved instant sales and profits to the Texas Lottery.

- 2 Ticket Return Specialists
- 25 Warehouse Clerks (including packing auditors, forklift operators, etc.)

Organizational charts illustrating our proposed approach to the conversion and to the ongoing operations of the Texas Lottery's instant ticket distribution process, as well as the positions involved with this process, are included below.

Scientific Games' Executive Management Team

We have made a strategic investment to recruit and retain the most knowledgeable and experienced lottery industry personnel in the market today. Collectively, our corporate management team has hundreds of years of industry and corporate knowledge. Over the past two years, we have realigned our corporate support groups to be customer-centric and focused on rapid delivery of services directly to our lottery customers.

Jim Trask, Senior Vice President, Printed Products Worldwide

With nearly four decades of lottery experience with a special emphasis on corporate marketing, sales development and domestic instant ticket services and operations, Jim Trask will be instrumental in ensuring that the necessary equipment and manpower are maintained and updated throughout the contract term.

Jim will work closely with the Scientific Games' executive management team to provide the necessary resources to ensure that all of the instant ticket warehousing and distribution requirements Texas Lottery are achieved and/or exceeded. Jim's insight and sponsorship of the project will facilitate and ensure a state-of-the-art, CSP solution that will drive sales, reduce instant ticket returns and result in increased revenue for the Foundation School Fund.



Jim Trask

Jim Kennedy, Senior Vice President, Sales and Global Marketing

With over 25 years, not only in the industry but with Scientific Games, Jim brings a wealth of experience and perspective to the TLC Project Steering Committee. Jim will provide corporate management, support and direction of the sales and marketing team. He will also direct marketing and product development to create customer value, and drive revenue.



Jim Kennedy

Pam Lee, Senior Regional Director Sales

Pam will play an active role in all project planning and implementation efforts to ensure that project objectives, timelines and milestones are met. Her involvement with the Texas Lottery and ongoing operations will continue throughout the lifetime of the contract. She will provide day-to-day account coordination and serves as liaison between the Texas Lottery and Scientific Games. Pam's 15 years of experience in the lottery industry includes six years of Texas-specific account knowledge.



Pam Lee

Figure 9.2-14 identifies primary executive and account management staff that will oversee the TLC account.

Figure 9.2-14: TLC Executive and Key Account Staff

NAME/TITLE	LOCATION	RESPONSIBILITIES	YEARS OF LOTTERY EXPERIENCE
EXECUTIVE MANAGEMENT TEAM			
Jim Trask Senior Vice President, Printed Products Worldwide		<ul style="list-style-type: none"> ● Corporate oversight of all domestic cooperative service (warehousing and distribution) contracts 	24 years
Jim Kennedy Senior Vice President, Global Sales and Marketing		<ul style="list-style-type: none"> ● Guide overall sales and marketing efforts ● Consult with Lottery management on marketing issues 	25 years
Pam Lee Senior Regional Director		<ul style="list-style-type: none"> ● Overall account coordination and management ● Serves as liaison between the Lottery and Scientific Games 	15 years

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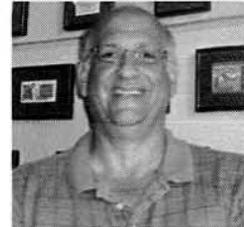
Ongoing TLC Warehousing and Distribution Team

Scientific Games provides brief position descriptions and related organization charts below. These descriptions and charts show management, supervisory, and key technical personnel who will be active in the ongoing operation of the Texas Lottery central warehouse.

Deputy Director, Instant Ticket Services, Scott Ross

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Under the direction of our proposed Deputy Director of Instant Ticket Services, Scott Ross, our Warehouse and Distribution Operations team will work to provide the highest level of service possible. Scott will be located at the central warehouse and will be the primary point of contact for the Lottery on warehouse and distribution operational matters. He will coordinate the efforts of the local team and ensure that appropriate corporate resources are made available to the Texas Lottery as business needs dictate.



Scott Ross

Scott has managed the warehouse and distribution center in Arizona and provided recent start-up support in Arkansas. In addition, his recent participation in the China Sports Lottery start-up has further readied him for assuming a similar role in Texas.

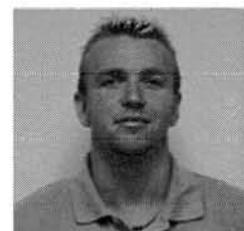
With over 29 years of lottery experience, Scott is the obvious choice to help the Texas Lottery achieve its sales goals and objectives.

His industry knowledge ensures that the Texas Lottery has direct access to an expert well-versed in instant ticket games and services. He will be exclusively devoted to the warehousing and distribution of the Lottery's instant tickets and be directly responsible for:

- Managing operational budget
- Overseeing warehousing and distribution operations
- Overseeing instant ticket processing return
- Monitoring inventory control

Warehouse Manager, Jeremy Swanson

Assisting Scott will be Jeremy Swanson, Warehouse Manager. Jeremy has over 14 years of warehouse operations knowledge, 6 with Scientific Games, and currently serves as the distribution supervisor for Scientific Games' GA facility. Jeremy will be the Texas Lottery's day-to-day contact. He is fluent in the current daily warehouse/distribution needs of a modern Lottery and will be devoted exclusively to the Texas Lottery.



Jeremy Swanson

In the role as Warehouse Manager Jeremy will:

- Oversee warehousing and distribution operations
- Monitor inventory control
- Oversee the instant ticket return operation
- Oversee the promotional merchandise inventory
- Serve as an additional Texas Lottery point-of-contact

Jeremy will have total responsibility for the day-to-day operation of the warehousing and distribution operation. Reporting to Jeremy will be the warehouse supervisor, leads and clerks. They will ensure on time assembly of ticket inventory orders and additional Lottery materials (such as online ticket stock, promotional items, POS, etc.) supplied by the Lottery. Ticket orders will be processed to ensure on time delivery to Lottery Retailers within 36 hours of order placement, Monday through Friday, and 72 hours if the order is placed on Friday.

Inside Sales Manager (Tel-Sell), William "BJ" Nugent

Rounding out this talented management team is William "BJ" Nugent, Inside Sales Manager, who brings over five years of hands-on inside sales experience and has successfully overseen and managed Scientific Games' Pennsylvania CSP Tel-Sell operation.



William "BJ" Nugent

BJ will serve as a conduit between the Inside Sales Representatives (Tel-Sell) and the Lottery by quickly communicating any questions or problems encountered with retailers' inventory to the appropriate parties at the Lottery. BJ is highly knowledgeable with SciTrack Ultra and our new automatic sorting system.

In the role as Inside Sales Manager, BJ will:

- Oversee the ticket inventory/telemarketing operations
- Plan, organize, and direct the activities of all Inside Sales Representatives
- Train assigned personnel in effective ticket ordering concepts
- Serve as an additional Texas Lottery point-of-contact

These examples demonstrate the commitment that Scientific Games has made to ensure that the Texas Lottery's proposed local warehouse and distribution team. Each possesses a wealth of lottery industry knowledge and more specifically, lottery warehouse operations.

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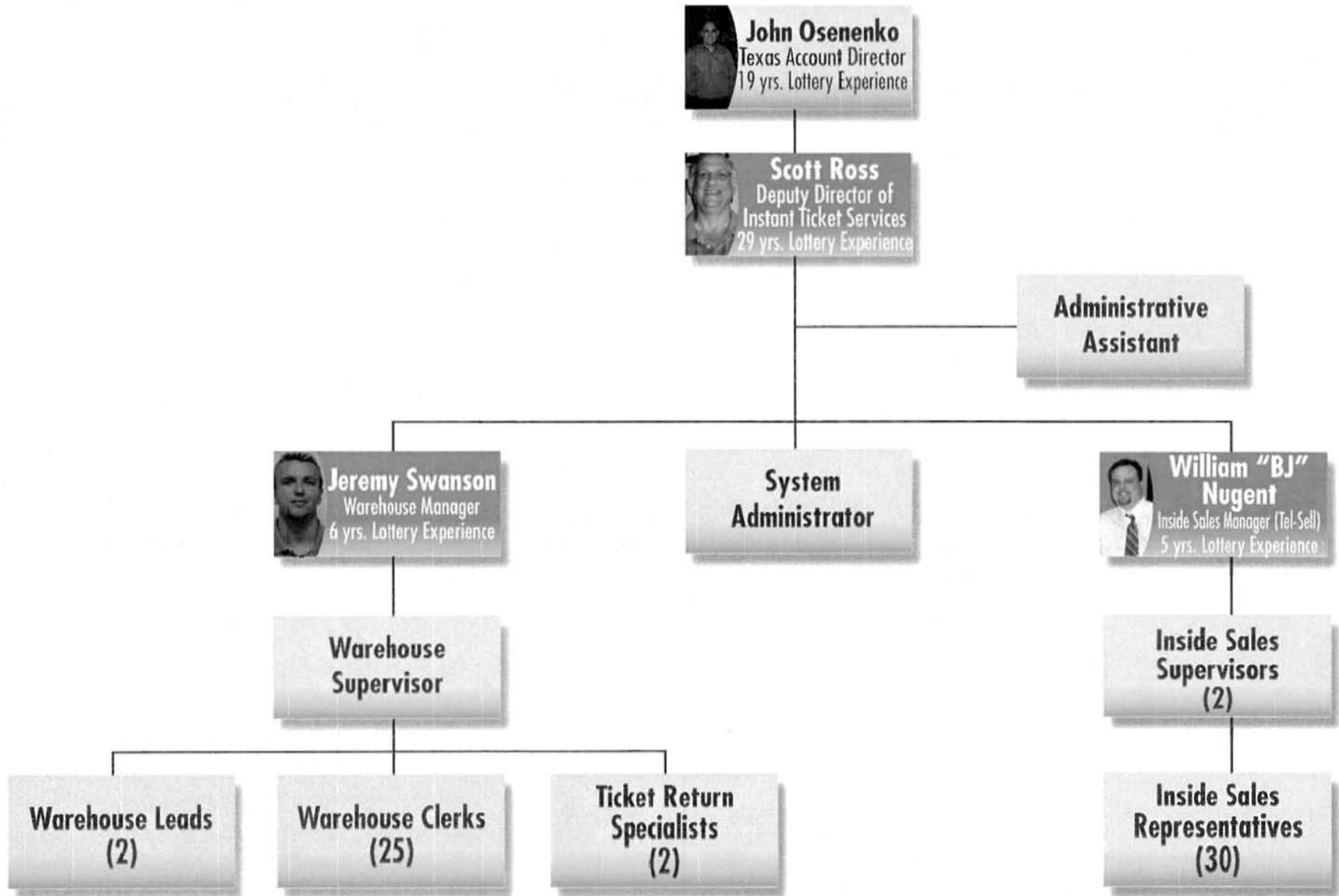
Figure 9.2-15 represents the primary management staff for ongoing (on-site) operations.

Figure 9.2-15: Primary Management (On-Site)

NAME/TITLE	LOCATION	RESPONSIBILITIES	YEARS OF LOTTERY AND/OR WAREHOUSE OPERATIONS EXPERIENCE
ONGOING TLC WAREHOUSE AND DISTRIBUTION OPERATIONS TEAM			
Scott Ross Deputy Director, Instant Ticket Services		<ul style="list-style-type: none"> ● Oversee all daily on-site activities and operations 	29 years
Jeremy Swanson Warehouse Manager		<ul style="list-style-type: none"> ● Oversees entire warehouse operation and ticket inventory management ● Responsible for daily warehouse operations 	14 years
William "BJ" Nugent Inside Sales Manager (Tel-Sell)		<ul style="list-style-type: none"> ● Serve as a conduit between the Inside Sales Representatives (ISRs) (Tel-Sell representatives) and the Texas Lottery 	5 years

Figure 9.2-16 represents Scientific Games' proposed team that will oversee and support daily warehouse and distribution functions.

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9.2.4.1 WAREHOUSE IMPLEMENTATION AND CONVERSION TEAM

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Throughout the weeks before, during and after the transition to ; the TLC Transition Team will work together with the on-site Instant Ticket Services Team and designated Texas Lottery personnel to ensure full contract compliance. Scientific Games guarantees uninterrupted distribution of all instant games and communication and/or marketing materials during the conversion period.

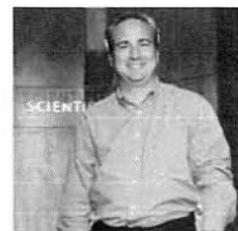


As further demonstration of our commitment to your business, Scientific Games provides the Texas Lottery with an experienced team of CSP system implementation professionals with extensive lottery experience.

John Schulz, Vice President, Instant Ticket Services

During his 25 year tenure with Scientific Games, John has overseen the conversions/ implementations of 26 lotteries as well as seven new lottery start-up projects.

John currently serves as the Vice President of Instant Ticket Services and is responsible for overseeing account management and the ongoing support of all domestic CSP operations. John will supervise the project management team assigned to direct the Texas Lottery's warehouse implementation plan.



John Schulz

John's first introduction to CSP operations began in 1985 with the New York Lottery start-up. More recently John has been part of the conversions in Ohio, District of Columbia, Delaware, Oklahoma, and Pennsylvania as well as the implementation of new lottery start-ups including: Arkansas, Georgia, Tennessee, Puerto Rico, South Carolina, Nebraska, and Oklahoma. John brings with him a wealth of implementation support and service experience.

Cherie Peyton, Senior Project Warehouse Implementation Manager

Acting as Scientific Games' Senior Project Warehouse Implementation Manager for the Texas conversion will be Cherie Peyton. Cherie joined Scientific Games in 2004 as a project administrator working for our vice president of Worldwide Projects. In this role, she coordinated daily and weekly project meetings with both internal and external customers and managed all software maintenance releases worldwide. She took on full time project management in 2005.



Cherie Peyton

She managed the rollout of 300 new online retailers for the Iowa Lottery and was the deputy project manager for the successful start-up for the Oklahoma Lottery in 2005. In Pennsylvania she provided full project management support to deliver an implementation plan that was completed in a timely and efficient manner. Most recently she served as Project Manager for the conversion in Florida in 2008, and the start-ups in Puerto Rico and Arkansas in 2009. Cherie is now responsible for corporate support of CSP sites with respect to systems, communications, vending machines and special projects. Cherie will be on the ground in Texas during the project phase through start of sales. She will manage the day-to-day facility build-out and procurement of all equipment.

Brad Bever, Production Systems Manager

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Brad is responsible for receiving, assembly and configuration of Production, Test, QA and Development computer systems. Brad's team will ensure that all servers are assembled according to the contract specifications as well as loading operating systems and over the counter software. His team will also configure these servers into a



Brad Bever

Maurice "Moe" Corrette, Director, Logistics and Planning

Moe will lead Scientific Games' facility logistics team. This team is responsible for the overall building design, construction and infrastructure equipment to be provided as part of the implementation project.



Moe Corrette

Figure 9.2-17 identifies all key implementation and conversion staff members, their specific contract function, how long it is anticipated they will be engaged with the project and their years of lottery experience. They will be supported by over 250 qualified and experienced Scientific Games personnel.

Figure 9.2-17: Key Personnel of TLC Project Implementation Team

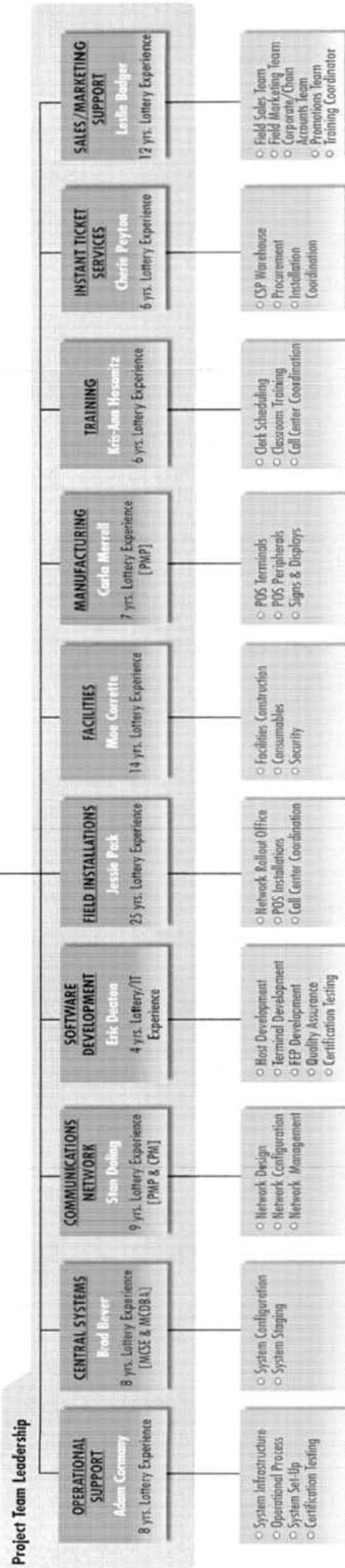
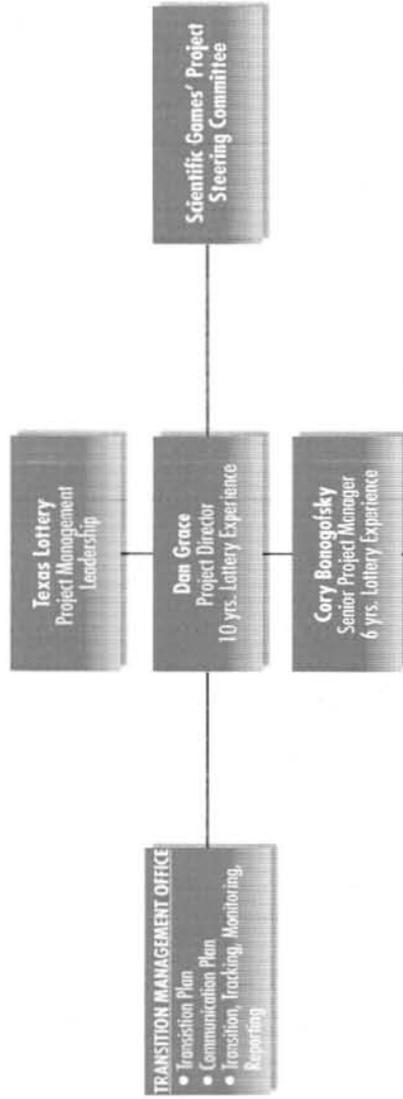
SCIENTIFIC GAMES' LOTTERY PROJECT KEY IMPLEMENTATION TEAM MEMBER	CONTRACT FUNCTIONS	LENGTH OF PROJECT ENGAGEMENT	YEARS OF LOTTERY EXPERIENCE
John Schulz Project Director	Management oversight of Cooperative Services.	John will be engaged throughout the life of the project.	25
Cherie Peyton Senior Project Implementation Manager	Responsible for cooperative services procurement and installation coordination.	Cherie will be engaged throughout the life of the project.	6
Brad Bever Production Systems Manager	Manages the procurement, receipt, assembly, configuration, and installation of all servers related to development, QA and actual production lottery systems.	Brad will be engaged throughout the life of the project.	6

Figure 9.2-17: Key Personnel of TLC Project Implementation Team

SCIENTIFIC GAMES' LOTTERY PROJECT KEY IMPLEMENTATION TEAM MEMBER	CONTRACT FUNCTIONS	LENGTH OF PROJECT ENGAGEMENT	YEARS OF LOTTERY EXPERIENCE
Moe Corrette Director, Logistics and Planning	Provides oversight and coordination for all activities related to facility implementation.	Moe will be engaged throughout the life of the project.	12
The following corporate executives will be closely involved with the TLC Implementation Project. They will be a resource to resolve issues that may be impacting the project. Each executive reports directly to Steve Beason, the TLC's Executive Sponsor.			
Bill McArthur VP, IS & Technology	Management oversight of the teams responsible for operational support, central systems, and training.	Bill will be engaged throughout the life of the project.	6
John McCormack VP, System Development	Management oversight of system development.	John will be engaged throughout the life of the project.	15

Scientific Games' organizational chart for key members of the Lottery project implementation and conversion team is presented in Figure 9.2-18.

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9.2.4.2 TRAINING PLAN

Scientific Games will conduct initial and ongoing warehouse employee training for the proposed . The initial system training will take place within two weeks before the scheduled "go live" date. At this time we will focus the training on the operation of the instant ticket distribution, Tel-Sell and warehouse systems. Scientific Games will train the employees on the new process for receiving the Tel-Sell orders at the warehouse, sorting the orders withir and the proper quality control checks and balances that are required to fulfill each and every retailer order. The training will be "hands on" and will assign equipment and user manuals with question and answer sessions to ensure understanding of the pick and pack operation.

Training is expected to take no more than a few days. Each day is focused on answering questions and achieving higher levels of quality and efficiency. On the final day a short meeting will be held with supervisors and leads to discuss reports, software and troubleshooting methods and to answer any questions. Scientific Games experienced staff from other CSP operations will be on-site to assist local Scientific Games' staff.

Training topics will include:

- Reading the and requesting the proper inventory amounts by game and pack
- Loading the instant ticket staging area flow racking system in accordance with inventory and order requirements
- Loading the instant ticket packs in the manner that the bar code scanner will guarantee the packs being read correctly
- Proper packaging and quality control checks to be taken at the individual packaging stations, including selection of shipping container, manifest to product verification and proper placement of the shipping label on the outside of the package
- Scientific Games' staff will also be trained on the proper daily, weekly and monthly preventative maintenance program for the system
- Simulations set up to ensure all employees are comfortable with the new process

Scientific Games will provide ongoing training courses for employees that will include all proper procedures for working within the warehouse, the automated packaging system and returns processing. We will also conduct Tel-Sell training for the sales staff in the use of the to reinforce the need for security, safety and the importance of personal integrity. All training procedures will be documented and assessed during our next ISO certification audit.

9.2.4.3 HOURS OF OPERATION

At a minimum Scientific Games will work the hours specified in the RFP – 7:00 a.m. to 6:00 p.m. Monday through Friday. Scientific Games will do whatever it takes to package ticket shipments on time to meet Texas Lottery goals. **As a result of this can-do attitude, we have never missed an instant ticket game launch.**

When the need arises we will work weekends and extended weekday hours to ensure retailers have the tickets they need. Because of the relationship with our courier partners, the couriers have been very accommodating with rearranging pick up times when needed.

Scientific Games, along with our courier partner(s) can process and ship ticket orders on weekends, holidays, and other times based on ticket ordering activity and under special circumstances as required by the Texas Lottery.

9.3 INSTANT TICKET DELIVERY

RFP Requirement: The Texas Lottery designs and introduces approximately 90 to 100 new Instant Ticket games each year. New Instant Ticket games are delivered to Retailers in accordance with the designated launch dates identified by the Texas Lottery in the Instant Ticket game plan. Daily inventory replenishment is also fulfilled based on orders initiated by Retailers and the Lottery Operator's ticket inventory management personnel and automated inventory system.

Table 105. Instant Ticket Delivery Requirements

ROLES AND RESPONSIBILITIES	SUCCESSFUL PROPOSER	TLC
1. Processes orders received from Retailers from the Successful Proposer's ticket inventory management personnel for additional Instant Tickets	X	
2. Provides copies of Instant Ticket orders to the central distribution warehouse staff	X	
3. Fulfills order and ships to Retailer	X	
4. Investigates "missing" tickets/packs based on Texas Lottery rules and guidelines	X	
5. Returns tickets to the central distribution warehouse, if the Retailer does not accept the tickets	X	
DETAIL REQUIREMENTS	RESPONSE SECTION(S)	
6. The Successful Proposer must process (process means issuance of the Instant Ticket order to the central distribution warehouse) all daily ticket orders received within the next Working Day to ensure ticket deliveries are not delayed. Orders received for processing at the central distribution warehouse Monday through Thursday must be delivered to the Retailer location within 36 hours of order receipt; orders received for processing at the central distribution warehouse on Friday must be delivered to the Retailer location within 72 hours of order receipt.	9.3.4	
7. The Successful Proposer must document and provide a plan for processing and shipping ticket orders on weekends, holidays, and other times based on ticket ordering activity and under special circumstances as required by the Texas Lottery.	9.3.2	
8. The Successful Proposer must develop an invoice/ticket order document to be included in each ticket order package or any alternative methods for this process and obtain Texas Lottery approval of the document format.	9.3.5	
9. The Successful Proposer must have a process to prevent Instant Ticket Manufacturer omitted packs including, but not limited to, inappropriately wrapped packs, mis-cut packs or other defective packs from being shipped to Retailers.	9.3.6	
10. The Successful Proposer shall develop and use a procedure and process to document the delivery of tickets and obtain signed delivery receipts from individual Retailers.	9.3.3	

DETAIL REQUIREMENTS	RESPONSE SECTION(S)
11. The Successful Proposer must maintain written proof of delivery of ticket orders and provide such documentation to the Texas Lottery within four (4) business hours of request. The document must include the signature of the party who received the Instant Ticket order.	9.3.3
12. The Successful Proposer must pack communication and/or marketing pieces with ticket orders as required by the Texas Lottery.	9.3.5

Table 106. Instant Ticket Delivery Response Requirements

RESPONSE REQUIREMENT
1. The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.
2. The Proposer must describe its plan for processing and shipping ticket orders on weekends, holidays, and other times based on ticket ordering activity and under special circumstances as required by the Texas Lottery.
3. The Proposer must describe the process (including security features) to be used to document the delivery of tickets and obtain proof of signed delivery receipts from individual Retailers.
4. The Proposer must describe its proposed ticket order delivery plan for Retailers in geographically remote areas.
5. The Proposer must describe the procedures and materials that will be used to package Instant Tickets for delivery to Retailers.
6. The Proposer must describe the process that will be used to prevent Instant Ticket Manufacturer omitted packs or other defective packs from being shipped to Retailers.
7. The Proposer must describe the methods, procedures, hardware and software to be used to monitor Instant Ticket inventory and ensure that optimum inventory levels are maintained at each Retailer location.

Table 107. Instant Ticket Delivery Service Levels

SLR #	SLR NAME
3.60.59	Instant Ticket Packs Not Delivered to Texas Lottery Retailers
LIQUIDATED DAMAGES	
3.61.8	Unassigned Packs of Instant Tickets Missing from the Warehouse

Scientific Games understands that the Texas Lottery designs and introduces approximately 90 to 100 new instant ticket games each year. New instant ticket games are delivered to retailers in accordance with the designated launch dates identified by the

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Texas Lottery in the instant ticket game plan. Daily inventory replenishment is also fulfilled based on orders initiated by retailers and the Lottery Operator's ticket inventory management personnel and automated inventory system.

Scientific Games has proposed our highly respected inside sales service program to manage Texas instant ticket inventory fulfillment and replenishment process. Our inside sales representatives leverage their relationship with their assigned retailers, based on establishing trust and providing consistently high service, to ensure that each store always has the appropriate ticket inventory. Calls to retailers are initiated by the operators on a regular schedule.

Scientific Games also commits to providing the Texas Lottery with alternate ordering techniques, such as the ability for retailers to request packs via phone, the Texas Lottery retailer website or through the WAVE™ terminal. This technology allows the store owner to submit a special pack order, in the event that there is an unexpected demand for tickets. An order placed through the terminal after regular business hours would be prepared by warehouse personnel on the next business day.

In addition to the

RESPONSE TO TABLE 106: INSTANT TICKET DELIVERY RESPONSE REQUIREMENTS

9.3.1 ACKNOWLEDGEMENT OF ROLES AND RESPONSIBILITIES AND DETAIL REQUIREMENTS

Response Requirements 1: The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.

Scientific Games acknowledges and accepts the roles and responsibilities and detail requirements indicated in this section.

9.3.2 PLAN FOR PROCESSING AND SHIPPING TICKET ORDERS ON WEEKENDS, HOLIDAYS, AND OTHER TIMES (DR 7)

Response Requirements 2: The Proposer must describe its plan for processing and shipping ticket orders on weekends, holidays, and other times based on ticket ordering activity and under special circumstances as required by the Texas Lottery.

In satisfaction of RFP Table 105, Detail Requirement No. 7, Scientific Games will process and ship ticket orders on weekends, holidays and other times based on ticket ordering activity and under special circumstances as required by the Texas Lottery.

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However, one of the advantages of our proposed solution is that the need for after hours processing is minimized by our predictive ordering tool. Our Inside Sales Representatives use our proprietary predictive ordering tool to safeguard against low inventory levels at the retailer locations. In **Section 9.3.7** we provide a detailed description of this proprietary system.

9.3.3 PROCESS USED TO DOCUMENT THE DELIVERY OF TICKETS AND OBTAIN PROOF OF SIGNED DELIVERY RECEIPTS FROM INDIVIDUAL RETAILERS (DRs 10 and 11)

Response Requirements 3: The Proposer must describe the process (including security features) to be used to document the delivery of tickets and obtain proof of signed delivery receipts from individual Retailers.

Scientific Games' provides an integrated Tel-Sell module which interfaces with third party tracking systems, for package delivery status after the packages are shipped to the retailer.

In other states Scientific Games tracking system to accurately confirm shipment deliveries. Below we have provided sample screenshot demonstrating how the Installed in the Florida Lottery, interfaces with the proof of shipment delivery.

If the Texas Lottery chooses to _____, you will have access to the delivery information via the
 Lottery retailers can _____

In addition, Scientific Games will gladly furnish _____

Scientific Games have teamed together to provide prompt professional service to retailers. _____ recognized around
 the world for secure, effective and efficient delivery service. _____ deliveries are made from _____

They project a positive, professional image not only for UPS but for our lottery
 partners as well. _____ has been up to the task of delivering products to retailers with a 99.8% rate of on-time deliveries. They
 know and understand Lottery retailers and the times of delivery expected by these retailers. _____ obtains a signed receipt for
 each and every package delivered and their tracking system is updated throughout the day. The tracking/delivery information,
 including the signature of the party who received the order, is available via accessing _____

Should the situation arise where our primary courier contractor (_____ is unable to fulfill the delivery requirements as specified,
 Scientific Games also maintains relationships with HUB and local contractors to provide delivery services statewide with little or
 no disruption in service.

Proof of Delivery – In satisfaction of RFP Table 105, Detail Requirement Nos. 10 and 11,
 Scientific Games maintains written proof of delivery of all tickets orders and will provide such
 documentation to the Texas Lottery within three business hours of request. The document will
 include the signature of the party who received the instant ticket order. As previously mentioned,
 our delivery procedure takes advantage of the technology used by our partner courier
 document confirmation that the retailer accepted delivery of the tickets. Delivery information is
 accessible _____



Our trusted, established partnerships will ensure that retailers have access to accurate, tracking/delivery information, and more
 importantly, all shipments are delivered in a secure, timely and efficient manner including signed delivery receipts from
 retailers.

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9.3.4 TICKET ORDER DELIVERY PLAN FOR RETAILERS IN GEOGRAPHICALLY REMOTE AREAS (DR 6)

Response Requirements 4: The Proposer must describe its proposed ticket order delivery plan for Retailers in geographically remote areas.

Using certified HUB couriers and other local couriers, Scientific Games satisfies RFP Table 105, Detail Requirement No. 6 by agreeing to deliver ticket orders to remote geographic areas within 36 hours of order receipt Monday through Thursday and within 72 hours of orders received for processing on Friday.



Figure 9.3-2: Texas Regional Map

9.3.5 PROCEDURES AND MATERIALS THAT WILL BE USED TO PACKAGE INSTANT TICKETS FOR DELIVERY TO RETAILERS (DRs 8 and 12)

Response Requirement 5: The Proposer must describe the procedures and materials that will be used to package Instant Tickets for delivery to Retailers.

When the conveyor carries totes of instant ticket orders/shipments to packaging auditor stations, they are ready to be packaged for delivery to retailers.

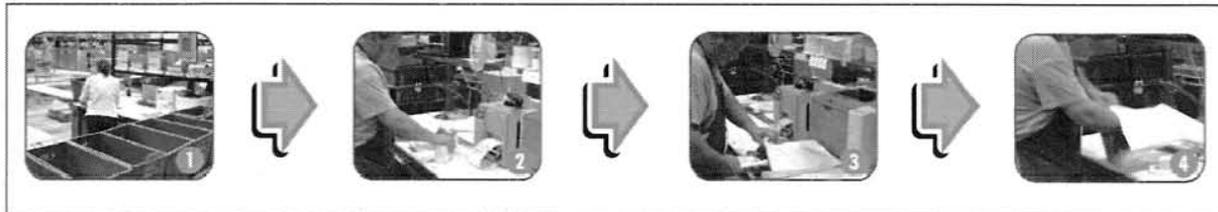


Figure 9.3-3: Proposed Packaging Procedures

PACKAGING PROCEDURES

PACKAGING MATERIALS

9.3.6 PROCESS THAT WILL BE USED TO PREVENT INSTANT TICKET MANUFACTURER OMITTED PACKS OR OTHER DEFECTIVE PACKS FROM BEING SHIPPED TO RETAILERS (DR 9)

Response Requirement 6: The Proposer must describe the process that will be used to prevent Instant Ticket Manufacturer omitted packs or other defective packs from being shipped to Retailers.

During our printing process packs that are in the omit status are identified in the inventory file created for every print run. The pack numbers within a range of printed tickets are flagged as damaged during printing, defective, mis-wrapped, mis-cut, or removed for QC testing, which prevents them from being shipped to the central distribution warehouse. After the game is loaded at the central distribution warehouse, AEGIS-EF will never allow omitted packs to be invoiced in any inventory transaction, satisfying RFP Table 105, Detail Requirement No. 9.

A software pack security grid, within the Lottery gaming system, controls which pack status changes are allowed under the jurisdiction's policies. This prevents the SciTrak Ultra packing subsystem from accepting it as a viable shipping pack (i.e., being changed to "in transit" status).

As orders are being filled, a physical inspection is concluded also preventing open, mis-wrapped, damaged packages from being shipped to a retailer location.

9.3.7 METHODS, PROCEDURES, HARDWARE AND SOFTWARE TO BE USED TO MONITOR INSTANT TICKET INVENTORY

Response Requirements 7: The Proposer must describe the methods, procedures, hardware and software to be used to monitor Instant Ticket inventory and ensure that optimum inventory levels are maintained at each Retailer location.

Scientific Games' in-depth knowledge of lottery inside sales programs is the basis for our proposed approach to inventory management. Honed by years of actual hands-on experience, our program emphasizes communication from ISRs as a vital part of an overall marketing and sales strategy. It is also understood that ISRs are the primary link to the retailer network.

Our centralized inside sales, warehousing and distribution program eliminates operational inconsistencies that can negatively impact revenues and creates more opportunities for the ISRs to build relationships with retailers. Our approach is based on our experience in staffing and operating similar inside sales, warehousing and distribution programs for some of the industry's leading lotteries, including Florida, Delaware, D.C., Pennsylvania, Oklahoma, Arkansas, and Puerto Rico. These operations also adhere to the Scientific Games centralized inside sales program model.

Figure 9.3-4 presents the features and benefits of our proposed inside sales program.

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Figure 9.3-4: Highlights of the Scientific Games Inside Sales Plan

FEATURES	BENEFITS
● Predictive Ordering	Our uses sales from each individual retailer to predict inventory usage and days of inventory remaining by game and present these data on the ISR's order screens.
● Phone Monitoring System	Supervisors are able to monitor any incoming or outgoing calls at any individual ISR station. All ISR calls are recorded and made available to the Lottery upon request.
● Remote Monitoring	The Texas Lottery can silently monitor ISR calls remotely via a secure web page.
● Phone Tracking System	Tracks all inside sales phone calls, by the individual ISR, the number of calls, the length of calls and the time on hold.
● Auto-Dial	Inside Sales Reps utilize auto-dial at the click of a button on the retailer information screen.
● Pack Status	The status of any given pack of tickets is available for viewing by Inside Sales Reps at any time. This includes in-transit, received, activated and settled packs.
● Sales Information	Sales prediction formula is based on "live redemptions" by individual game as assigned to individual retailers — NOT BY DISTRIBUTION NUMBERS.

Figure 9.3-4: Highlights of the Scientific Games Inside Sales Plan

FEATURES	BENEFITS
● Order History	Retailer order history is available online, for a lottery-defined period. It is not based on the number of previous orders.
● Call Reports	Our ISR module uses online retailer call reports.
● Courier Tracking	Inside Sales Reps can track every package shipped, online and in real-time.

SALES PROCESSING FUNCTIONALITY

Our order fulfillment/inside sales function gives sales representatives quick and easy access to a variety of retailer information during the course of a call. This enables us to communicate information to retailers through one centralized process. The inside sales function is illustrated in Figure 9.3-5.

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Inside Sales Representatives act as a “clearinghouse” of information to retailers each time they call. At a minimum, the inside sales module of the _____ contains all the following information:

- Retailer name, number, and contact name(s)
- Sales representative
- Sales history information
- A top down listing of the top selling games for the retailer based on the most current sales information for that retailer
- Rate of sales information by individual game
- Quantity of tickets on hand by individual game
- Days of inventory on hand by game
- Call frequency
- Call week: retailers are called according to weekly and biweekly frequency cycles
- The ability to enter permanent call notes for each retailer
- Retailer sales type and/or trade style
- Last ISR order date
- The ability to enter ordering notes on ISR screen by individual retailer

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Various reports are available from the system to monitor inventory by retailer, sales representative, and region. In addition, we will customize other reports to meet your needs as they arise.

END-OF-DAY ORDER VALIDATION

Various data is stored in _____ to enable information on retailer orders to be easily retrieved and displayed. Summary totals can be displayed on the screen by LSR, ISR, retailer and/or game for any given period of time. The system displays the information in a report format on the screen that can also be printed for hard copy archival.

REAL-TIME UPDATES

_____ options are also available to customize the

Various sorting

CALL QUEUE

Figure 9.3-6 shows a sample Call List Screen.

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This Daily Call Report is generated for each inside sales representative and can be generated for future dates. This report, at a minimum, will include the following information:

- LSR name and identification number
- Retailer demographic information
- Retailer call cycle/date, delivery cycle/date, and last order information
- Retailer order history
- Retailer inventory levels
- Comments
- Any other required information the Texas Lottery would desire

Our system can handle call cycles of varying weeks, allowing us to schedule call cycles from one week to nine week periods. The parameter-driven ISR subsystem is easy to use and provides automatic calling to retailers according to:

- Date of latest retailer call
- Inventory levels
- Ticket delivery dates

- Contact name(s)
- Invoice dates
- Sales territory
- Any other method the Texas Lottery would desire

ORDER ENTRY

We don't want the LSRs to come up unexpectedly on a retailer with too little or no stock situation. That is why our Inside Sales reps will proactively contact the LSRs to advise them of low inventory situations.

In situations like these, our system allows either the retailer or the sales representative to initiate an ISR call. When the retailer places a call, the ISR order entry processing screen is displayed on the ISRs screen. Retailer information is displayed on the screen showing retailer demographics, instant ticket sales data and inventory on hand.

As shown in Figure 9.3-7, the full feature telemarketing system enables the ISR to easily retrieve information on a retailer's account, including:

- A projection of how many days of inventory the retailer has by game
- Demographic information
- Status
- Call cycle and date
- Delivery cycle and date
- Current active games
- Order history types to identify orders by telemarketing, through the retailer terminal, etc.
- Average order
- Real-time inventory information: number of available packs in warehouse, by game
- Inventory on hand

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The ISR order function also has the ability to:

- Enter orders for any active instant game
- Return the retailer to the call queue if the order is not completed
- Delay an order for an arbitrary amount of time
- Remove the retailer from the call queue if no order is necessary
- Override predictive ordering volume suggestions
- Enter notes or comments
- Change retailer information
- Update the number of selling locations or ticket dispenser slots
- Present winner awareness information (information on past high tier winners)
- Automatically dial the retailer's phone number
- Update contact names and preferred times
- Order counts placed through automated process(es)

Confidentiality Claimed
Not released

Confidentiality Claimed Not released

SHIPPING PROCESS

When an order is placed, the system verifies existing inventory levels so as to ensure that there is sufficient inventory for the particular game(s). If warehouse inventory is inadequate, the game is instantly removed from the order screen. When an order is processed, the inventory balance and order files are updated in order to reserve the inventory.

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TICKET ORDERS

All ticket orders are reviewed and processed by our Inside Sales staff. supports ticket orders placed in the order file as originating in a number of ways:

- During calls from the IRS staff
- Retailer-placed calls to the special Tel-Sell phone number
- LSR calls to a retailer's ISR
- Special order screens on the WAVE™ sales terminal
- Secure ordering pages accessed through the Texas Lottery's website
- Customized automated voice response phone system

Orders for multiple packs and/or multiple games are processed as a single order. The order processing function generates a single shipping manifest for the retailer. The shipping manifest includes the manifest number along with a bar code, which can be used to track and process the shipment at the retailer POS and warehouse.

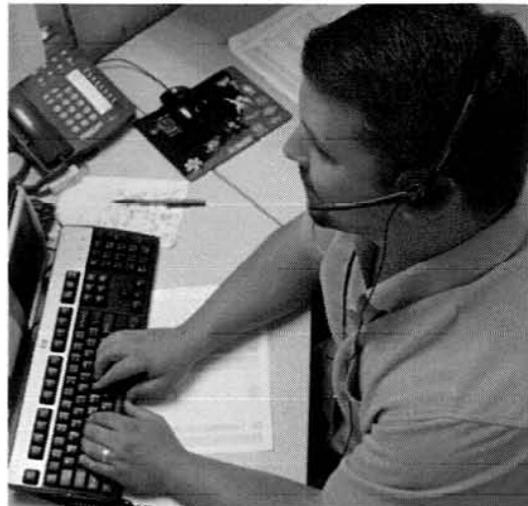


Figure 9.3-9: Inside Sales Representative Fulfilling Retailer Ticket Order

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Additional features of our integrated module are as follows:

Contact Schedule – When each retailer is entered into , ISR data elements are input, including the assigned LSR and ISR, frequency of calls, call day and preferred time of day. can then automatically generate a call schedule. The retailer always has the option of requesting a call time and date that fits into their schedule.

Inventory Management – The ISR function includes the ability to monitor and manage inventory at the retailer level. This will, at a minimum, include the monitoring of:

- Orders shipped but not confirmed
- Packs confirmed but not yet activated
- Low or high stock levels

As each call is made by the Inside Sales Representative, the order screen shows the real-time warehouse inventory levels, as well as the level at the retailer, by game. This allows ISRs to sell down to the last pack in the warehouse.

Retailer Account Services – The ISR's package can provide retailer account service activities including pack returns, stolen ticket reporting, and lost or delayed shipment tracking. The system can, and typically does, serve as the initial point of contact concerning ticket any retailer problems.

RECORDING TELEMARKETING CALLS

Scientific Games will digitally record all telemarketing calls placed or received. The call recording system will provide live call monitoring as well as historical call playback including computer screen capture and synchronization. At a minimum, calls over six months old can be archived for long term storage. Recordings will be retained on a schedule as approved by the Texas Lottery.

INCOMING CALL PROCEDURE

Scientific Games will use a Lottery-approved pre-recorded message to be heard by waiting calls.

ORDER PLACEMENT METHODOLOGY

To ensure accuracy, Scientific Games' ISRs are trained to review ticket orders with the retailer before submitting it. This not only ensures accuracy but also provides the ISR with the opportunity to sell additional tickets for specific games. Once an order is placed, it is recorded in the Order History screen which can be reviewed with the retailer.

Scientific Games maintains close control over the warehouse inventory with the most advanced technology in the industry today. As described throughout **Section 9**, inventory control and instant game lifecycle management is a core function of the system and at the heart of our offering to the Texas Lottery.

This system provides the tools necessary to monitor retailer inventory levels and provide the advanced reports needed to effectively help manage daily operations.

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newest tool, Predictive Ordering System, takes inventory monitoring and retailer orders to the next level. This new, powerful tool ensures that correct ticket quantities are ordered for each game by "shaping" the most effective ticket order recommendation to retailers. This inventory review service is provided for ISR generated calls and any orders received via Voice Mail, website and online terminal.

All of this and more is accomplished through the tools available with the Predictive Ordering System.

**Confidentiality Claimed
Not released**

Confidentiality Claimed
Not released

9.3.7.1 WAREHOUSE INSTANT TICKET RETURN VERIFICATION

RFP Requirement: *There are three types of ticket returns that occur from Retailer locations: partial pack returns, full pack returns and manual returns. LSRs are responsible for the return ticket processes at the Retailer level. This section covers the steps to transfer tickets from the Retailer location through verification and return processing at the central distribution warehouse facility.*

Following the retrieval of tickets from the Retailer:

- 1. Manual (Damaged, Defective, Retailer Sales terminal unavailable for processing, etc.) pack ticket returns are delivered to the central distribution warehouse for credit to the Retailer's account and retention for destruction.*
- 2. Full pack ticket returns (processed by Terminal at Retailer) will be delivered to the central distribution warehouse for verification and destruction or re-distribution based on the status of the game.*

3. Partial pack ticket returns (processed by Terminal at Retailer) will be delivered to the central distribution warehouse for verification of the range of tickets returned and retention for destruction.

Table 108. Warehouse Instant Ticket Return Verification Requirements

ROLES AND RESPONSIBILITIES	SUCCESSFUL PROPOSER	TLC
1. Jointly receive, verify, and report on the status and count of tickets returned to a secure area at the central distribution warehouse	X	X
2. Sorts returned tickets by ticket or status type according to documented procedures	X	
3. Verifies and validates returned pack and ticket ranges from Retailers according to documented procedures	X	
4. Determines and documents processing of returned tickets within specified time frames	X	
5. Reconciles discrepancies for returned pack and ticket ranges from Retailers	X	
6. Stores defective tickets, partially opened packs, and tickets from closed games in the Successful Proposer's warehouse in Texas Lottery-controlled space		X
DETAIL REQUIREMENTS	RESPONSE SECTION(S)	
7. The Successful Proposer shall document the process and procedure, subject to approval by the Texas Lottery, that will be used to track and store partial packs of Instant Tickets returned from Retailers.	9.3.7.1.2	
8. The Successful Proposer must document the procedure, subject to approval by the Texas Lottery, for handling Instant Tickets that are in a "hold," "lost warehouse," "lost Retailer," or "in transit" status for more than 60 Days.	9.3.7.1.3	
9. All manual (damaged, defective, etc.) full or partial pack ticket returns must be returned to the central distribution warehouse and processed for credit to the Retailer's account within twenty-one (21) Days from Retailer pickup.	9.3.7.1.3	
10. All full pack ticket returns (processed by Terminal at Retailer) must be returned to the central distribution warehouse within twenty-one (21) Days from Retailer pickup.	9.3.7.1.2	
11. All partial pack ticket returns (processed by Terminal at Retailer) must be returned to the central distribution warehouse within twenty-one (21) Days from Retailer pickup.	9.3.7.1.2	
12. 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 ninety (90) consecutive Days or at the end of validation date for the game, the Successful Proposer must change the pack status to "Stolen Warehouse."	9.3.7.1.3	

DETAIL REQUIREMENTS	RESPONSE SECTION(S)
13. If, at any time during the return of an Instant Ticket pack to the warehouse, the pack is placed on "Lost Warehouse" status for more than ninety (90) consecutive Days, at the end of validation date for the game, or a validation is attempted after the pack is placed in "Lost Warehouse" status, the Successful Proposer must change the pack status to "Stolen Warehouse."	9.3.7.1.3
14. 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 ninety (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, the Successful Proposer must change the pack status to "Stolen Retailer Non-chargeable."	9.3.7.1.3
15. If an Instant Ticket full or partial pack is placed on "InTransit" status for more than thirty (30) consecutive Days, the Successful Proposer must change the pack status to "Stolen in Transit."	9.3.7.1.3
16. The Successful Proposer shall be responsible for damage to and/or loss of Instant Ticket packs and Instant Tickets in the Successful Proposer's care or custody.	9.3.7.1.3

Table 109. Warehouse Instant Ticket Return Verification Response Requirements

RESPONSE REQUIREMENT
1. The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.
2. The Proposer must describe the process and procedure (including security features) that will be used to document and store partial packs of Instant Tickets returned from Retailers and the tracking system that will be used to follow the packs returned to the warehouse.
3. The Proposer must describe the procedures for locating Instant Tickets that are in a "Hold," "Lost Warehouse," "Lost Retailer," or "In Transit" status longer than the permitted time limit.

Table 110. Warehouse Instant Ticket Return Verification Service Levels

SLR #	SLR NAME
3.60.60	Instant Ticket Packs Not Returned to the Warehouse
3.60.61	Warehouse Instant Ticket Return Verification

Scientific Games understands that there are three types of ticket returns that occur from retailer locations:

. LSRs will be responsible for the return ticket process at the retailer level. We have read and understand this section and the steps necessary to transfer tickets from the Retailer location through verification and return

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processing at the central distribution warehouse facility. We understand and will use the following procedures for the retrieval of tickets from the retailer:

1. Manual (Damaged, Defective, Retailer Sales terminal unavailable for processing, etc.) pack ticket returns will be delivered to the central distribution warehouse for credit to the Retailer's account and retention for destruction.
2. Full pack ticket returns (processed by Terminal at Retailer) will be delivered to the central distribution warehouse for verification and destruction or re-distribution based on the status of the game.
3. Partial pack ticket returns (processed by Terminal at Retailer) will be delivered to the central distribution warehouse for verification of the range of tickets returned and retention for destruction.

RESPONSE TO TABLE 109: WAREHOUSE INSTANT TICKET RETURN VERIFICATION RESPONSE REQUIREMENTS

9.3.7.1.1 ACKNOWLEDGEMENT AND ACCEPTANCE OF THE ROLES AND RESPONSIBILITIES AND DETAIL REQUIREMENTS

Response Requirement 1: The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.

Scientific Games acknowledges and accepts the roles and responsibilities and detail requirements indicated in this section.

9.3.7.1.2 PROCESS AND PROCEDURE THAT WILL BE USED TO DOCUMENT AND STORE PARTIAL PACKS OF INSTANT TICKETS RETURNED FROM RETAILERS (DRs 7, 10 and 11)

Response Requirement 2: The Proposer must describe the process and procedure (including security features) that will be used to document and store partial packs of Instant Tickets returned from Retailers and the tracking system that will be used to follow the packs returned to the warehouse.

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. In satisfaction of RFP Table 108, Detail Requirement Nos. 10 and 11, an authorized, licensed and insured Historically Underutilized Business (HUB) or UPS or local courier will then pick up and deliver full and partial pack returns to the central distribution warehouse in Austin within 21 days.

RETURNS PROCESSING

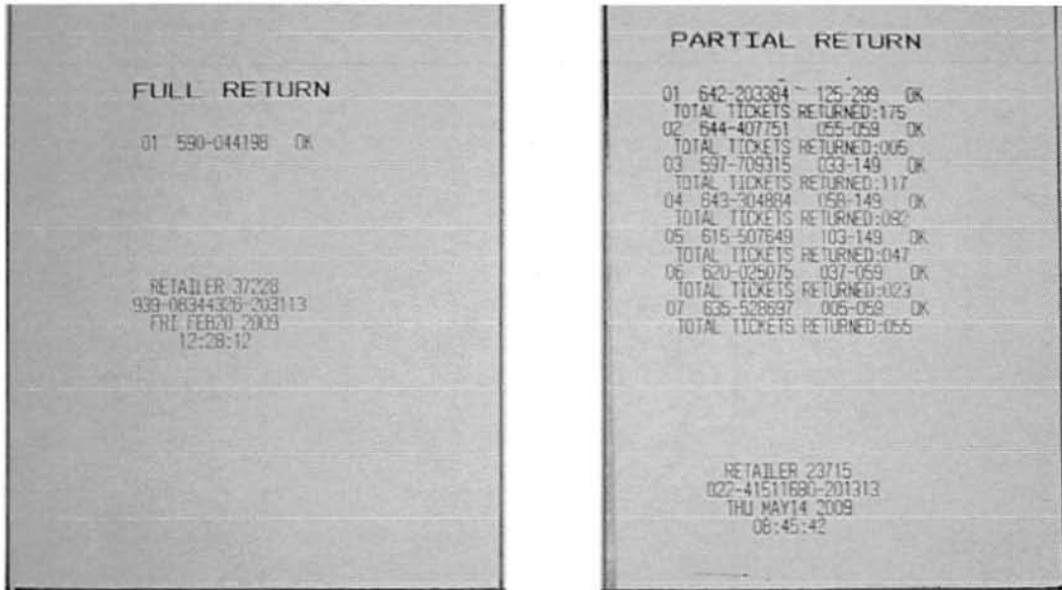


Figure 9.3-10: Sample Full and Partial Return Invoices

Partial Pack Return –

Full Pack Return — The same scanning process as described above is used for
with

All of the data from the returns process is updated to the system for real-time accountability.

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9.3.7.1.3 LOCATING INSTANT TICKETS (DRs 8, 9, 12, 13, 14, 15 and 16)

Response Requirement 3: *The Proposer must describe the procedures for locating Instant Tickets that are in a "Hold," "Lost Warehouse," "Lost Retailer," or "In Transit" status longer than the permitted time limit.*

provides a number of instant ticket inventory reports, including packs that have languished in certain statuses longer than a specified number of days. This provides instant ticket management staff a way of identifying tickets that have been in *hold, lost-warehouse, lost-retailer, lost-courier, in transit* (to retailer), or *returned-in transit* longer than 60 days, satisfying RFP Table 108, Detail Requirement No. 8.

THE TASK OF IN-TRANSIT REMINDER CALLS TO RETAILERS

LSRs will routinely remind retailers that they have packs in transit that need to have delivery confirmed. If the retailer is unable to locate the package within 30 days of issuance, the LSR requests that the pack status be changed to "stolen in transit."

Scientific Games' personnel will review the pack status aging report on a weekly basis to review inventory in-transit status.

Scientific Games' personnel also use the pack status aging report to review packs in "hold," "lost warehouse," and "lost retailer" status. Packs in "hold" or "lost warehouse" status for more than 60 days will be moved to "stolen warehouse" status. Packs in "lost retailer" status for longer than 60 days are placed in "stolen retailer non-chargeable" status.

WAREHOUSE INSTANT TICKET RETURN VERIFICATION

By combining the information stored in the _____ with proven warehouse physical inventory procedures. The system has standard reports showing stagnant inventory (i.e., packs or tickets that have remained in specific statuses for longer than a specified period). These reports will be used to identify packs remaining in *hold, lost-warehouse, lost-retailer, or return-in transit* status. The owner field associated with each pack will indicate the expected inventory location (i.e., warehouse ID). Using this report, warehouse staff will perform a detailed physical audit of the game's inventory.

GMS inventory screens also are available for investigating the location and status history of specific packs and tickets. Associated screens can be used by authorized warehouse clerks to transition any located "lost" inventory to an appropriate status.

Scientific Games will satisfy RFP Table 108, Detail Requirement No. 9, through a combination of Lottery Gaming System features and warehouse inventory management procedures. The process is initiated by the LSR at the retailer's sales terminal and

culminates in the sequestering of returns in the warehouse. We commit to completing the return process, with any resulting credit postings, within 21 days of pick-up from the retailer.

LSRs will have special, dedicated inventory management screens on the WAVE™ retailer terminal.

functions is the Return Tickets screen which supports the following processes:

When the returns reach the warehouse, they are scanned into an appropriate warehouse status (i.e., *hold*, *warehouse-available*, or *warehouse-unavailable*). If the pack has been settled the process credits the original owning retailer's account with the sale value of the tickets minus the appropriate sales commission.

Scientific Games will satisfy RFP Table 108, Detail Requirement No. 12, by regularly generating an inventory report showing all packs that have remained in *hold* status for longer than 90 consecutive days, and initiating warehouse audits to attempt to locate the packs. Each pack that is found will be moved to a status consistent with Texas Lottery policies and procedures. If the pack cannot be located within the warehouse, it will be moved to *stolen-warehouse* status.

The same report review and status change process will take place at the close of an instant game (i.e., after the end-validation date).

Scientific Games will satisfy RFP Table 108, Detail Requirement No. 13, by regularly generating an inventory report showing all packs that have remained in *lost-warehouse* status for longer than 90 consecutive days, and initiating warehouse audits to attempt to locate the packs. Each pack that is found will be moved to a status consistent with Texas Lottery policies and procedures. If the pack cannot be located within the warehouse, or a ticket validation is attempted from the pack, it will be moved to *stolen-warehouse* status.

The same report review and status change process will take place at the close of an instant game (i.e., after the end-validation date).

Scientific Games will satisfy RFP Table 108, Detail Requirement No. 14, by regularly generating an inventory report showing all packs that have remained in *lost-retailer* status for longer than 90 consecutive days, and initiating an LSR or security examination of the retailer site. Each pack that is found will be moved to a status consistent with Texas Lottery policies and procedures. If the pack cannot be located or a ticket validation is attempted from the pack, it will be moved to *stolen-retailer non-chargeable* status.

The same report review and status change process will take place at the close of an instant game (i.e., after the end-validation date).

Scientific Games will satisfy RFP Table 108, Detail Requirement No. 15, by regularly generating an inventory report showing all that have remained in *in transit to retailer* status or full packs or loose tickets (i.e., a partial pack) remaining in *returned-in transit* status for longer than 30 consecutive days, and initiating an LSR or security examination of the retailer site and ticket return physical path. Each pack or ticket range that is found will be moved to a status consistent with Texas Lottery policies and procedures. If the pack or tickets cannot be located or a ticket validation is attempted from the pack, it will be moved to the appropriate status: *stolen-courier* or *stolen-in transit* status.

Scientific Games understands that the successful proposer is responsible for damage to and/or loss of instant ticket packs and instant tickets in its care or custody, satisfying RFP Table 108, Detail Requirement No. 16.

9.3.8 STOLEN AND DAMAGED INSTANT TICKET REPORTING (DR 6)

RFP Requirement: *If a Retailer reports Instant Tickets as stolen or damaged, the Retailer may be eligible for a credit for those tickets based on Texas Lottery rules and/or procedures. The Retailer must notify the Lottery Operator, and the Lottery Operator must enter the tickets into the Texas Lottery's stolen/damaged ticket database and the Lottery Gaming System.*

Before requesting credit from the Texas Lottery for stolen tickets, the Retailer must report the theft to a local law enforcement agency. The Lottery Operator then verifies validation attempts on these reported stolen tickets and provides feedback to the Retailer regarding the stolen Instant Tickets. The Texas Lottery monitors the process.

If Instant Tickets assigned to a Retailer are damaged and the damage was not caused by the Retailer or the result of circumstances within the Retailer's control, the Retailer can request credit from the Texas Lottery for the damaged tickets. The Retailer must notify the Lottery Operator, and the Lottery Operator must enter the damaged tickets into the Texas Lottery's stolen/damaged ticket database and the Lottery Gaming System. The Texas Lottery monitors the process.

Table 111. Stolen and Damaged Instant Ticket Reporting Requirements

ROLES AND RESPONSIBILITIES	SUCCESSFUL PROPOSER	TLC
1. Handles incoming contact from Retailers about stolen or damaged tickets	X	
2. Documents the event and enters the stolen or damaged ticket range into the stolen/damaged ticket database and the Lottery Gaming System	X	
3. Checks to determine if the tickets reported stolen/damaged were activated or paid for and logs their status based on the review of tickets classified as stolen	X	

Table 111. Stolen and Damaged Instant Ticket Reporting Requirements

ROLES AND RESPONSIBILITIES		SUCCESSFUL PROPOSER	TLC
4.	Monitors the stolen/damaged ticket database		X
DETAIL REQUIREMENTS		RESPONSE SECTION(S)	
5.	The Successful Proposer shall document the process and procedure for handling damaged or stolen tickets.	9.3.8.2	
6.	The Successful Proposer must be available via the call center twenty-four (24) hours a Day, seven (7) Days a week, three hundred sixty-five (365) Days a year for the intake of reports and the documenting of stolen and/or damaged tickets.	9.3.8	

Table 112. Stolen and Damaged Instant Ticket Reporting Response Requirements

RESPONSE REQUIREMENT
1. The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.
2. The Proposer must describe how damaged and stolen tickets will be processed.

Scientific Games understands that if a retailer reports instant tickets as stolen or damaged, the retailer may be eligible for a credit for those tickets based on Texas Lottery rules and/or procedures. We further acknowledge that the retailer will notify Scientific Games, and Scientific Games' staff will enter the tickets into the Texas Lottery's stolen/damaged ticket database and the Lottery gaming system.

Scientific Games understands that before requesting credit from the Texas Lottery for stolen tickets, the Retailer will report the theft to a local law enforcement agency. Scientific Games will then verify validation attempts on these reported stolen tickets and will provide feedback to the retailer regarding the stolen instant tickets. The Texas Lottery will monitor the process.

Scientific Games acknowledges that if instant tickets assigned to a retailer are damaged and the damage was not caused by the retailer or the result of circumstances within the retailer's control, the retailer can request credit from the Texas Lottery for the damaged tickets. We understand that the retailer will notify Scientific Games, and that Scientific Games will enter the damaged tickets into the Texas Lottery's stolen/damaged ticket database and the Lottery gaming system. The Texas Lottery monitors the process.

In satisfaction of RFP Table 111, Detail Requirement No. 6, Scientific Games will be available via the call center 24 hours a day, seven days a week, 365 days a year for the intake of reports and the documenting of stolen and/or damaged tickets.

RESPONSE TO TABLE 112: STOLEN AND DAMAGED INSTANT TICKET REPORTING RESPONSE REQUIREMENTS

9.3.8.1 ACKNOWLEDGEMENT AND ACCEPTANCE OF THE ROLES AND RESPONSIBILITIES AND DETAIL REQUIREMENTS

Response Requirement 1: The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.

Scientific Games acknowledges and accepts the roles and responsibilities and detail requirements indicated in this section.

9.3.8.2 PROCESSING OF DAMAGED AND STOLEN TICKETS (DR 5)

Response Requirement 2: The Proposer must describe how damaged and stolen tickets will be processed.

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In satisfaction of RFP Table 111, Detail Requirement No. 5, Scientific Games has outlined our procedures for processing damaged or stolen tickets. Damaged or stolen tickets reported at retail will be handled by the LSR. The LSR will be responsible for updating the pack (or ticket) status at the retailer terminal to reflect "damaged" or "stolen." Damaged tickets will be

will support the 23 instant ticket statuses listed in **Section 7.3.8**, plus about a dozen others used by the Lottery Gaming System. Based upon security parameters established at system configuration time, the system will enforce Texas Lottery instant ticket policies and practices. GMS inventory control screens will allow authorized users to perform legal status changes among the various statuses, including a number of stolen, damaged and lost categories.

Our system will allow the transitioning to appropriate statuses of packs or tickets that are identified by the retailer as damaged. When authorized by the Texas Lottery, our employee processing the damage claim will use a screen option on the status change screen to post an appropriate financial credit to the retailer's account. All such transaction will be communicated to Texas Lottery staff.

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9.4 INSTANT TICKET AND ONLINE TICKET STOCK DESTRUCTION

RFP Requirement: The Lottery Operator contracts with a Texas Lottery-approved document destruction vendor to destroy Instant Tickets and On-Line Ticket stock that will no longer be circulated to Retailers. The Texas Lottery approves and witnesses the destruction of all Instant Tickets, On-Line Ticket stock and any other related materials.

Table 113. Instant Ticket and On-Line Ticket Stock Destruction Requirements

ROLES AND RESPONSIBILITIES	SUCCESSFUL PROPOSER	TLC
1. Jointly signs forms logging items that will be destroyed	X	X
2. Jointly oversees loading of items to be destroyed onto destruction vendor's vehicle	X	X
3. Jointly travels to destruction vendor site and witnesses destruction of items	X	X
4. Jointly signs-off at the completion of items destruction	X	X
DETAIL REQUIREMENTS	RESPONSE SECTION(S)	
5. The Successful Proposer must provide: <ul style="list-style-type: none"> a. for the destruction of unsold, returned or unused (after game close and reconciliation of game) Instant Tickets and On-Line Ticket stock in a secure method, either within the central distribution warehouse facility or at a Texas Lottery-approved off-site facility; and b. destruction equipment meeting Texas Lottery specifications and the staff to assist with the destruction. 	9.4.3	
6. The Successful Proposer shall shred or otherwise destroy other Texas Lottery materials, such as promotional coupons, void tickets, etc., at the Texas Lottery's direction.	9.4.3	
7. The Successful Proposer shall only destroy Instant Tickets, On-Line Ticket stock and other materials with permission of the Texas Lottery and under the direct supervision of Texas Lottery personnel.	9.4.3	

Table 114. Instant Ticket and On-Line Ticket Stock Destruction Response Requirements

RESPONSE REQUIREMENT
1. The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.
2. The Proposer must describe the process and/or procedures to ensure the destruction of Instant Tickets, On-Line Ticket stock and other materials will be performed only with permission of the Texas Lottery and under the direct supervision of Texas Lottery personnel.
3. The Proposer must describe its process for the destruction of Instant Tickets, On-Line Ticket stock and/or other materials.

If selected as the successful proposer, Scientific Games understands that it contracts with a Texas Lottery-approved document destruction vendor to destroy instant tickets and online ticket stock that will no longer be circulated to retailers. We acknowledge that the Texas Lottery approves and witnesses the destruction of all instant tickets, online ticket stock and any other related materials.

RESPONSE TO TABLE 114: INSTANT TICKET AND ONLINE TICKET STOCK DESTRUCTION RESPONSE REQUIREMENTS

9.4.1 ACKNOWLEDGEMENT AND ACCEPTANCE OF ROLES AND RESPONSIBILITIES AND DETAIL REQUIREMENTS

Response Requirement 1: The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.

Scientific Games acknowledges and accepts the roles and responsibilities and detail requirements indicated in this section.

9.4.2 PROCESS AND/OR PROCEDURES TO ENSURE THE DESTRUCTION OF INSTANT TICKETS, ONLINE TICKET STOCK AND OTHER MATERIALS WILL BE PERFORMED

Response Requirement 2: The Proposer must describe the process and/or procedures to ensure the destruction of Instant Tickets, On-Line Ticket stock and other materials will be performed only with permission of the Texas Lottery and under the direct supervision of Texas Lottery personnel.

After all auditing and reconciliation is complete for a closed game,

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Scientific Games' sales and distribution manager and on-site security manager will ensure that no tickets will be destroyed until the Lottery has accounted for and reconciled the disposition of all inventory for that game and has issued its formal authorization for ticket destruction.

During the business requirements collection phase of the implementation project we will collaborate with the Texas Lottery to confirm that our warehouse and stock destruction processes are acceptable.

9.4.3 DESTRUCTION OF INSTANT TICKETS, ON-LINE TICKET STOCK AND/OR OTHER MATERIALS PROCESS (DRs 5, 6 and 7)

Response Requirement 3: The Proposer must describe its process for the destruction of Instant Tickets, On-Line Ticket stock and/or other materials.

Within the following paragraphs, Scientific Games satisfies RFP Table 111, Detail Requirement Nos. 5, 6 and 7 detailing our ticket destruction procedures, equipment, third party companies, and security measures by which we will fulfill the Texas Lottery's requirements.

Control Measures – Scientific Games' ISO-certified procedures and systems provide full control and auditability for tickets under our control. Tickets being returned for destruction from the Texas warehouse will be securely stored pending shipment to our Alpharetta facility for destruction. The procedures we describe below are used by all of our current warehousing and distribution customers.

Our ISO-certified procedures are as follows:

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The Warehouse Supervisor at our _____ and a designated representative from the Texas Lottery will coordinate their efforts to ensure that all materials are properly accounted for prior to the materials being shipped to our facility for destruction.

A designated representative from the Lottery must then authorize the shipment of these materials to our facility thus designating approval for their destruction.

the

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Shredder Make/Model and Destruction – Scientific Games uses a

system to destroy the unusable tickets. The grinder was designed for PVC pipe destruction and has been modified to meet our paper and foil substrate destruction needs. The unit is capable of shredding 10,000 lbs/hour.

Waste enters the grinder and is cut into fine chips with a small percentage being pulverized into powder. These chips are automatically drawn into the baler system where waste is compressed into large bales and shipped to contracted mills for recycling.

We process approximately 9,000 tons of secure waste annually.

Letter of Destruction – Scientific Games' shredding/baler room operation:

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The destruction certificate reflects the level of detail found in the original customer provided manifest (bill of lading) unless a more detailed

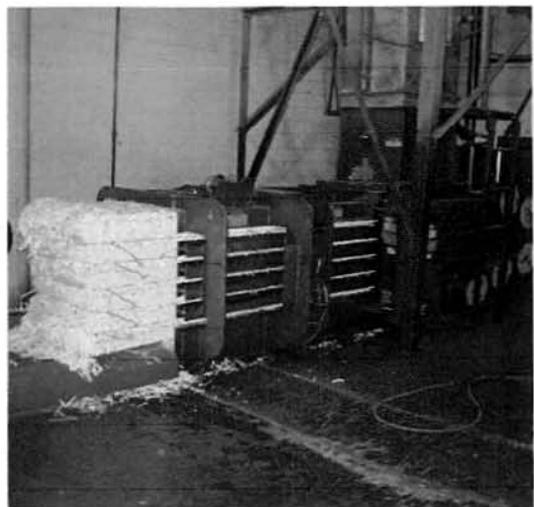


Figure 9.4-3: Shredded Waste, Ready for Disposal/ Recycling

inventory is requested. Typically, destruction certificates include game number, skid number, box number, and the start and stop date and time of the destruction process. Open partial boxes will be listed as such and intact sealed boxes will be assumed to contain all packs listed on the outer box label inventory. If the Lottery includes manifest detail down to pack number and/or loose ticket numbers, the necessary amount of inspection and reconciliation person hours will be documented.



Date: 03/24/10
 To: Doug Pitts Florida Lottery Security Director
 Subject: Destruction of Florida -1036

Please allow this letter to confirm the successful destruction of FI-1036 \$3,000,000 Monopoly shipment that caught fire on Thursday March 11, 2010 on Interstate 75 in Marion County Florida.

The material was received at Scientific Games on Monday March 22, 2010 @ 00:30 hours by Security Officer Kevin Roux. Security Officer Roux verified SG scal numbers 69345 & 69346 that secured the shipment along with a padlock provided by the driver. The shipment was offloaded directly into Scientific Games shredding room.

The destruction consisted of and matched the return bill of lading;

21 skids of product

1 Gaylord type box containing damaged loose packs and miscellaneous partially burned ticket debris from the initial site cleanup

1 envelope containing tickets debris retrieved by SG Security at the wreck site post cleanup

1 envelope containing 4 loose & scratched tickets identified during SG's product inventory and assessment process

All material was completely shredded Wednesday March 24, 2010 @ approximately 09:00 hours.

Please call me with any questions or concerns regarding this matter.

Anthony Seay, Security Supervisor
 Scientific Games
 Security Department
 1500 Bluegrass Lakes Parkway
 Alpharetta, GA 30004 (770) 664-3799

770-772-7672
 Fax

1500 Bluegrass Lakes Parkway, Alpharetta, GA 30004

770-664-3799
 Phone

Figure 9.4-4: Sample Letter of Destruction

9.5 PROMOTIONAL ITEM AND POINT-OF-SALE (POS) VERIFICATION AND RECEIVING

RFP Requirement: Promotional items are procured by the Texas Lottery and verified, received, tracked and distributed by Texas Lottery and Lottery Operator personnel. The items are distributed to Retailers, current players and potential players during sales contests, incentives, promotional events or other events that create awareness and interest for Lottery Products.

In addition, Point of Sale (POS) advertising materials (e.g., pump toppers, playstation inserts, mini billboards, jumbo posters and Terminal toppers) are produced by the Texas Lottery's advertising vendor and shipped to the Lottery Operator for distribution. The POS advertising materials are distributed to Retailers by LSRs.

Table 115. Promotional Item and POS Verification and Receiving Requirements

ROLES AND RESPONSIBILITIES	SUCCESSFUL PROPOSER	TLC
1. Receives and stores promotional items and reconciles shipping, receiving, and purchasing documentation for merchandise purchased by the Texas Lottery	X	
2. Reviews and verifies shipping, receiving and purchasing documentation prepared by the Successful Proposer for merchandise purchased by the Texas Lottery		X
3. Provides monthly perpetual promotional item inventory	X	
4. Receives and stores Point of Sale items	X	
5. Confirms arrival of Point of Sale items with the Texas Lottery	X	
6. Distributes Point of Sale items to Retailers	X	
DETAIL REQUIREMENTS	RESPONSE SECTION(S)	
7. The Successful Proposer must deliver and/or install promotional and Point of Sale materials to Retailers as directed by the Texas Lottery.	9.5.2	
8. The Successful Proposer must comply with Texas Lottery requirements for verifying and receiving all Texas Lottery property delivered to the Successful Proposer's facilities (e.g., district offices, warehouses, etc.).	9.5.3	
9. The Successful Proposer must provide secure storage space for promotional items, equipment and POS.	9.5.2	

Table 116. Promotional Item and POS Verification and Receiving Response Requirements

RESPONSE REQUIREMENT
1. The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.
2. The Proposer must describe how and where promotional items and POS will be received, stored and distributed to meet Texas Lottery requirements.

Table 116. Promotional Item and POS Verification and Receiving Response Requirements

RESPONSE REQUIREMENT

3. The Proposer must describe the process for the verification, receiving, and ongoing inventory of promotional items.

Scientific Games understands that promotional items are procured by the Texas Lottery and verified, received, tracked and distributed by Texas Lottery and Lottery Operator personnel. The items are distributed to retailers, current players and potential players during sales contests, incentives, promotional events or other events that create awareness and interest for Lottery products. In addition, Point-of-Sale (POS) advertising materials (e.g., pump toppers, PlayStation inserts, mini billboards, jumbo posters and terminal toppers) are produced by the Texas Lottery's advertising vendor and shipped to the Lottery Operator for distribution. We also acknowledge that the POS advertising materials are distributed to retailers by LSRs.

RESPONSE TO TABLE 116: PROMOTIONAL ITEM AND POS VERIFICATION AND RECEIVING RESPONSE REQUIREMENTS

9.5.1 ACKNOWLEDGMENT AND ACCEPTANCE OF THE ROLES AND RESPONSIBILITIES AND DETAIL REQUIREMENTS

Response Requirement 1: The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.

Scientific Games acknowledges and accepts the roles and responsibilities and detail requirements indicated in this section.

9.5.2 HOW AND WHERE PROMOTIONAL ITEMS AND POS WILL BE RECEIVED, STORED AND DISTRIBUTED TO MEET TEXAS LOTTERY REQUIREMENTS (DRs 7 AND 9)

Response Requirement 2: The Proposer must describe how and where promotional items and POS will be received, stored and distributed to meet Texas Lottery requirements.

In satisfaction of RFP Table 115, Detail Requirement Nos. 7 and 9, Scientific Games will receive and store all promotional items and POS materials at our central warehouse located in Austin. These materials will be secured in a designated space, apart from the inventory of instant tickets and/or online stock and materials. The storage of these materials will be controlled under the same stringent security measures employed throughout the entire warehouse operation.

As directed by the Lottery, orders will be packaged and shipped via UPS, a designated HUB courier service provider, or other local couriers to the regional offices for distribution by the LSR(s).

Upon receipt, the LSR will then deliver and provide, as necessary, the appropriate merchandise to individual retailers.

9.5.3 THE PROCESS FOR THE VERIFICATION, RECEIVING, AND ONGOING INVENTORY OF PROMOTIONAL ITEMS (DR 8)

Response Requirement 3: The Proposer must describe the process for the verification, receiving, and ongoing inventory of promotional items.

In satisfaction of RFP Table 115, Detail Requirement No. 8, Scientific Games' Warehouse Management will be responsible for verifying receipt of all promotional items received from the Lottery. The Warehouse Management will enter the inventory into our inventory management system. The Warehouse Management will provide a monthly inventory report of promotional items via an interface from Scientific Games' inventory system to the Texas Lottery's inventory/financial management system.

Please refer to **Section 9.6.2** for a sample promotional inventory report.

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9.6 PROMOTIONAL MERCHANDISE INVENTORY

RFP Requirement: A detailed itemized physical inventory of all promotional merchandise is performed annually by the Texas Lottery and the Lottery Operator. The information is used for financial reporting.

Table 117. Promotional Merchandise Inventory Requirements

ROLES AND RESPONSIBILITIES	SUCCESSFUL PROPOSER	TLC
1. Jointly performs an annual promotional merchandise physical inventory	X	X
2. Performs a monthly physical inventory of the promotional merchandise in its warehouses or as otherwise requested by the Texas Lottery	X	
DETAIL REQUIREMENTS	RESPONSE SECTION(S)	
3. The Successful Proposer must provide monthly (or as otherwise requested by the Texas Lottery) a physical inventory of all promotional items located in the Successful Proposer's warehouses. The Successful Proposer must conduct the inventory in compliance with all applicable Texas Lottery requirements and shall include summary of the condition (e.g., broken, dirty, etc.) of all items.	9.6.2	
4. The Successful Proposer shall be responsible for entering the inventory results into the Texas Lottery's inventory/financial management system.	9.6.2	
5. The Successful Proposer must provide a comprehensive inventory system capable of tracking incoming and outgoing inventory by location (storage/distribution facility). The system must be capable of fully interfacing with the Texas Lottery's inventory/financial management system.	9.6.2	

Table 118. Promotional Merchandise Inventory Response Requirements

RESPONSE REQUIREMENT
1. The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.
2. The Proposer must describe the process for handling incoming and ongoing inventory of all Texas Lottery promotional merchandise.

Scientific Games understands that a detailed itemized physical inventory of all promotional merchandise is performed annually by the Texas Lottery and the Lottery Operator. The information is used for financial reporting.

RESPONSE TO TABLE 118: PROMOTIONAL MERCHANDISE INVENTORY RESPONSE REQUIREMENTS

9.6.1 ACKNOWLEDGMENT AND ACCEPTANCE OF THE ROLES AND RESPONSIBILITIES AND DETAIL REQUIREMENTS

Response Requirement 1: The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.

Scientific Games acknowledges and accepts the roles and responsibilities and detail requirements indicated in this section.

9.6.2 THE PROCESS FOR HANDLING INCOMING AND ONGOING INVENTORY OF ALL TEXAS LOTTERY PROMOTIONAL MERCHANDISE (DRS 3, 4 and 5)

Response Requirement 2: The Proposer must describe the process for handling incoming and ongoing inventory of all Texas Lottery promotional merchandise.

In satisfaction of RFP Table 117, Detail Requirement Nos. 3, 4 and 5, Scientific Games will provide the Texas Lottery with a comprehensive inventory system capable of tracking incoming and outgoing inventory by storage/distribution facility. The system will be capable of fully interfacing with the Texas Lottery's inventory financial management system.

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Scientific Games will conduct a physical inventory in compliance with all applicable Texas Lottery requirements, including a summary of the condition of all items located in our warehouses. In fact, exceeding the monthly stated requirement, Scientific Games will provide bi-monthly, a physical inventory of all promotional items located in the warehouses.

Currently Scientific Games provides our customers with an inventory system capable of tracking incoming and outgoing inventory by location. Figure 9.6-1 and Figure 9.6-2 represent a sample promotional inventory report produced in English and Spanish for the Puerto Rico Lottery.



FIGURE 9.6-2: SPANISH SAMPLE PROMOTION INVENTORY REPORT

49 Artículos																									
Nombre del Establecimiento / Pueblo	Fecha	Nombre de Representante	Abdorr de Botellas	Agua Radio	Anti-Bacterial	Stress Balls	Bolsas de Playa	Boligrato Lovers	Boligrato Magnetico	Botella Deportiva	Bolita Nery	Bollo Deportivo	Bulos para Documentos	Bulos para Playa	Calculadora / Libreta	Calculador / Boligrato	Camisas Reg	Carros (Car Sun Shades)	Cartas	Cartera de Cintura	Cepillos	Clip Calas	Clip Holders	Collares Luminicos	Colores (cup h)
Colmado San Miguel Lic #1681 \ San Juan	1/13/2010	Sandra Rivera	35	0	3,421	2,500	194	6,235	194	2,905	3,120	2,316	0	5,051	84	1,899	450	1,856	0	400	1,240	0	250	3,150	7,500
Jimmy #4 Lic #4156 \ Toa Baja	1/13/2010	Maria Curbelo	1,000	0	3,421	2,500	194	5,150	0	2,285	2,920	2,116	0	4,249	84	1,978	-1,204	0	400	915	0	244	3,150	5,404	
Panaderia La Providencia Lic #2867 \ Toa Baja	1/18/2010	Maria Curbelo																							
Comercial Freddy \ Cibles	1/18/2010	Bienvenido Santiago																							
Reparticion en varios agentes	1/18/2010	Carlos Santos																							
Veloz Self Service \ San Juan	1/18/2010	Sandra Rivera																							
Ruta 77 \ San Juan	1/18/2010	Sandra Rivera	10	5	5	5	10	10	1	1															
Farmacia Lago Vista Lic #368 \ Toa Baja	1/18/2010	Maria Curbelo	5	20	3																				
Farmacia Marlene Lic #2867 \ Toa Baja	1/18/2010	Maria Curbelo	5	20	3																				
To Go Store \ Guaynabo	1/22/2010	Sandra Rivera																							
Freddy Lig Store \ Cayey	1/27/2010	Angel Diaz																							
Mingos Place \ Cayey	1/27/2010	Angel Diaz																							
Colmado Diaz \ Cayey	1/27/2010	Angel Diaz																							
Colmado Mejias \ Cayey	1/27/2010	Angel Diaz																							
Col. El Cruce Lic #3506 \ Naguabo	1/27/2010	Hector Bermudez																							
Villa Supermarket Lic #3334 \ Yabucoa	1/27/2010	Hector Bermudez																							
La Diligencia Lic #3071 \ Yabucoa	1/27/2010	Hector Bermudez																							
Colm. Juan Accensio \ Aguas Buenas	1/27/2010	Sandra Rivera	5	5																					
Farmacia Popular \ Canifo	1/28/2010	Francisco Torres																							
Colmado Melendez \ Cataño	1/28/2010	Francisco Torres																							
Colmado La Familia Lic #1784 \ Morovis	1/28/2010	Bienvenido Santiago																							
Total #2 \ Guaynabo	1/29/2010	Sandra Rivera			10	4	15																		
Maraton de San Blas \ Coamo	2/5/2010	Todos			200		1000		300	200	200	200	800					400							2000
Promocion Para LEI Carmen Diaz	2/11/2010	Maitte Burgos																							
Promocion Para LEI Jose Lopez	2/12/2010	Angel Lopez																							
Promocion Para LEI Jose Lopez	2/12/2010	Maitte Burgos																							

9.7 WAREHOUSE AND DISTRIBUTION GENERAL REQUIREMENTS (DR 6)

RFP Requirement: Warehouse and Distribution Services are the activities associated with the central distribution warehouse and the storing of Instant Tickets, On-Line Ticket stock, On-Line play slips and other materials. The following table identifies warehouse and distribution general requirements.

Table 119. Warehouse and Distribution General Requirements

ROLES AND RESPONSIBILITIES	SUCCESSFUL PROPOSER	TLC
1. Notifies the Texas Lottery of any inventory conditions that may result in the inability to process Retailer Instant Ticket orders for a particular game or any general inventory issues	X	
2. Provides the procedures and processes that will be used to document and store full packs of Instant Tickets and rolls of On-Line Ticket stock returned from Retailers or refused orders	X	
3. Provides the procedures and processes that will be utilized to prevent the theft of Instant Tickets and rolls of On-Line Ticket stock being returned to the central distribution warehouse	X	
4. Provides physical inventory procedures to be used in the central distribution warehouse. The standard of inventory control is one hundred percent (100%) reconciliation between computer system and physical inventories at the central distribution warehouse by pack and ticket for Instant Tickets, and by roll stock identification number for On-Line Ticket stock	X	
5. Performs annual physical inventory of Instant Tickets	X	
DETAIL REQUIREMENTS	RESPONSE SECTION(S)	
6. The Successful Proposer must store Instant Tickets for all games in segregated areas in the central distribution warehouse depending on game status.	9.7	
7. The Successful Proposer shall 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 or any general inventory issues.	9.7.2	
8. The Successful Proposer must provide all reports required by the Texas Lottery for the annual Instant Ticket inventory and the annual Instant Ticket audit to include Short Carton Report, Open Carton Report and Tickets Count by game for all available inventory in the central distribution warehouse.	9.7.2	

DETAIL REQUIREMENTS	RESPONSE SECTION(S)
9. The Successful Proposer shall provide an annual Instant Ticket inventory report including the status of all inventory, by game and by pack. This inventory must be completed by the Successful Proposer and submitted to the Texas Lottery Controller's office within two Working Days of the Texas Lottery's August 31 fiscal year end.	9.7.2
10. The Successful Proposer must cooperate and assist in the verification process (physical inventory) conducted by Texas Lottery Auditors or authorized designees.	9.7.2

Table 120. Warehouse and Distribution General Response Requirements

RESPONSE REQUIREMENT
1. The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.
2. The Proposer must describe the processes that will be utilized to accomplish Instant Ticket order processing and packing at the central distribution warehouse.
3. The Proposer must describe the process that will be utilized to prevent the theft of Instant Tickets and rolls of On-Line Ticket stock being returned to and stored at the central distribution warehouse.

Table 121. Warehouse and Logistics General Service Levels

SLR #	SLR NAME
3.60.62	Failure to Timely Provide Accurate Annual Instant Ticket Inventory Report

Scientific Games understands that warehouse and distribution services are the activities associated with the central distribution warehouse and the storing of instant tickets, online ticket stock, online playslips and other materials.

In satisfaction of RFP Table 119, Detail Requirement No. 6, Scientific Games will store instant tickets for all games in segregated areas in the central distribution warehouse depending on game status.

RESPONSE TO TABLE 120: WAREHOUSE AND DISTRIBUTION GENERAL RESPONSE REQUIREMENTS

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9.7.1 ACKNOWLEDGMENT AND ACCEPTANCE OF THE ROLES AND RESPONSIBILITIES AND DETAIL REQUIREMENTS

Response Requirement 1: The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.

Scientific Games acknowledges and accepts the roles and responsibilities and detail requirements indicated in this section.

9.7.2 PROCESS TO ACCOMPLISH INSTANT TICKET ORDER PROCESSING AND PACKING AT THE CENTRAL DISTRIBUTION WAREHOUSE (DRs 7, 8, 9 AND 10)

Response Requirement 2: The Proposer must describe the processes that will be utilized to accomplish Instant Ticket order processing and packing at the central distribution warehouse.

Scientific Games will provide the Texas Lottery with the most advanced, efficient and accurate pick-and-pack operation available in the marketplace today. A major advancement in our instant game supply chain solution features our new We propose a leading edge system that is designed and scaled specifically for the warehouse operation. We worked with automation experts to design and develop a solution that will improve the order accuracy, efficiency, integrity and the security of our pick and pack operations.

This system has been operational in our Pennsylvania Cooperative Services warehouse since 2007 and in the Florida CSP since early 2009.

The system reduces the frequency that packs must be handled and scanned to fulfill an order, dramatically decreasing the time required to pick and pack orders. In Florida, for example, new game allocation order fulfillment time was reduced by 30%. Our proposed system is the most efficient and accurate process ever implemented in our industry and the best suited to achieve the Texas Lottery's aggressive time schedule.

Our automated sorting solution also offers the benefit of increased security and integrity for the picking and packing operation. The exact time the pack was sorted can be traced for problem resolution. Real-time tracking capability and electronic transfer of data between and the sorter's controller system result in a fast, accurate order assembly process with real-time system updates. Figure 9.7-1 represents the proposed sorter layout and specifications for the and distribution facility.



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PROPOSED METHOD FOR ORDER ASSEMBLY PROCEDURES

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Fulfilling Instant Ticket Orders

As described above, a major advancement in our instant game supply chain solution is our new automatic sorting system. The system we propose is based on sorting technology used by major businesses including Wal-Mart, Fuji Color Processing, Armitron and others to securely pack and ship products including jewelry, watches, electronic goods and other valuables. The crossover to our industry is straight forward and integrates perfectly with our existing warehouse workflow and procedures.

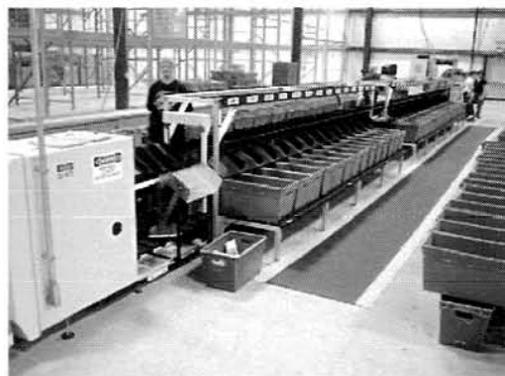


Figure 9.7-2: Front View of Proposed

Orders will be assembled by the sorter with an increase in operational efficiency. The faster rate allows more orders to be completed in less time. Other benefits include more accurate order fulfillment, real-time tracking capability and electronic transfer of data between the sorting station hardware.

The result is a fast, accurate order assembly process with real-time system updates. Figure 9.7-3 is a diagram of the proposed sorting system and equipment. The proposed procedures are presented below.

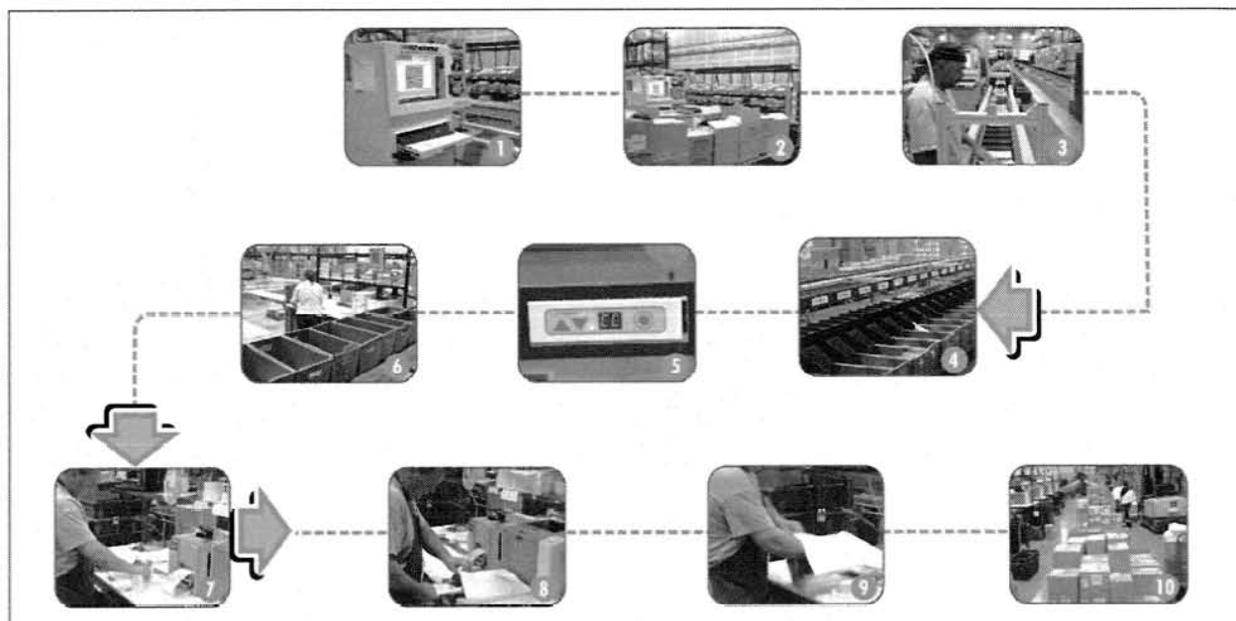


Figure 9.7-3: Proposed Sorting System Diagram

Picking And Packing Orders

displays the total number of packs from each game that is required to fulfill the entire series of the retailer order on a screen as shown in Figure 9.7-4. In the event that conditions arise that may result in the inability to process retailer instant ticket orders for a particular game or any general inventory issues, Scientific Games will notify the Texas Lottery within one hour of the event, satisfying Table 119, Detailed Requirement No. 7.



Figure 9.7-4: SciTrak Ultra Sorting System Display Screen

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Packaging And Shipping Orders

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Information Redacted
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You can find a review and additional detail of the automated Pick and Pack procedures provided in **Section 9.2** as well as an accompanying DVD of the complete proposed automatic sorter system.

Scientific Games will satisfy RFP Table 119, Detail Requirement Nos. 8, 9 and 10 by generating our Inventory Detail report for each game having physical packs within the jurisdiction. This report will support the annual instant ticket inventories and audits by listing, for the specified game, all non-omitted packs, sorted by current status and including total ticket counts for each status. A report option also allows the inclusion of the pack's owner ID to better determine the inventory's location. All 23 Texas Lottery, as well as about a dozen additional Scientific Games pack statuses will be listed. Warehouse management reports will similarly report on short cartons and open cartons.

In satisfaction of Table 119, Detailed Requirement Nos. 9 and 10, Scientific Games will provide these reports within two working days of the Texas Lottery's August 31 fiscal year end as required by the Texas Lottery for annual instant ticket inventory and the annual instant ticket audit. Scientific Games will cooperate and assist in the verification process of physical inventory conducted by the Texas Lottery auditors or authorized designees.

9.7.3 INSTANT AND ONLINE THEFT PREVENTION

Response Requirement 3: The Proposer must describe the process that will be utilized to prevent the theft of Instant Tickets and rolls of On-Line Ticket stock being returned to and stored at the central distribution warehouse.

Scientific Games is responsible for the return of undeliverable, refused, or unsold tickets in all of our CSP contracts. We use secure handling procedures to account for the stock to preserve game integrity. Our system maintains constant status of pack location for audit purposes which is able to locate any given ticket or pack, regardless of the status.

The return function ensures that instant tickets and rolls of online ticket stock are returned under the strictest of security and accountability details.

SECURE PROCESS

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will track all the pack or online ticket stock transactions or movements for never issued, issued, in shipment, received, activated, settled, stolen, missing, return pending, returned, Security void, unavailable-problem, etc. Whenever an order affecting a game, pack and/or ticket or online ticket stock is processed through the system, the status is automatically updated. Pack and online ticket stock statuses are global statuses that can be applied to all games in the system.

There are no limits to the number of statuses and status descriptions that can be entered and set up on the system. has the ability to maintain and report the entire history of a packs and online ticket stock.

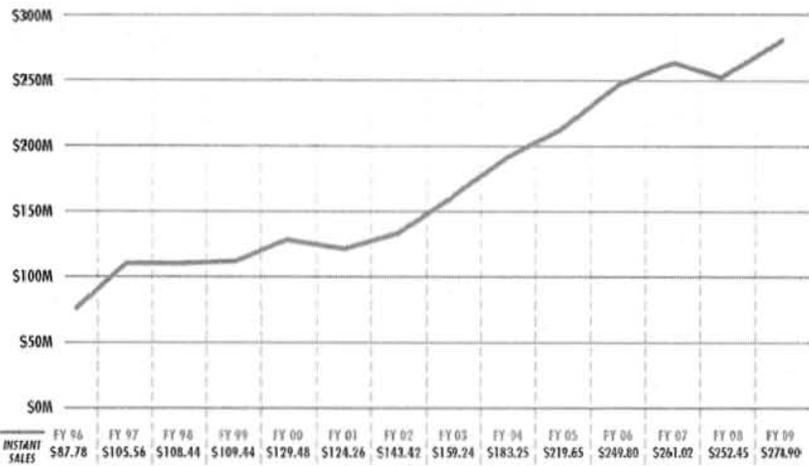
The following are detailed sales growth experienced by our customers through implementation of and/or conversion to Fullline™ — Scientific Games' instant ticket services/CSP solution.

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GOOD TO GREAT LOTTERY

ARIZONA

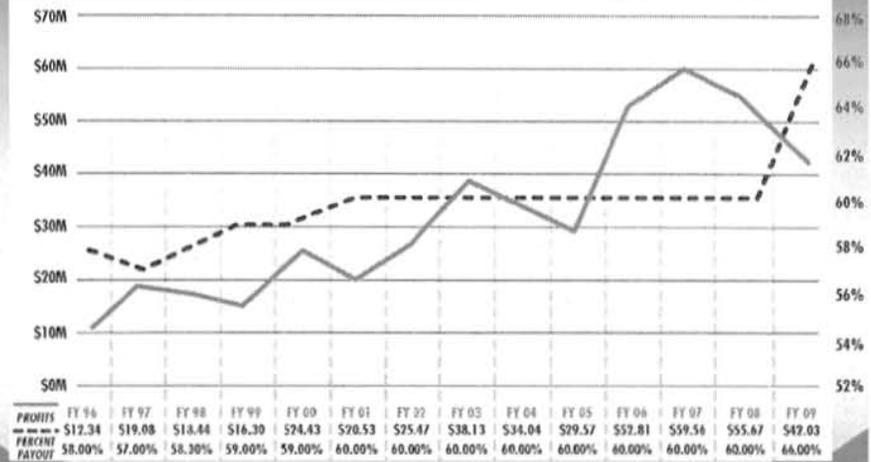
ARIZONA INSTANT SALES GROWTH



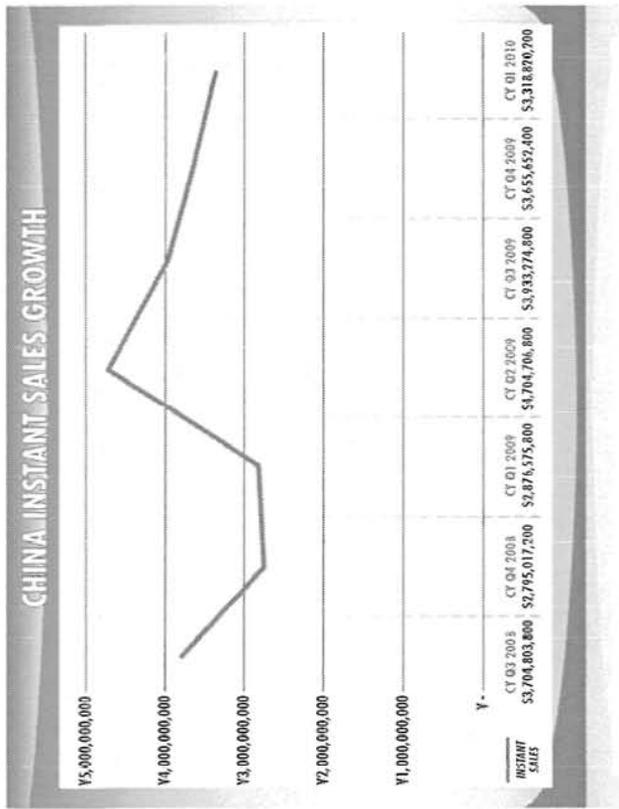
From 1999 to 2009 Arizona grew instant sales from \$109 million to over \$278 million. In that ten-year period there was only one year with negative growth (-4% on 2001). What caused this explosive growth?

- Price Point Planning – moving to higher price points with a purpose and a strategic plan in mind.
- Planned growth in the number of games introduced and residual games in the market.
- Cooperative Services increased sales 20% the first year over the previous year.
- Game research and analysis keyed on game attributes to develop games that improved the mix on the market.
- Retailer Inventory Management – providing the right product at the right place at the right time.
- Introduced licensed property games at the right time to attract lapsed and new players.
- Introduced the \$20 price point in 2008.
- Introduced a \$10 Spotlight game in 2009 and grew instant sales over 11% year after year.
- Increased instant prize payouts to an aggregate 66% in FY09.

ARIZONA INSTANT PROFITS

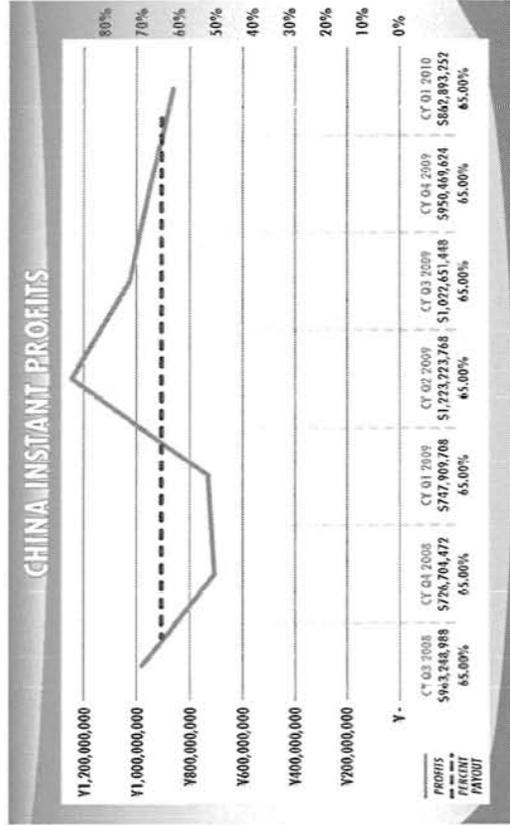


GOOD TO GREAT LOTTERY



- Supported start up of 31 Provinces in 154 days
- Installed 20,000 Instant Validation Terminals that support:
 - 65,000 Retailer Network
 - 1.3 billion population base (31 Provinces)
 - 8,250 Sales Representatives
- Reached 51 Billion RMB in sales in 40 days
- Reached 55 Billion RMB in sales in 124 days
- Reached 515.1 Billion RMB in sales at the end of 2009
- Projected to reach 618.5 Billion RMB sales level in 2010

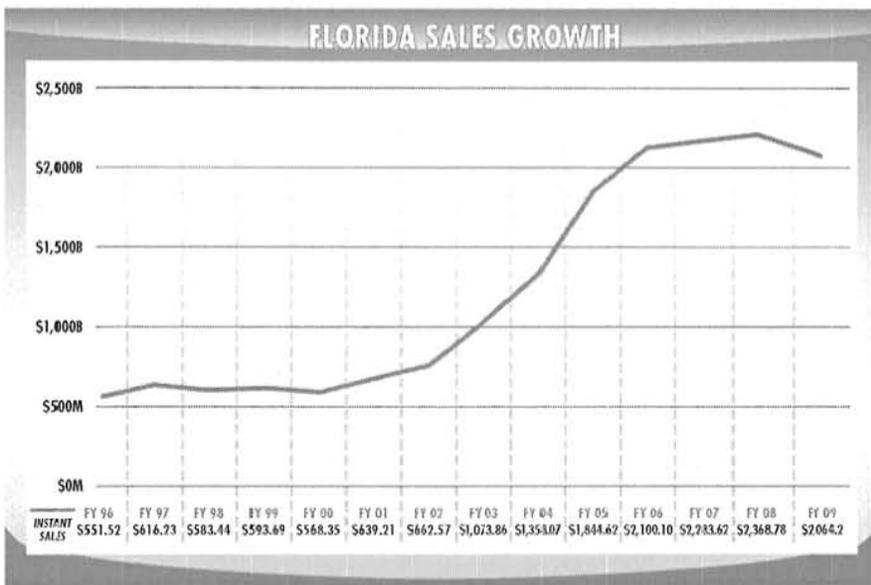
- Launched 19 Instant Games in 2008 at the 3, 5 and 10 RMB Price point
- Printed 5.6 Billion tickets (2 x 4 equivalents)
- Supported the successful launch of a Cooperative Services Joint Venture in the Shandong Province that includes sales, marketing, Tel-Sell, warehouse, and distribution
- Successful IT network connecting Scientific Games, 31 provincial warehouses, and 402 city warehouses



GOOD TO GREAT LOTTERY

FLORIDA

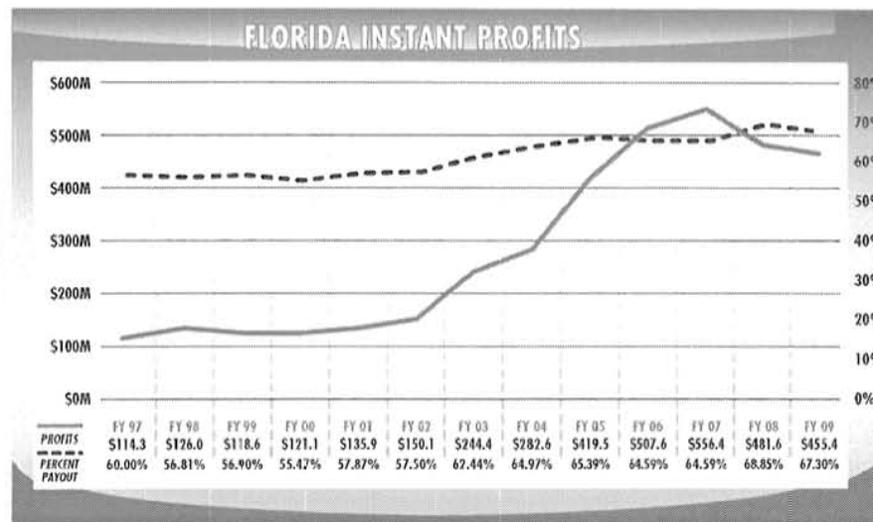
From FY89 to FY01 Florida's instant sales grew steadily from \$365 million to \$639 million with several ups and downs along the way. This growth is attributable to the product and marketing development teams' considerable efforts.



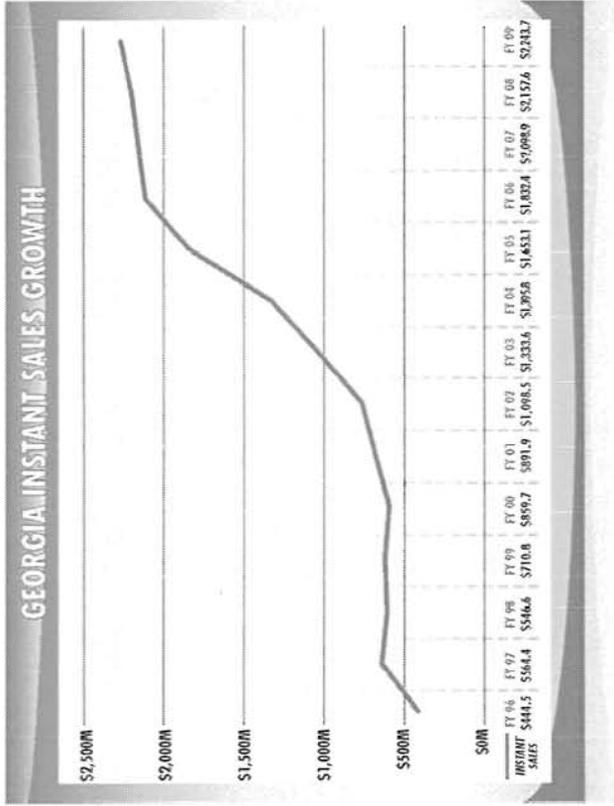
From FY02 to the present sales grew over 200%. What caused this incredible growth?

- In FY02 the Legislature approved an increase in the payout of instant games. This extra prize money was dedicated to improving prize structures with meaningful prizes.
- In FY02 the Lottery introduced its first \$10 instant game. Developed a price strategy that not only saw the introduction of their first \$10 game, but also grew the \$5 price point to a 25% share. Developed of core or base games to add continuity to the product mix.

- In FY02 the Lottery adopted an aggressive product plan. Planning for exceptional growth allowed for this growth to be achieved. Developed "family of games" series, the most popular of which is Monopoly® with a game at every price point.
- Cooperative Services ensured that each retailer had the proper amount of inventory of the proper mix of games.
- In FY04 the introduction of a \$20 price point gave the Lottery a huge sales lift.
- In FY06 the Lottery went to multiple \$20 games, driving sales even higher.



GOOD TO GREAT LOTTERY

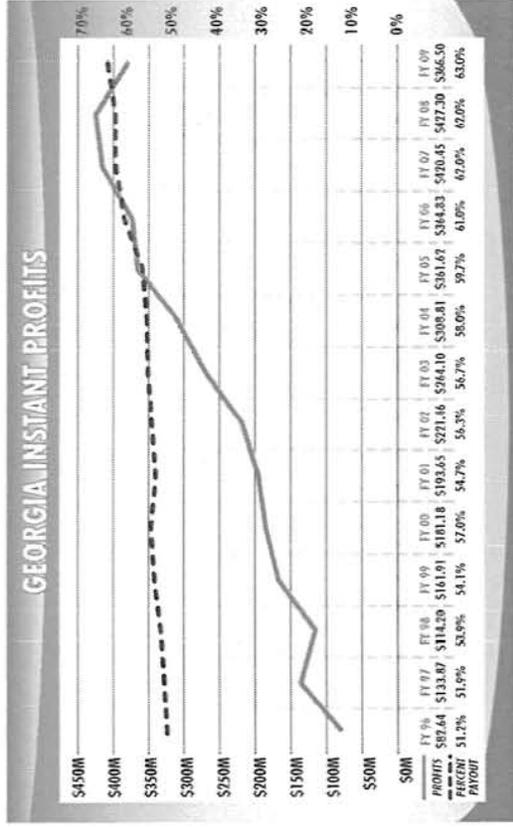


Since FY99 Georgia's instant sales have seen mostly two-digit increases each year. This phenomenal growth can be attributed to the following milestones:

- In FY00, Georgia launched its flagship instant game S2 Jumbo Bucks.
- In FY03, Jumbo Jumbo Bucks was launched at the \$10 price point.
- In February of 2005, Georgia introduced a true Spotlight Game called \$100 Million Cash Spectacular. The phenomenal success of this game confirmed the viability of Spotlight Games working for other states willing to market larger games with dramatically more gambling excitement than all of their other instant products.
- In January 2007 Georgia launched its first \$20 game. Total instant sales reached a high of over \$70 million in the second week of the game, for a Georgia record weekly per cap of \$7.48.

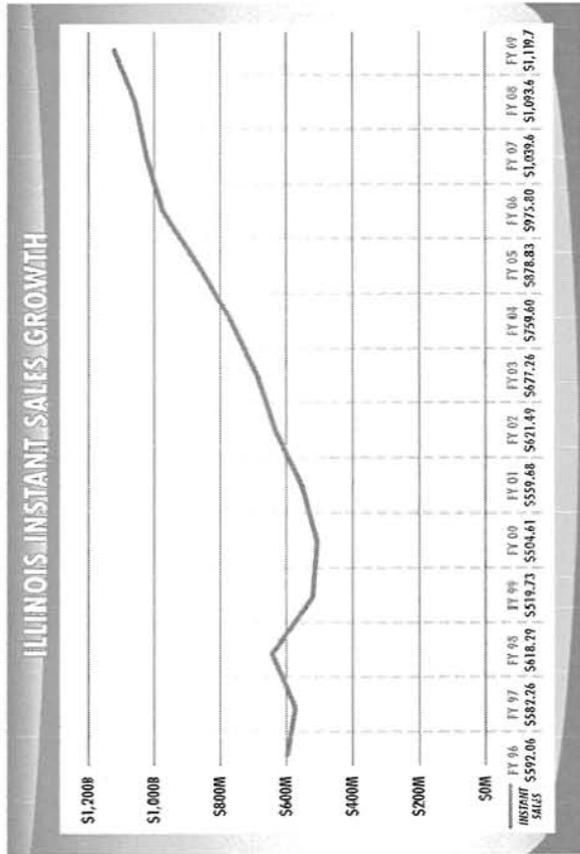
Before launching the \$10 and \$20 Spotlight Games, Scientific Games' Cooperative Services Program (CSP) recommended the lottery make several changes. Many of these changes were to the prize structures of games not yet launched but offered at each of Georgia's existing price points. The number of instant \$20 and \$10 cash wins was increased on Georgia's lower priced games, allowing players access to money to play the higher priced games. Georgia actually still employs this practice today when launching games around their high price points.

CSP also worked with Georgia for two years prior to launching its first \$20 game to ensure their market was fully ready for the move to the new price point. The result of the collaboration allowed Georgia and Scientific Games to launch products leading the Lottery into achieving sales and profits returned records.



GOOD TO GREAT LOTTERY

Starting in the mid 1980s the Illinois Lottery enjoyed a decade of rapid and steady growth that saw sales increase from \$200 million to nearly \$600 million. Then there were two years of negative growth. In fiscal year 2000 sales got back on track with four consecutive years of double-digit growth. In FY07, the Illinois Lottery reached instant ticket sales of over \$1 billion and has continued to realize increased sales year over year. What caused these years of growth?



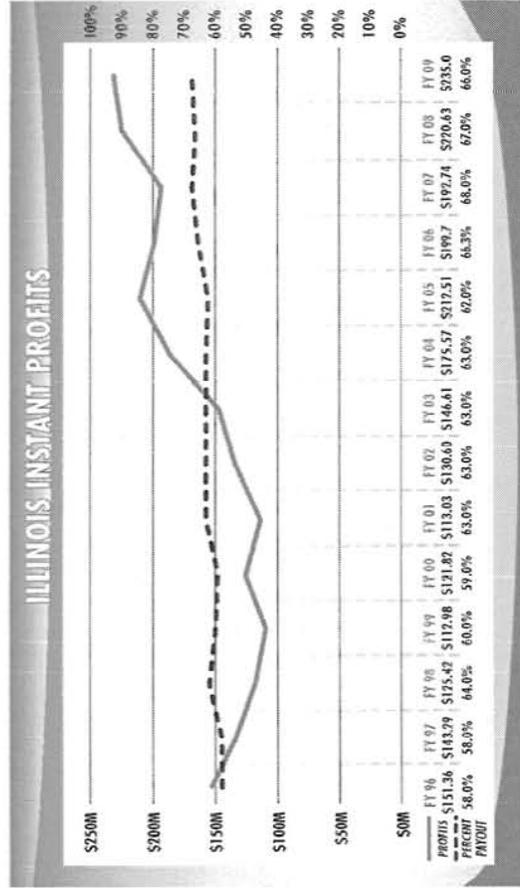
Price Point Management and Payout Increases

First \$5 game was introduced in 1996.
 In 1999 a strong price point strategy was implemented.
 As part of this strategy the first \$10 game was introduced in 2000.
 Introduction of \$20 price point followed in 2007 and \$30 price point was added in 2009.

Distribution

Auto Order and Auto Fill program began in 2003.
 Deployment of 2000 24-bin vending machines began in 2003.
 By 2009, 25% of retailers offered 30+ bin vending machines.

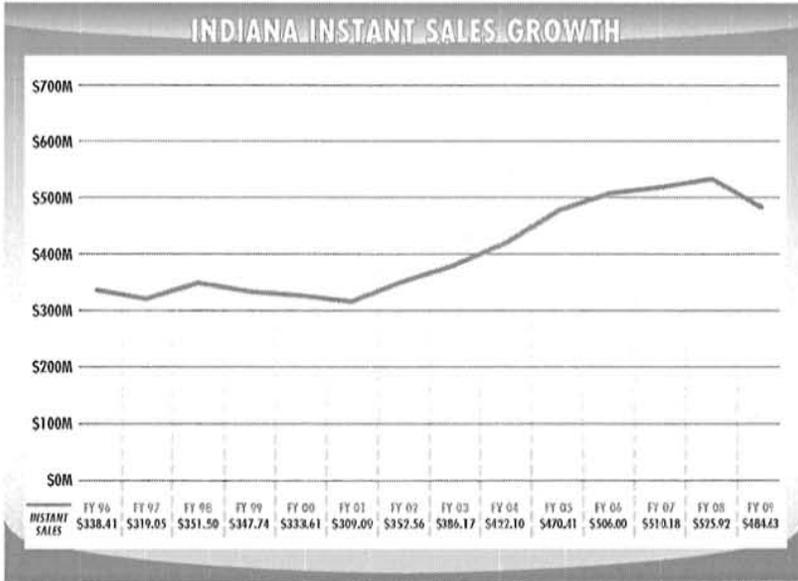
- Research and Development**
 Focus on brand, price point, and new concept testing on an annual basis.
- Billing Terms Revised**
 In July of 2003 retailers were given longer amount of time to pay for tickets.
- Strategic Game Callouts**
 A strategic plan to include callouts on all tickets rolled out in 2004.
- Retail Distribution Plan**
 Offered the best retailers the first shot at each new game that began in August 2004.
- Promotions - Summer and Anniversary**
 Summer instant ticket promotional campaigns have targeted lagging summer instant sales with positive results. The Lottery celebrated its 35th anniversary with a suite of instant tickets printed on specially designed holographic paper stock.



GOOD TO GREAT LOTTERY

INDIANA

Indiana went through the mid 1980s cycle of high instant sales at start up followed by three consecutive years of negative growth. This was followed by six years of exceptional positive growth. Then in 2002 sales once again jumped. What caused these years of growth?

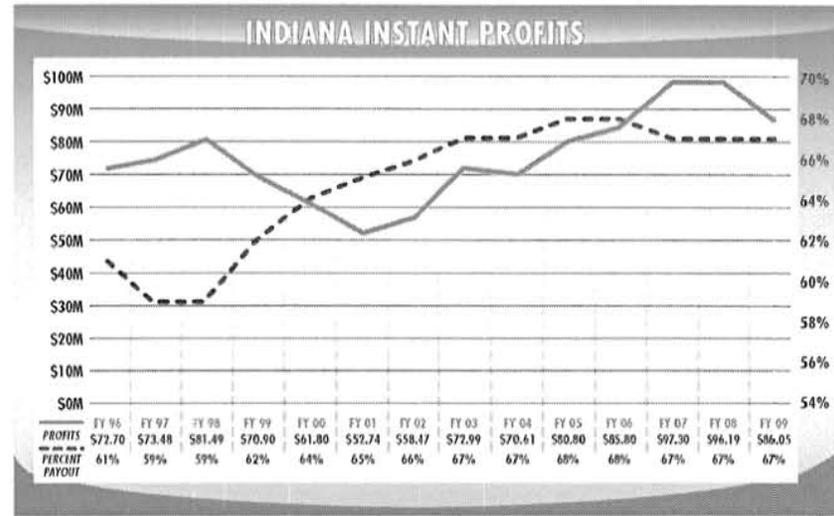


• The 1990s

- Aggressive, Strategic Marketing.
- Increased Prize Payouts.
- 60% on \$1s and higher on \$2s and \$5s.
- Multiple Game Strategy Implemented.
- Strategic price point planning.
- Game size and introduction cycles.

• 2002 to Present

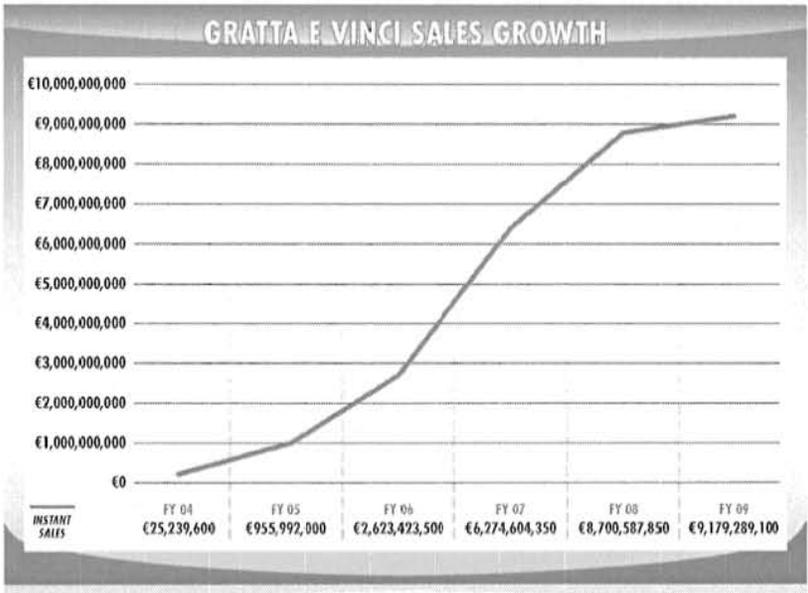
- Instant Ticket Improvements.
- Dropped benday patterns, making the ticket easier to read.
- Better distinguished between play symbols and prize symbols.
- Increased the size of \$1 tickets to 2.5" x 4.0" giving 20% more real estate to advertise the games.
- Work on eliminating price point limitations.



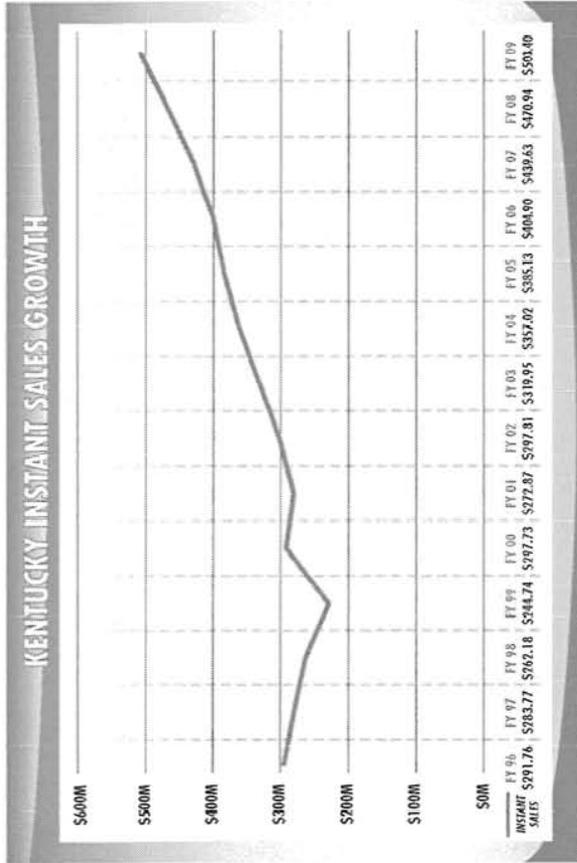
GOOD TO GREAT LOTTERY

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Gratta e Vinci has truly been on the road to greatness since the issuance of a new contract to a consortium made up of Lottomatica, Scientific Games, and Federation of Tobacconists (FIT). As witnessed by the graph below, sales have been on a steady climb since the consortium took over the instant ticket program in Italy. Sales for the first six months with the consortium were nearly three times the previous full year. How did this occur?



- Scientific Games' instant game "best practices" were applied to a European country for the first time.
- The Lottery launched two games simultaneously for the first time.
 - Payouts were increased from 42% to 58% with approval to increase to an aggregate of 65%.
 - Full cross validation was implemented.
 - Retailers were allowed to pay prizes up to 150€ instead of just GLEPS.
 - Payment terms were offered to retailers for the first time.
 - Modern, reliable distribution was implemented.
 - Advertising support was added.
 - The retail base was doubled with plans to add more.



The Kentucky Lottery has been one of the most consistent lotteries over the past decade. In FY92, the Kentucky Lottery was one of the first lotteries to implement the following:

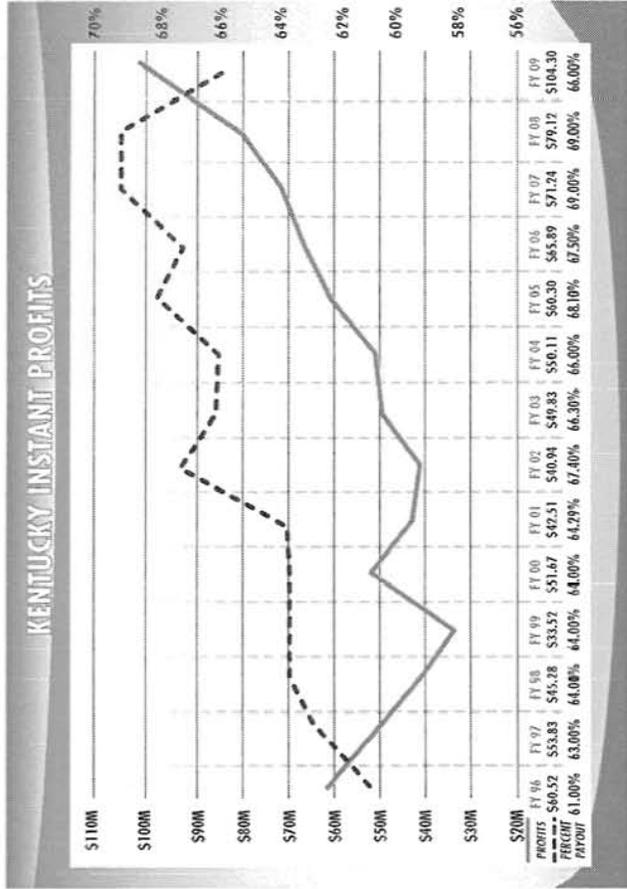
- Increased payout on games to 65%.
- Increased the number of games in the marketplace.
- One of the first lotteries to introduce Bingo to their players.
- Validation
 - Instant ticket validation system implemented.
 - Payment terms extended giving retailers more time to pay for tickets.
- Distribution
 - Peck sizes reduced to assist retailers in carrying more games.
 - More instant ticket dispensers made available to retailers to carry more games.
 - Implemented trunk stock for sales representatives to help eliminate out-of-stocks.
 - The Kentucky Lottery continues to place tremendous focus on the instant product. They follow strategic guidelines and best practices for each price point. Sales grew by over 6% in FY09 to over \$503 million.

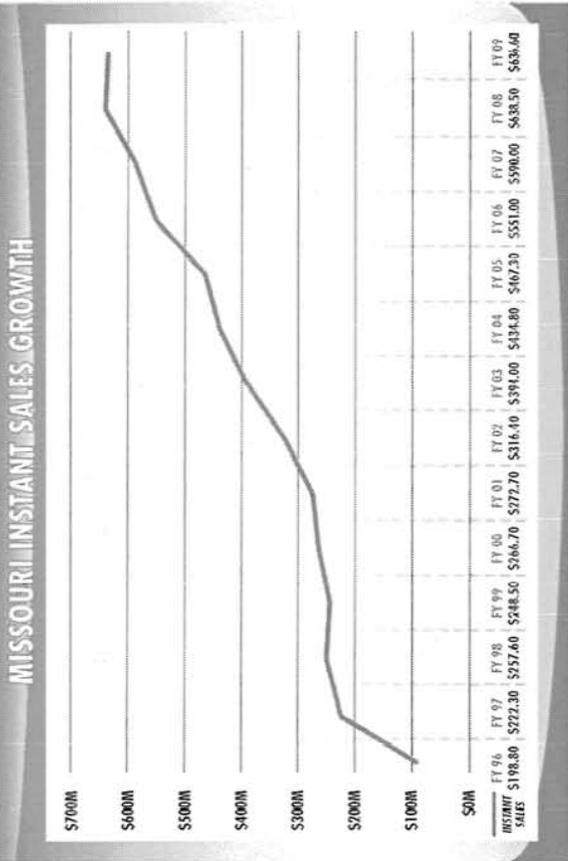
In 2002, the Kentucky Lottery was the first Lottery to make the transition from buying tickets via price-par thousand to partnering with Scientific Games in a percentage-of-sales arrangement.

- Also in 2002, the Lottery introduced overnight shipping via of instant tickets. This allowed all retailers to have tickets for sale at the same time. They also began instituting specific instant ticket guidelines such as:
 - Top prize range for every price point.
 - Prize structure guidelines for each theme.
 - A consistent launch schedule.

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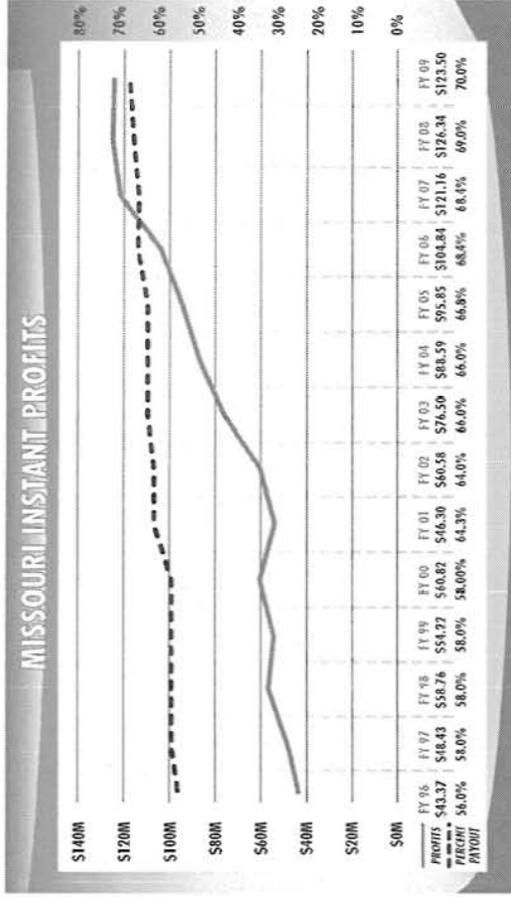
The Missouri Lottery had two defining sales periods in their history: 1993 to 1995 when sales grew \$70 million; and 2002 to 2004 when sales grew \$161 million. When we look into why these years were so successful, we find:

1993 to 1995

- **Validation**
Online validation of instant games.
- **Multiple Games**
Strategically rolled out multiple games.

2002 to 2008

- **Adopted an Aggressive and Strategic Plan for Growing the Product**
- **Payout Increase**
Payouts were increased in a strategic plan in FY02. Game-specific call outs were added in FY02.
- **Price Point Management**
Strategically rolled out \$5 and \$10 price points in 2002. \$20 price point introduced in FY08.
- **Distribution Improvements**
Deployed in-counter ticket dispensers. Initiated an IT/IM optimization plan.

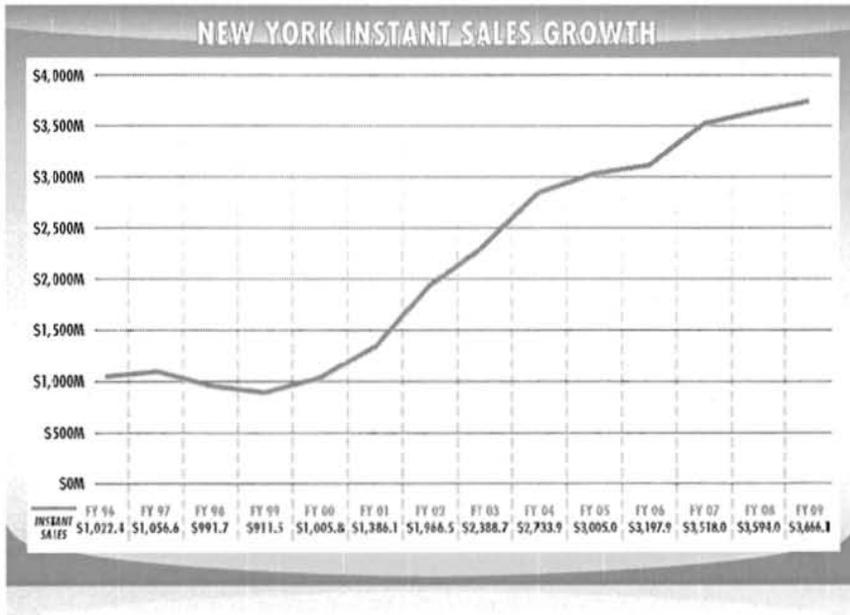


GOOD TO GREAT LOTTERY

NEW YORK

For many years, **New York's** instant game was not a priority because the online business was so successful and because the Lottery found it very difficult to sell instant games in New York City.

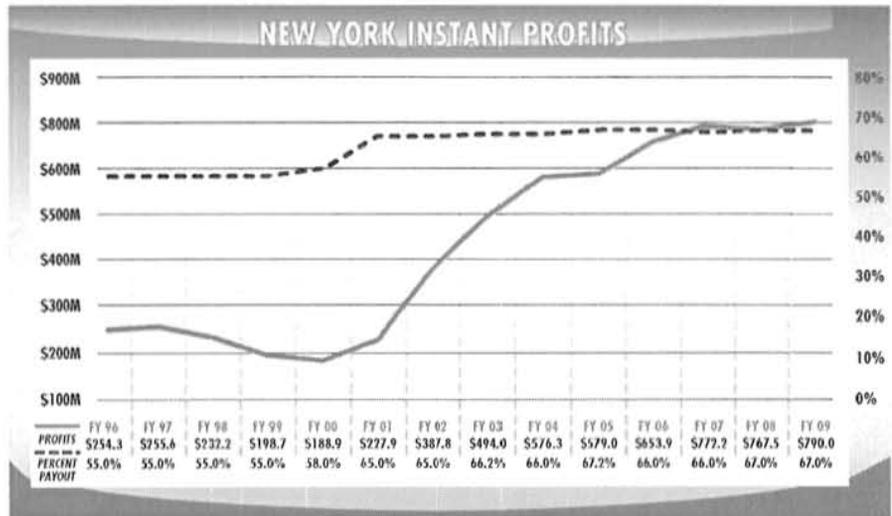
So what changed in FY94 that allowed the Lottery to increase sales from \$290 million to nearly \$3 billion?



From FY94 to FY96 New York's instant sales grew from \$299 million to \$666 million.

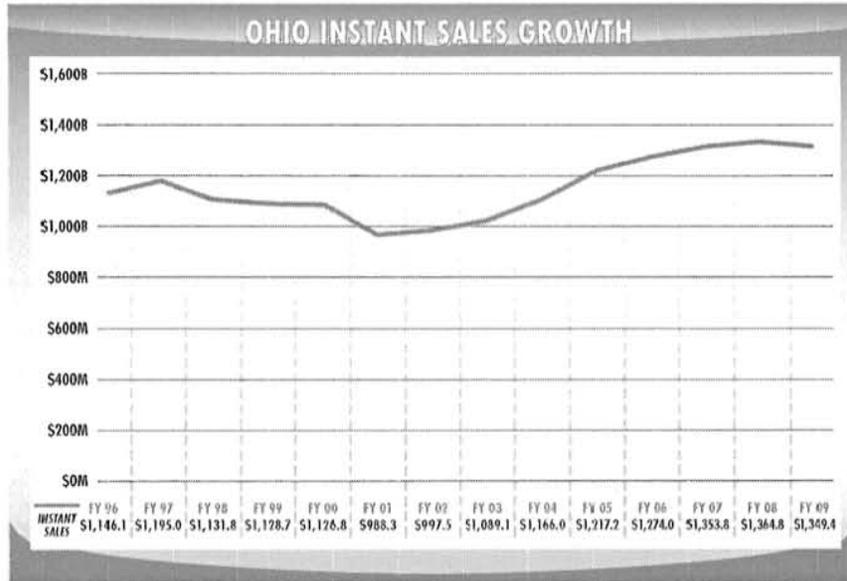
- Primary drivers were**
 - Online validation of instant prizes.
 - Better terms to retailers.
 - The launch of Win For Life.
 - The launch of the first Bingo game.
- In FY99 the Lottery changed their distribution system**
 - New telemarketing and distribution system awarded to Scientific Games.
 - New system reduced out-of-stocks and improved inventory and retailer management.
 - Moved their "Hassle Free" program to a level that allowed field representatives to better manage new games.
 - Added retailer trade-up program to remove old games from the market.

- In FY00 the Lottery looked at the instant product ingredients**
 - Consulted with Jim O'Brien on determinates of demand.
 - Increased game size and cut the number of games.
 - Adjusted game introduction cycles.
 - Developed "Super Retailers" to stock ITVM's and recruited new high-volume retailers because this service was available.
- In FY01 the Lottery increased the prize payout on instant tickets**
 - Better payouts allowed for better targeting of prize dollars and gave players the gambling action that they were looking for.
- In FY01 the Lottery adopted an aggressive product plan**
 - Moving price points higher helped increased the gambling excitement.
 - Having an aggressive product plan in place gave the Lottery the games and inventory necessary for such growth.
- In FY02, the Lottery launched "Cashword", their first crossword puzzle-type game**
 - Cashword continues to be one of New York's best-selling base games.
- In FY10, the Lottery will begin using FailSafe™, a keyless validation system**
 - FailSafe will benefit both retailers and players by making ticket validation more efficient.



GOOD TO GREAT LOTTERY

Ohio's good to great story begins in the mid 1980s to late 1980s. Between 1984 and 1990 sales increased an amazing 642%! How was this accomplished?



- An aggressive marketing plan was developed and implemented which included the introduction of:

- Online validation
- Multiple games
- Vending machines
- Higher price point games

- In the early 1990s there was another explosion in sales

In 1993 the Lottery began to use targeted direct mail coupons, which emphasized prize structure and introduced the popular Monopoly[®] licensed brand.

From 1998 to 2001 lottery sales leveled off. In 2001, the Lottery developed a plan to standardize their practices. After these changes were implemented in 2002, lottery sales began to rise again. There were several key elements of sales growth:

- Scientific Games became the Ohio Lottery's primary supplier

In July 2001, Scientific Games conducted a business analysis which included sales analysis by price point; attribute analysis; research analysis; and prize structure analysis.

- Key findings were identified and initiatives implemented

Ticket sizes were optimized by price point; price points and number of wins on a ticket were optimized; top prize ranges were set by price point; stock was changed from foil to paper; and launch schedules were standardized.

- Higher payouts were used to enhance player satisfaction
Prize structures refined by price point.

- Better methods of distribution and inventory control were implemented to reduce out-of-stocks

A return policy for older games was implemented.

An analysis was performed to determine how long a game should stay on the market. The resulting data was used to set a benchmark.

In 2005, The Ohio Lottery awarded Scientific Games a contract for Cooperative Services. Scientific Games worked with the Lottery to introduce their first \$10 Spotlight game. Since then, other endeavors have included:

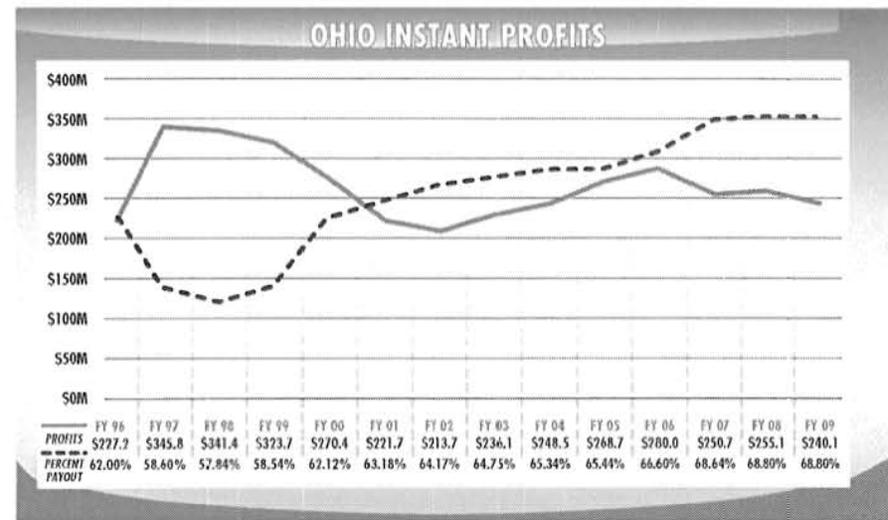
Introducing Spotlight games at the \$20 price point.

Reducing the number of game launches and increasing the game size for improved prize structures.

Introducing key licensed games to reach new players.

- The Result

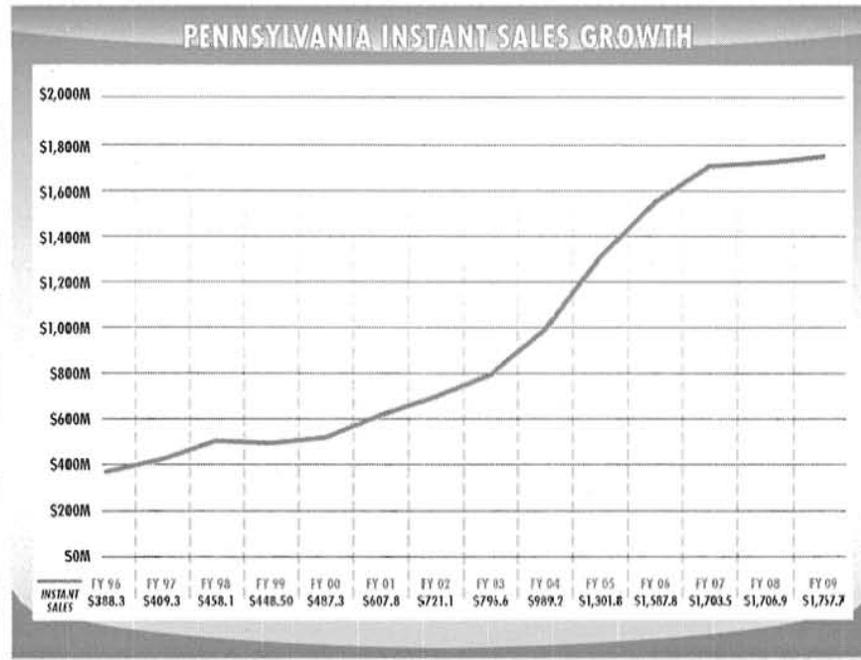
The Lottery's weekly instant ticket sales now average over \$25.8 million which includes \$1.2 million from \$10 games and \$1.3 million from \$20 games.



GOOD TO GREAT LOTTERY

PENNSYLVANIA

Since FY00, Pennsylvania has seen instant sales go from less than \$500 million to over \$1.7 billion. What caused these years of growth?



- Inventory Management Improvements**

The Lottery and its instant sales program suffered from operating under a system-driven auto reorder system that prohibited any retailer input, required a long, laborious and error-prone sequential packing process and used various couriers that took up to four days to deliver tickets. When Scientific Games won the contract, the Lottery moved to a Tel-Sell operation that allowed retailers to order what they want when they want and via receive their orders the next day.

- Higher Prize Payouts**

The Lottery adopted the "Jim O'Brien/Massachusetts Prize Payout Model" in FY04.

- Planning and Management of Higher Price Points**

The Lottery moved to higher price points rather early in the Scientific Games contract. Each introduction of a new price point was researched and developed with special care being given to properly identifying the enhanced value proposition.

- Game Size and Introduction Cycles**

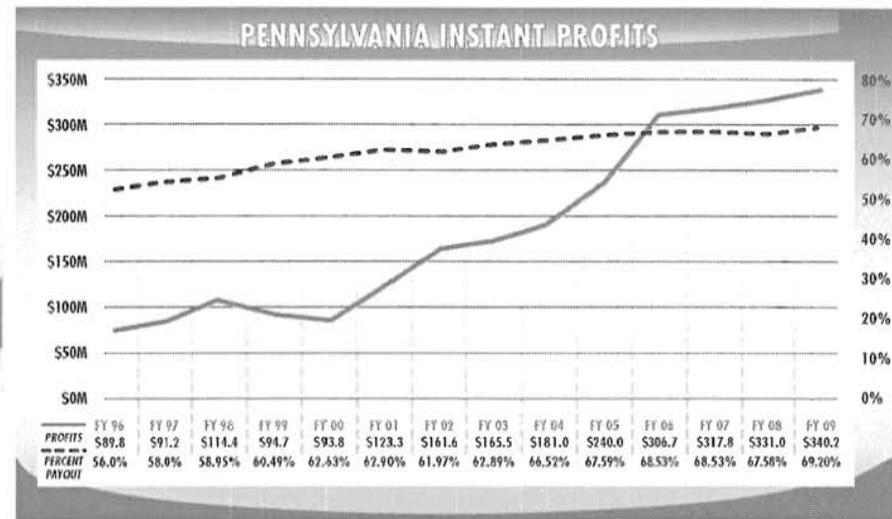
Regular launch cycles were adopted so retailers would know exactly when new games would arrive so they could plan accordingly. It also enabled the Lottery and its advertising agency to develop a plan to properly support the instant product.

- Advertising and Promotional Activities**

In 2004, the Lottery introduced a "spokes-critter" known as "Gus, the second most famous groundhog in Pennsylvania." Gus continues to encourage players to "Keep on Scratchin'!"

- Retailer Mix and Density**

The Lottery recognized that their retailer base penetration was below the industry average. Knowing that increasing the number of retailers would generate additional sales, they revised their internal licensing procedures to turn a six-week or longer process for bringing on new retailers to a week, on average. Furthermore, they installed 24-bin ITVMs to increase the number of instant game facings and negotiated PlayCentral units from Scientific Games to target non-traditional locations to expand their retailer base. The PlayCentral units, which the Pennsylvania Lottery calls "PATs" (Player Activated Terminals) sell both instant and online products.



- Updated Operating System**

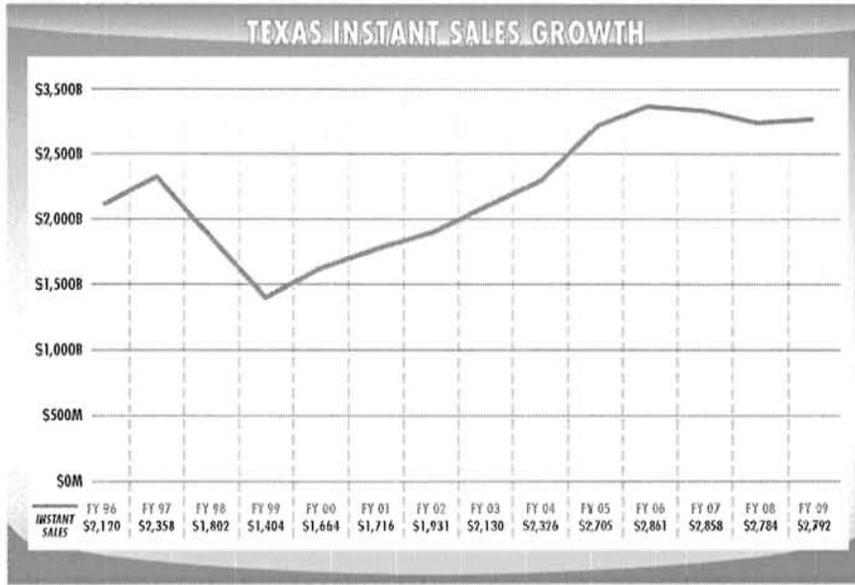
After being awarded a five-year contract with the Lottery in FY07, Scientific Games implemented an updated operating system that includes a predictive order module for Tel-Sell and utilizes an auto-sorter to process orders in the warehouse. The auto-sorter increases picking and packing efficiency, accuracy, and improves speed-to-market for new games. Both the predictive order module and the auto-sorter were firsts in the lottery industry.

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GOOD TO GREAT LOTTERY

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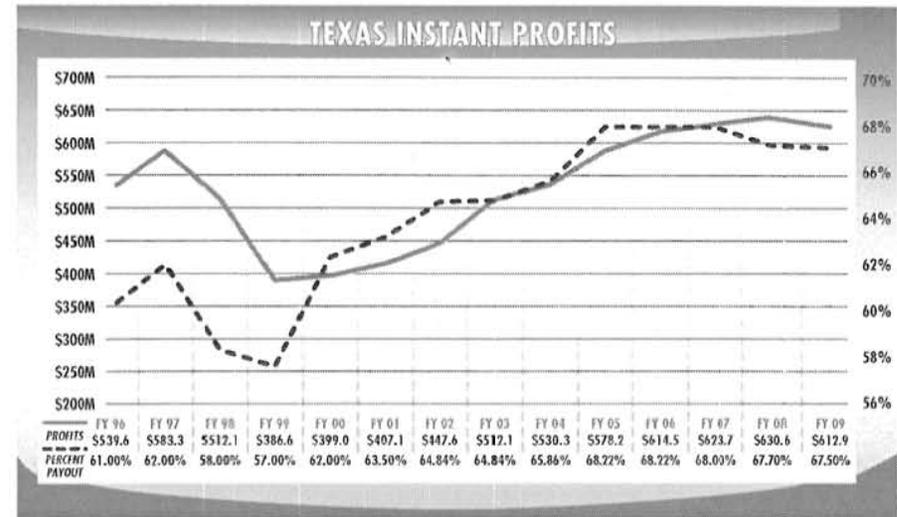
The Texas Lottery truly has a story to tell. After five consecutive years of substantial growth, the Legislature cut their prize payout and the media had a field day. Sales dropped from the highest level in their history: \$2.3 billion dollars to \$1.4 billion in just two years.



When the Legislature went back into session two years later they reinstated the higher payout with immediate results.

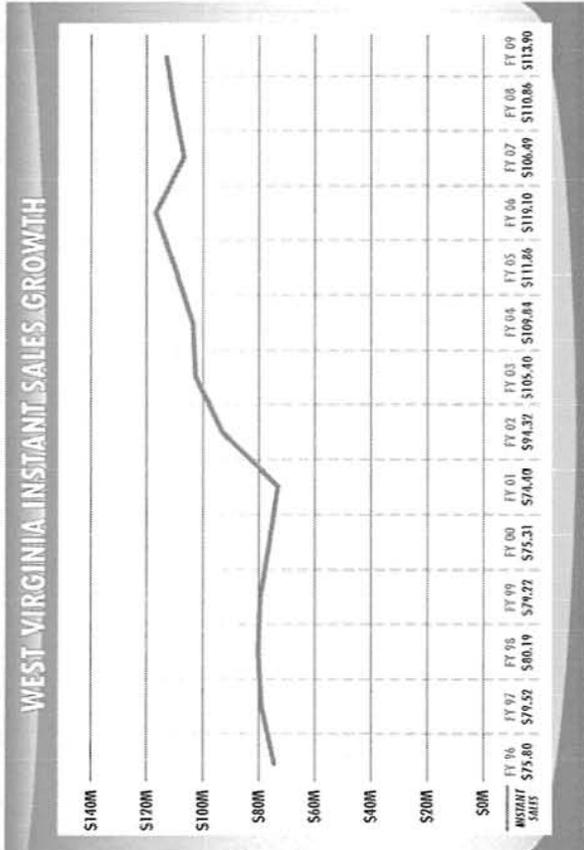
- Prize Payout Reinstated**
 Prize structures could again satisfy players' needs.
 Additional prize money dedicated to providing meaningful prizes.
- Aggressive Marketing and Product Plans**
 Strategic plans implemented to take advantage of the payout increase.
 Adoption of licensed properties as a strategic element of the plan.
 Shorter game lifecycles.

- Price Point Planning**
 Higher payouts allowed for better games at higher payouts.
 Expanded price points to include \$10, \$20, \$25, \$30 and \$50 games.
 Introduced a \$20 Spotlight game in 2009.
- Advertising and Promotion**
 Added direct mail coupon programs.
 Implemented strategic advertising plan.
- Games in the Market and Introduction Cycles**
 Strategic plans implemented to grow the instant product.



GREAT TO DISASTER TO GREAT

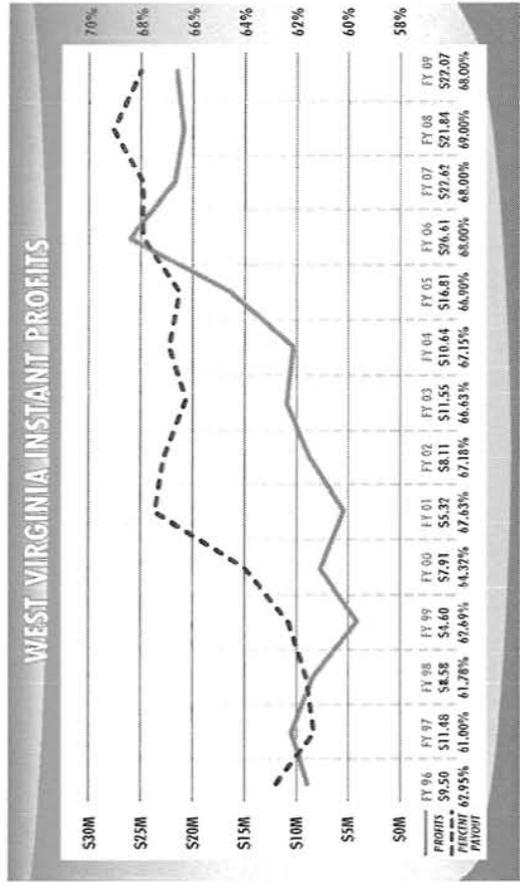
West Virginia went through a cycle in the mid 1980s of high instant sales at start up followed by three consecutive years of negative growth. This was followed by six years of exceptional positive growth. In 2002 sales jumped once again. What was the reason for these years of growth?



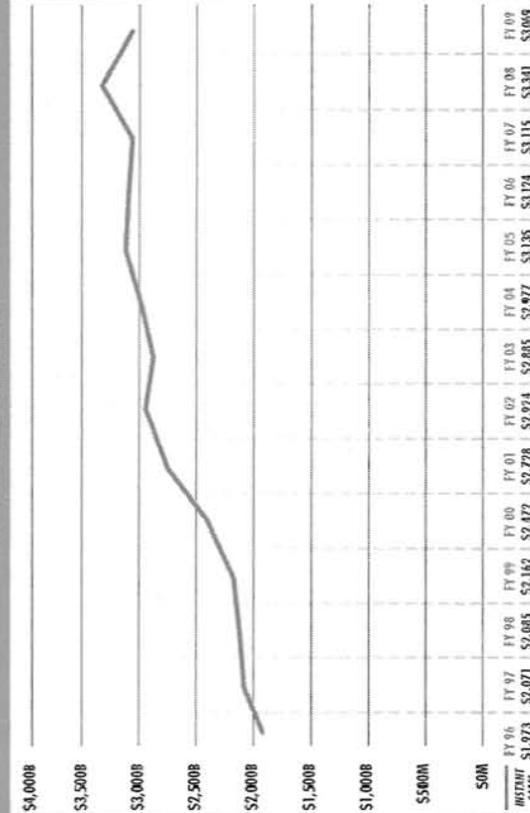
• The 1990s

- Aggressive, strategic marketing
- Increased prize payouts
- 60+% payouts on S1, S2, and S5 games
- Multiple game strategy implemented
- Strategic price point planning
- Game quantity adjustments and consistent game introduction cycles

- 2002 to Present
 - Made improvements to instant tickets
 - Dropped bendy patterns, making the ticket easier to read
 - Better distinguished between play symbols and prize symbols
 - Increased the size of S1 tickets to 2.5" x 4.0" giving 20% more space to advertise the games
 - Worked on eliminating price point limitations



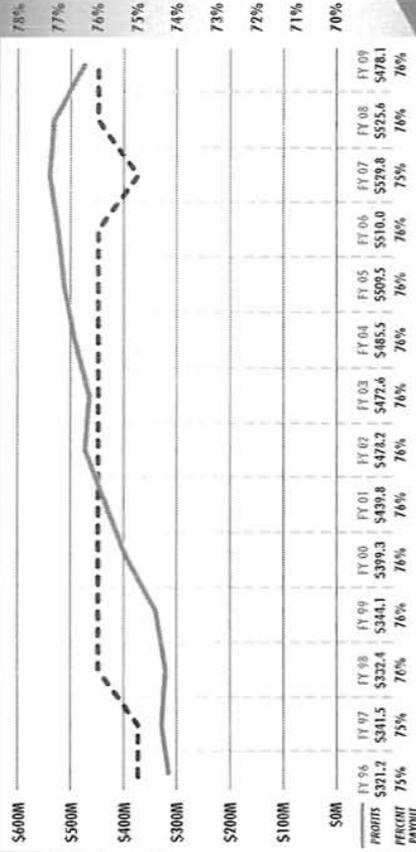
MASSACHUSETTS INSTANT SALES GROWTH



2007 to 2008

- Continued the expansion of higher price points with the introduction of Billion Dollar Blockbuster, a \$20 game that offered \$1 billion in cash prizes.
- Sales grew \$226 million with the introduction of this phenomenal game.

MASSACHUSETTS INSTANT PROFITS



The Massachusetts Lottery had two defining sales periods in their history. 1999 to 2002 when sales grew \$762 million; and 2007 to 2008 when sales grew \$226 million. When we look into why these years were so successful, we find:

1999 to 2002

- Implemented aggressive and strategic plans for growth of the instant product portfolio.
- Emphasis was placed on growth of the higher price points with the introduction of the \$10 price point.
- Licensed products were also introduced into the portfolio at the \$5 price point.



TEXAS LOTTERY

PART 10: SUMMARY

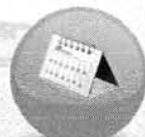


PART 10: CONVERSION



WHY SCIENTIFIC GAMES FOR TEXAS

EXPERIENCE



- **Scientific Games has experience transitioning lotteries of the complexity and scale of Texas.**

Pennsylvania, China, Maryland, Connecticut, and Indiana are a few of the recent lottery contracts we will showcase here to demonstrate our proven experience providing transition management, implementations, and operations management services in large, complex environments. While none by itself mirrors exactly the unique Texas environment, each has specific elements that when taken in whole clearly demonstrate our experience and qualifications to transition the Texas Lottery. The Texas Lottery operating contract is unique in the United States: the size of the retailer network, the distribution of retail locations, the integration of sales management personnel into the private versus public sector, the logistics of instant game warehousing and distribution services all combine to create a significant and specialized lottery program. We believe Scientific Games has the people, plan, and processes in place to be the preferred partner for the Texas Lottery.



- **Scientific Games deploys Project Management best practices.**

Scientific Games' has structured the project implementation organization with Project Management best practices and quality performance as the driver for a successful delivery of our Texas Lottery solution. Our project management approach emphasizes not only the project organizational structure but also how that organization interacts with the Texas Lottery, the Account Team, and the retail network. Our Project Management Process is defined by the following building blocks:

- Project oversight by senior management as embodied by our TLC Project Steering Committee.
- Project Management Office (PMO) is a center of excellence for training project managers and integrating best industry practices.
- A proactive risk management approach, starting with the proposal effort, whereby risks are managed within the context of the Texas Project Work Breakdown Structure (WBS), are identified down to the smallest unit of the work package, and are managed intensively to proactively mitigate.
- A highly structured approach of utilizing customer communications techniques, project reviews and reporting mechanisms designed to ensure the project stays on-track.

- **Scientific Games has the right team dedicated to Texas**

- **TLC Project Steering Committee** - led by Steve Beason, the TLC Executive Sponsor, a 25 year veteran of the lottery industry, and the current President Lottery Systems and Chief Technology Officer. Steve will provide advocacy for the Lottery's concerns, issues, and points of view at the highest levels of our company and serve as a direct link to Mike Chambrello and Scientific Games Global Management Team to ensure a quick response to any of the Lottery's business concerns. Another key member of the TLC Project Steering Committee is Todd Hopkins, Vice President, Project Management. Todd is a 25 year lottery veteran and the Project Management Office leader whose previous experience includes system development and project management leadership



WHY SCIENTIFIC GAMES FOR TEXAS



DIFFERENTIATORS

positions with Scientific Games, Intralot, and GTECH. The remainder of this team has, on average, nearly 17 years of lottery experience per contributor.

- **TLC Transition Team** – Led by Dan Grace, the TLC Project Director, a 10 year veteran of the lottery industry, and a certified Project Management Professional. Dan will ensure project standards and processes are in compliance with NASPL best practices and the Project Management Institute. Dan will manage all major activities for project implementation including planning, development, coordination, approval, and tracking of project deliverables. Dan will be supported by Cory Bonogofsky, the TLC Senior Project Manager, a five year lottery veteran, and a certified Project Management Professional. In addition, Cherie Peyton is the Senior Project Warehouse Implementation Manager overseeing the procurement and installation of all equipment related to the instant ticket warehouse. All three members of PMI. The remainder of this team has, on average, nearly 10 years of lottery experience per contributor. Dan, Cory, and Cherie will be fully dedicated to the Texas project and will reside in our Texas office for the duration of the project.

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Not released

WHY SCIENTIFIC GAMES FOR TEXAS

**Confidentiality Claimed
Not released**

WHY SCIENTIFIC GAMES FOR TEXAS

BENEFITS



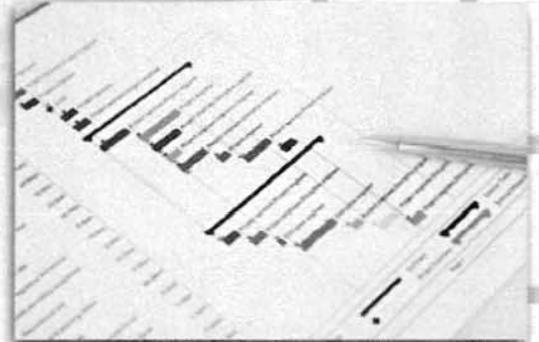
- **Scientific Games will dedicate three full time certified Project Management Professionals to the Texas project.**

Dan Grace, the proposed TLC Project Director, Cory Bonogofsky, the proposed TLC Senior Project Manager, and Cherie Peyton, the proposed Senior Project Warehouse Implementation Manager will be fully dedicated to the Texas project and will reside in our Texas office for the duration of the project. These project leaders will manage all major activities for project implementation including planning, development, coordination, approval, and tracking of project deliverables. All these project leaders report directly to Mr. Todd Hopkins, Vice President of Scientific Games Worldwide Projects, so high-level visibility for the project is assured. He will ensure project standards and processes are in compliance with NASPL best practices and the Project Management Institute.

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- **Scientific Games' strong support of open systems architecture benefits the TLC during conversion and throughout the life of the contract.**

Scientific Games has been a strong supporter of open systems architecture since we introduced the first open online system for the Austrian lottery in 1989. We continued this innovation with the introduction of the first open system solution, to the U.S. lottery market in 1996. We have deliberately chosen to pursue a development path of open systems architectures in order to take full advantage of new technologies, whether they are commercially available now or are likely to be in the future.



We architected our latest generation of retailer POS applications to make them portable to multiple environments. As a result, our WAVE terminal is designed to work with other vendors' systems.

Our protocol communications component is designed to run multiple vendors' protocols, allowing the core application to remain the same. Putting a third party terminal on another vendor's gaming system is not difficult for us. We have successfully proven this with customers around the world, and most applicably for the British Columbia Lottery Corporation (BCLC) and Ontario Lottery and Gaming Corporation (OLGC), both which are GTECH systems. Scientific Games' design and development strategy has produced great success in deploying our terminals on

In fact, we have successfully completed our last three phased conversions in Pennsylvania, Maryland, and Connecticut operating our WAVE terminal on a legacy gaming platform, IGT-OES' Masterlink system).

Our open systems architecture approach benefits the Texas Lottery not only during the conversion from the current providers system but also by providing significant flexibility Texas Lottery can benefit from throughout the life of the contract.



WHY SCIENTIFIC GAMES FOR TEXAS

RISK MITIGATION

- **Scientific Games will utilize a low-risk Two Phase mitigation Conversion Plan.**

A Two Phase mitigation Conversion Plan is a low-risk approach enabling the early implementation of retailer equipment and communications infrastructure at each retailer location, which is later followed by a controlled conversion of the central data system. The Two Phase mitigation approach will not require two terminals be installed at a retailer location, and will avoid the risk of all terminals state-wide being 'cut-over' on the same day. The retailer will immediately begin selling on the new terminal before our technician leaves the retail establishment. The risk mitigation highlights of our rationale for proposing a Two Phase mitigation approach include:

- Virtually no risk of ticket sale or validation issues during the terminal swap out process, because new terminals will sell and validate tickets using the legacy central system.
- The conversion is a "process" rather than an "event," with most of it occurring over time, more relaxed, structured, manageable, and virtually transparent to all but the Texas Lottery.

- **Scientific Games has the right people, plan, and processes in place to transition the operation and services for the Texas Lottery.**

- Our Four-Tier Management Model ensures resources are properly allocated and milestones are met.
- Two dedicated and certified Project Management Professionals will reside in our Texas office for the duration of the project.
- Our in-state Network Roll-out Office (NRO) specifically aids installation tracking, retailer communications and coordination, and installation reporting to the Texas Lottery. It manages the logistics of the conversion project from a single point, while constantly keeping the retailer and Texas Lottery informed of every step along the way to ensure a smooth and successful transition.
- Project Management Institute and NASPL Best Practices are at the foundation of Scientific Games' conversion processes.

- **Scientific Games has a comprehensive and tested Risk Management Plan.**

Scientific Games understands that the success of a project is dependent on our ability to plan, contain, and determine a course of action, (i.e., to be proactive.) Toward that end, the TLC proposed Project Director is supported by a tested risk management approach, whereby risks are managed within the context of the Texas Project Work Breakdown Structure (WBS), are identified down to the smallest unit of the work package, and are managed intensively to proactively mitigate. Our Risk Management Plan, updated throughout the project, addresses areas of identification, assessment, planning/scheduling, tracking/reporting, and monitoring/controlling risk. The TLC Executive Sponsor,



WHY SCIENTIFIC GAMES FOR TEXAS

Steve Beason, will facilitate monthly reviews in order to minimize risk and the Texas Project will be subjected to the careful scrutiny of Scientific Games' most-seasoned lottery professionals at critical points during the planning and execution of the conversion project.

- **Scientific Games' Project Management Process enables Scientific Games to successfully convert the Texas Online Lottery System within strict time and quality constraints.**

Every conversion has critical tasks and milestones that have to be planned for and met in order to ensure that the project is successful. Scientific Games' Risk Management Plan will ensure that the dates tied to the critical tasks and milestones identified below are maintained.

- **Scientific Games Transitional Incentive Plan for Existing Lottery Operator Employees**

After consultation with the TLC, Scientific Games will establish a Transitional Incentive Plan to provide for those employees that may qualify to transition from the current TLC lottery operator employ to migrate to work for Scientific Games. By utilizing the experienced existing Texas workforce, Scientific Games will integrate institutional knowledge thus strengthening our team and ensuring continuity.

**Confidentiality Claimed
Not released**

#	Topic	Section Reference	Beyond Requirements	Superior Value	In Base System and Services
1	Previous Lottery Experience	4.2.2	X		X
2	Experience of Personnel	4.3	X		X
3	Texas National Service Center	4.2.2, 6.6.5, 7.13.11	X		X
4	Job Neutral vs Ongoing Vendor	4.2.2, 6.6.5	X		X
5	Four Tiered Management	4.3.1	X		X
6	TLC Global Management Team	4.3.1	X		X
7	TLC Project Meeting Committee	4.3.1	X		X
8	TLC Transition Team	4.3.3, 7.6.3, 10.1.4.2	X		X
9	Executive Management Team	4.3.1	X		X
10	Data Center/Operations Team	4.3.1	X		X
11	Call Center Team	4.3.1	X		X
12	Sales and Marketing Team	4.3.3, 7.2.3.3, 8.3.2	X		X
13	Transitional Incentive Plan	4.3.3, 6.2.2	X		X
14	Texas Performance Incentive Plan	4.3.1, 6.2.2	X		X
15	R&D Investment Plan	4.3.3, 8.8.2	X		X
16	Account Management Process	6.2.2	X		X
17	Lottery Insite	6.2.2, 7.1.7, 9.3.7	X		X
18	Rayview	6.3.2	X		X
19	OptiVision	6.3.2	X		X
20	TLC Service and Compliance Team	6.5.2.3	X		X
21	District Sales Offices	6.9.2	X		X
22	Warehouse Secured Space	6.6.2.2	X		X
23	National Data Center as BDC	6.6.2.3.7	X		X
24	Security Safeguards	6.6.3.1.1	X		X
25	Environmental Safeguards	6.8.2.3.2	X		X
26	Lottery UnvetCity	6.8.2.3	X		X
27	Bundle and Screenplay	7.2.1.3, 8.8.2	X		X
28	Licensed Drivers/Instant Games	7.2.1.3, 8.3.3, 9.3.2	X		X
29	Second Chance Promo Games	7.2.1.3, 7.6.3.8	X		X
30	60d Licensed Properties	7.2.1.3, 7.6.3.8	X		X
31	Advanced Multi-Grays	7.2.2.2.A	X		X
32	Automatic Game Close	7.2.2.2.A	X		X
33	Instant Ticket Pack Status	7.3.2	X		X
34	Instant Ticket Game Creation	7.3.3.1	X		X
35	Check Printer's Signatures	7.4.2.1, 7.4.4	X		X
36	HW/Net Hot End-prise Uruk	7.6.1.2.6	X		X
37	Follower Time	7.6.1.2.C	X		X
38	Concurrent Instant Games	7.6.1.3	X		X
39	Non-Sale Processing Time	7.6.1.3	X		X
40	Single Wager vs Seconds	7.6.1.3	X		X
41	Multi Wager vs Seconds	7.6.1.3	X		X
42	Properties Plus	7.6.3.4	X		X
43	SCGZ Platform for Instant Games	7.6.3.4	X		X
44	Player's Club and Play It Again	7.6.3.4	X		X
45	Easy Entry Validation System	7.6.3.4	X		X
46	NASPI Certification	7.7.2.1	X		X
47	System/Corporate Security	7.8	X		X
48	Weekly Statement	7.11.2.7	X		X
49	500 WAVE/Enr - Optimization	7.12.0.2, 8.2.3	X		X
50	500 Fblir - Swap-Out with WAVE	7.12.0.2	X		X
51	Wireless Bar Code Reader	7.12.0.2.1	X		X
52	Touchscreen Choice of Screen	7.12.0.2.1	X		X
53	Integration Plate for Printer	7.12.0.2.1	X		X
54	WAVE - English plus one language	7.12.0.2.3.6	X		X
55	Memory Upgrade to 1GB	7.12.0.2.3.1	X		X
56	Wireless Ticket for Checkers	7.12.0.2.3	X		X
57	500 Additional Ticket Checkers	7.12.0.2.5	X		X
58	Thermal Paper	7.12.0.2.7	X		X
59	22" Flat Panel (Customer Display)	7.12.0.2.9	X		X
60	Integration Plate - PFD	7.12.0.2.10	X		X
61	Uniqz ATM (first 1,000 units)	7.12.0.7	X		X
62	Phone Lottery Application	7.12.0.7	X		X
63	Tailored Preventive Maintenance	7.12.0.7	X		X
64	Smart Servers	7.12.0.2	X		X
65	Call Center Language Support	7.13.4	X		X
66	Predictive Ordering System	7.13.7, 9.3.7	X		X
67	Network Implementation Team	7.3	X		X
68	Geo-Fencing	7.14.2.1	X		X
69	Wide Area Network Redundancy	7.14.2.2	X		X
70	Sales Management Staff	8.2.2	X		X
71	Total of 140 Dedicated LSR's	8.2.3, 8.4.0.2	X		X
72	Retailer Optimization Analysis	8.2.3	X		X
73	Retailer Forums/Advisory Council	8.2.5	X		X
74	Online Game Product Plan	8.3.4	X		X
75	Bilingual LSR/LMH/Inhibitors	8.4.0.2	X		X
76	Quicker Pick (Top 20%)	8.5.1.3, 8.6.4	X		X
77	Lojo Floor Mats (Top 20%)	8.4.3.2, 8.7.2	X		X
78	Window POS (Top 10%)	8.4.1.2	X		X
79	Counter Wings (Tap 200)	8.4.3.7, 8.7.3	X		X
80	Additional LSR's (Total of 20)	8.11.2	X		X
81	Emerging Markets Council	8.11.2	X		X
82	Customized Vehicle Magnets	8.11.2, 8.7.2	X		X
83	Discovery and Drive-up Team	8.8.2	X		X
84	Dedicated R&D Team	8.8.4	X		X
85	Non-Dedicated R&D Team	8.8.4	X		X
86	Automated Sorter	9.2.2.2, 9.7.2	X		X
87	Backup Warehouse - Instants	9.3.3.3	X		X
88	Non-Dedicated - W&D Team	9.2.4	X		X
89	Dedicated - W&D Team	9.2.4	X		X
90	Implementation - W&D Team	9.2.4.1	X		X
91	Assembly Physical Inventory	9.6.2	X		X
92	Transition Management Office	10.1.4	X		X
93	3 Dedicated Project Managers	10.1.4.1	X		X
94	Convert Data >36 months	10.4.2.3	X		X
95	Project Management Process	10.4.4	X		X



TEXAS LOTTERY

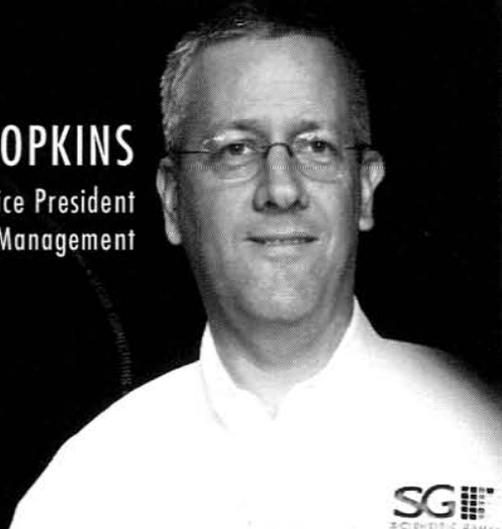
PART 10: CONVERSION



A WORLD OF POSSIBILITIES

TODD HOPKINS

Vice President
Project Management



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A MESSAGE FROM TODD HOPKINS

Vice President

"We are very excited about this opportunity to move the Texas Lottery onto our platform. The project challenges presented by the size of Texas are quite impressive and Scientific Games is ready and able to far exceed the high standards of the Texas Lottery. We are very proud of the implementation track record we have developed over the years. Those successes stem from our efforts to continually improve our project methodology by adopting the best practices and lessons learned from previous projects. As a company, we have worked very hard to make our project implementations predictable and repeatable. As a result of our continuous improvement and lessons learned initiatives, Scientific Games and our customers benefit greatly from a constant refinement of proven best practices tightly woven into everything we do.

These improvements allow our customers to focus on revenue increasing changes immediately after conversion, rather than working on cleaning up conversion issues. Our last completed implementation, Pennsylvania, benefited greatly in this area as it was business as usual for the players, retailers, and the Lottery during migration and cutover.

We are currently in the middle of phase I of our two phase migration project in Indiana and we are proud to report it is far exceeding both our and the Lottery's expectations. I would urge you to contact the Indiana Lottery and ask how the project is being managed, monitored, and reported. We are confident that their response will clearly reflect the best practice project methodologies that offer a superior implementation plan.

Given the scope of this project, a well seasoned lottery project management skill set is an absolute requirement. I have assigned my well seasoned Project Director, Dan Grace, a 12-year veteran of the lottery industry. I have every confidence in Dan's ability to effectively handle a project of this magnitude.

As with any leadership role, success depends on the team that is put together under that leadership to accomplish its goals. The team that we have assembled for your project has the experience, skills, and determination to drive down the path to success and maintain a constant focus on Texas."

1



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PART 10 CONVERSION

10.1 CONVERSION PLAN

RFP Requirement: Conversion includes all activities to transition from the current Lottery Operator to a replacement provider or conversion of the existing Lottery Gaming System to a new System. The current Contract for Lottery Operations and Services ends August 31, 2011, and requires the current Lottery Operator to cooperate fully with the Texas Lottery and the Successful Proposer in the conversion/transition of lottery operations and services to the Successful Proposer and to continue to provide contract services at a consistently high level without interruption during the turnover period.

Scientific Games considers this RFP requirement to be informational, therefore no response is required.



Table 122. Conversion Plan Requirements

ROLES AND RESPONSIBILITIES	SUCCESSFUL PROPOSER	TLC
1. Create a detailed Conversion Plan	X	
2. Review Conversion Plan and provide feedback as appropriate		X
3. Update the Conversion Plan as required based on the Texas Lottery's feedback	X	
4. Review and approve final Conversion Plan		X
5. Provide full-time Conversion Plan project manager	X	
6. Propose project management process and structure	X	
7. Review and approve project management process and structure as appropriate		X
8. Finalize project management process including the project oversight structure	X	
9. Review and approve the project management process including the project oversight structure		X
10. Provide support and assistance during transition to replacement provider or conversion to new Lottery Gaming System	X	
DETAIL REQUIREMENTS	RESPONSE SECTION(S)	
11. The Successful Proposer must provide a detailed Conversion Plan as addressed in this section within 45 days of Contract execution.	10.1.2	
12. The Successful Proposer's System must be enhanced or modified as necessary to conform to the Texas Lottery's business rules and regulations prior to conversion.	10.1.2	
13. The Texas Lottery requires the Successful Proposer and the current Lottery Operator to work together to implement an expedient, seamless and uninterrupted transition of services from the current environment to the Successful Proposer's System. The transition shall be planned for and accomplished by the Successful Proposer in such a way as to minimize any adverse effect upon any Texas Lottery system user, including but not limited to Texas Lottery departments, Retailers, players, and TLC vendors and their subcontractors that rely on the services.	10.1.2.1	
14. The Successful Proposer must identify the conversion staff whose full-time responsibilities are to convert the Texas Lottery to the Successful Proposer's System. The Successful Proposer must also identify any staff who may assist with these activities, but will not be assigned to the Texas Lottery account on a full-time basis (e.g., corporate technical staff). The assigned project manager must have had prior similar systems conversion management experience.	10.1.4	

DETAIL REQUIREMENTS	RESPONSE SECTION(S)
15. The detailed Conversion Plan must be constructed in Microsoft Project and all supporting schedules must be constructed in common Microsoft Office applications and be provided to the Texas Lottery as part of the project plan.	10.1.2
16. The Successful Proposer must work with any third party representatives designated by the Texas Lottery as part of the oversight of the Conversion project.	10.1.2.2
17. The Successful Proposer must provide a risk identification, escalation and management process as part of the Conversion Plan.	10.1.3
18. The Successful Proposer must complete the conversion to the Successful Proposer's System by no later than August 31st, 2011.	10.1.2 10.1.2.1

Table 123. Conversion Plan Response Requirements

RESPONSE REQUIREMENT
1. The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.
2. The Proposer must provide an overview of its proposed Conversion Plan and process.
3. The Proposer must provide its proposed Conversion Plan project management process.
4. The Proposer must identify, including names and resumes, the conversion staff whose full-time responsibilities are to convert the Texas Lottery to the Proposer's System. Proposers must also identify any staff who may assist with these activities, but will not be assigned to the Texas Lottery account on a full-time basis (e.g., corporate technical staff).

Table 124. Conversion Milestones Service Levels

SLR #	SLR NAME
3.60.63	Failure to Cooperate Fully and in Good Faith in the Conversion to any New System
3.60.64	Failure to Provide a Detailed Conversion Plan within 45 Days of Contract Execution
3.60.65	Failure to Deliver According to the Final Approved Detailed Conversion Plan

RESPONSE TO TABLE 123: CONVERSION PLAN RESPONSE REQUIREMENTS

10.1.1 ACKNOWLEDGEMENT OF ROLES AND RESPONSIBILITIES AND DETAIL REQUIREMENTS

Response Requirement 1: The Proposer must acknowledge and accept the roles and responsibilities, and will comply with, and often exceed the detail requirements indicated in RFP Section 10.1.

Scientific Games acknowledges and accepts the roles and responsibilities, and will comply with, and often exceed, the detail requirements indicated in RFP Section 10.1.

10.1.2 OVERVIEW OF CONVERSION PLAN AND PROCESS (DRs 11, 12, 15 and 18)

The Proposer must provide an overview of its proposed Conversion Plan and process.

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In satisfaction of RFP Table 122, Detail Requirement No. 18, Scientific Games commits to complete the conversion of the legacy system to our _____ by August 31, 2011.

Scientific Games will provide a detailed Conversion Plan within 45 days of Contract execution. The final plan will be based on the draft plan submitted with this proposal and, after collaboration with the Texas Lottery, will be submitted for approval to the Texas Lottery before finalization. The Conversion Plan will be constructed using Microsoft Project and all supporting documentation will be constructed using common Microsoft Office applications. We will provide these applications as needed to the Texas Lottery as part of the final plan.

The following subsections provide an overview of our Conversion Plan and Process.

As the only vendor that has converted more GTECH legacy systems than any other lottery systems provider, Scientific Games will ensure a conversion which will:

- Minimize conversion limitations
- Avoid start-up day system failures and outages
- Maintain good retailer relations and address retailer issues
- Ensure minimal disruption to selling and paying tickets during the conversion

Transitioning Texas Lottery lottery operations and services is a complex process involving many issues. Scientific Games strives to minimize issues by using our highly qualified transition professionals. Their dedication, experience, and management skills have been proven repeatedly through the conversion and implementation of many fully scalable projects. Our proven methodologies will provide the Texas Lottery with key benefits, including, but not limited to:

- Risk is managed more effectively because the transition is properly defined within each business environment, threats are clearly identified, and mitigation plans developed.

- Productivity is increased through a clear definition of roles, responsibilities and deliverables.
- Communication is easier and clearer using our comprehensive communications approach.

Transitioning the operations and services for a lottery entails a complex effort with the potential of a significant impact on the business. Scientific Games takes a stringent, unwavering approach to transitions. Execution is done in a non-disruptive and responsive manner. We manage risks by immediately and decisively addressing issues as they arise. To assist us and the Texas Lottery, we will develop a detailed transition project plan that will meet, and very likely, exceed your business requirements.

For a successful outcome, Scientific Games' approach to the TLC Conversion Plan is to:

- Commence planning as soon as possible;
- Use a Two Phase migration approach to minimize risk
- Carry out comprehensive testing prior to handover;
- Break the project down to logical sub-projects to maintain control and manage risk.

Scientific Games' tested and proven methodologies and processes support the execution of the transition plan. We draw on extensive experience and focus on areas such as people and cultural change, supplier management, service and security assessment, infrastructure service readiness, human resources, and conversion coordination.

CONVERSION PLAN – MANAGEMENT OVERVIEW

The following describes the types of activities during a transition project. Scientific Games will work with the Texas Lottery to develop the transition plan based on your specific business objectives.

Transition Management Office:

- Set up the project management control structure and relevant processes.

Human Resources:

- Manage the staffing process.
- Maintain the resource plan necessary to deliver the Texas Lottery service level requirements.

Workplace Services:

- Establish a working environment for the TLC Transition Team.

People Cultural Change:

- Provide an environment where newly hired employees feel welcome, valued, and productive.
- Ensure that staff newly assigned to the project have an opportunity to understand the Texas Lottery culture and business objectives.

Scientific Games is confident the establishment of a Transition Management Office will improve the transition to the new lottery gaming system and provide a valuable communication link.

Supplier Management:

- Negotiate third party contracts and resources.
- Establish ongoing procurement processes for the TLC Account Team.

Service and Security Assessment:

- Establish Texas Lottery's service level standards, and security policies, and current practices for the contracted services.

Service Level Reporting:

- Establish the service level tools that provide the controls necessary for effective service management, resource management, contract management, etc.

Program Communications:

- Establish an effective communications plan, implementation mechanism, and ownership for internal and external information sharing.

Conversion Coordination:

- Ensure the conversion from the Texas Lottery's current vendor to Scientific Games is completed in an orderly, consistent, and timely manner.

Service Commencement Readiness:

- Organize an orderly transfer of staff, knowledge and services from the current vendor to Scientific Games so the TLC Account Team can assume management responsibilities for the contracted services by launch date.

TRANSITION GOVERNANCE

A critical success factor for transition is a well-defined governance model that provides the Texas Lottery with the appropriate level of control during the transition period. Through this model the Texas Lottery and Scientific Games jointly establish clear guidance for the migration of work and the control of critical issues.

TLC PROJECT STEERING COMMITTEE

The first level of the governance structure is the TLC Project Steering Committee, which is made up of executives and senior managers from Scientific Games. It has the authority to establish the strategy, set the program objectives and determine the business priorities. Its purpose is to oversee the transition at an executive level.

The main responsibilities of the TLC Project Steering Committee are:

- Contribute to overall transition planning;
- Monitor/track progress of the transition;

- Ensure adequate resource allocation;
- Address escalated issues and drive dependencies.

The TLC Project Steering Committee will be led by Steve Beason as the Executive Sponsor.

TLC TRANSITION TEAM

The second level in the governance structure is the TLC Transition Team. It includes program management representatives from Scientific Games and has responsibility for the overall management of the transition. This team works under the direction of the TLC Project Steering Committee. Its role is to execute the delivery of contracted products and service to the Texas Lottery by reviewing transition plans, monitoring progress, resolving issues, managing escalation, assessing quality, status reporting and project change control.

Given the unique demands of the job, the TLC Transition Team leader needs to possess a high energy level, strong sense of urgency, and strong project management skills. The role also calls for in-depth knowledge of the business, excellent communication skills plus the ability to create structure and process. We believe, based on his extensive transition experience, Dan Grace as Project Director will be an excellent TLC Transition Team leader. Dan will be supported by Cory Bonogofsky, the Senior Project Manager, and Cherie Peyton, Senior Project Warehouse Implementation Manager.

As a commitment to the success of the Texas transition project, Scientific Games assigned John Osenenko, the proposed TLC Account Director and Dan Grace, the proposed TLC Project Director to lead the development of the technical, marketing and operations solutions presented in this proposal. They will meet daily with engineering, quality assurance, marketing, training, operations and other key contributing organizations to develop and plan the transition plan. They will execute the transition plan immediately on contract award based on their intimate knowledge of the contract requirements and proposed solutions. There will be no learning curve with this team; they know the plan because they created it.

RISK MANAGEMENT

Like any project, transition projects contain elements of risk and Scientific Games' approach is to assess these risks with the Texas Lottery, establish appropriate mitigation plans, and then proactively manage the identified risks to closure. These plans are assessed and tracked by the TLC Project Director and become an ongoing focus for the TLC Project Steering Committee reviews.

At a minimum, risk impact analyses and containment plans will include the following:

- Schedule impact on contracted deliverables;
- Quality impact on satisfaction with the deliverable.

Regular TLC Transition Team meetings are established to review transition status, focus on any risks or issues that might impact on the success of the project, and define the actions needed to address them.

Successful transitions start with a strong management commitment to exceed the Texas Lottery's business objectives. It continues with effective transition planning and execution. It is characterized by the way in which critical factors are addressed and managed. The importance of management involvement in all of these areas cannot be overstated and we believe we have the experience, dedication, resources, and resolve to successfully transition the Texas Lottery's operations and services.

The following subsections provide an overview of our Conversion Plan and Process.

10.1.2.1 ENSURING A SEAMLESS TRANSITION (DRs 13 and 18)

In satisfaction of RFP Table No. 122, Detail Requirement No. 13, Scientific Games will cooperate with the current Lottery operator in order to seamlessly transition all services to Scientific Games' system and operations.

As with all Scientific Games conversions, our transition plan will minimize the impact upon all Lottery stakeholders. Scientific Games provides a proven and dependable conversion approach based on our extensive experience, gained from converting and migrating our competitors' legacy lottery systems to our leading edge . Our implementation methodologies are well-tested. The result will be the lowest possible risk approach for the Texas Lottery and the least possible impact to the retailer.

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The Two Phase migration that Scientific Games is proposing to the Texas Lottery has been used domestically with great success. Since 2006 we have converted three lotteries; four if you include Scientific Games' current conversion of the Hoosier Lottery, which is on schedule. Each of these success stories are summarized below and serve as proof that a Two Phase migration will provide a similar success story for Texas, although on a grander scale.

1. Pennsylvania Conversion Success

Our success story in Pennsylvania was completed on June 16, 2009, only six months after the contract signing. The Pennsylvania implementation project involved the phased migration from a legacy system, Masterlink, acquired from the company's acquisition of IGT-OES in 2003 to Scientific Games

It involved nearly 9,000 retailers, WAVE™ terminals, and peripherals.

With a Two Phase migration approach to the conversion we were able to have our communications network (operational early. The WAVE™ terminals were able to be authenticated on our system when they were deployed, and were operational on the then current MasterLink system prior to the "go live" date.

All of the retailers were upgraded to new WAVE™ terminals and peripherals and, by all accounts, the retailers that were upgraded to the new WAVE™ terminals and peripherals were very excited and satisfied with the performance, ease of use, and visibility to the players it has brought to their businesses.

Retailers learned to use the new WAVE™ terminals at the training sessions scheduled throughout the state and readily adopted them into their business long before the system's conversion. Scientific Games' Educational Services Team trained over 17,000 attendees prior to conversion, including retailers and Lottery staff. The training schedule was designed to precede equipment installation by an average of a week or less, which meant the retailer was well-versed on terminal and peripheral functionality and could quickly apply the skills they learned using the WAVE™'s training mode. This two phase conversion approach ensured that the final system conversion date was just another ordinary day of business for the retailers

At conversion date, 8,700 WAVE™ and 1,000 self-service terminals were operational, each with a flat panel display, customer display unit, and a wireless ticket checker. In all, this implementation project encompassed well over 67,000 pieces of electronic equipment.

A DVD highlighting the process and experience of Scientific Games successful conversion of the Pennsylvania Lottery can be found behind the Electronic Media tab card in Book 1 of this Technical Proposal. This Pennsylvania lottery Conversion DVD includes testimonials from many of the same Scientific Games personnel proposed for the Texas conversion.

We believe the efforts described above are a testament to Scientific Games' capacity to deliver for the Texas Lottery.

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Successful conversions in Pennsylvania, Connecticut, Maryland, and China, demonstrates Scientific Games' experience and qualifications to transition the Texas Lottery.



2. Connecticut Conversion Success

In early May 2008, Scientific Games successfully completed an 8-month migration to the Installation included 3,000 WAVE™ terminals and associated peripherals and lottery equipment for the Connecticut Lottery Corporation.

The conversion introduced a number of next generation products including:

- 3,000 WAVE™ terminals
- 3,000 self-service ticket checkers
- Lottery InMotion point-of-sale advertising display
-
-



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This project involved the integration of nearly 12,000 pieces of electronic equipment, and the training of nearly 9,000 retailers.

3. Maryland Conversion Success

In July 2006, Scientific Games successfully completed an eight-month migration from the Maryland State Lottery Agency (MSLA) MasterLink system to This project involved the integration of over 35,000 pieces of electronic equipment, including the installation of 4,200 terminals at 3,800 retailers.



Our implementation strategy for the MSLA system conversion followed a Two Phase migration plan, which resulted in the most risk-free and least disruptive plan for the MSLA and its retailers. New network communications and retailer technology devices (e.g., terminals, ticket checkers, displays, signs, etc.) were deployed early to the retailers, communicating back to the Legacy MasterLink system. On the day of system conversion, the switch-over to the new lottery gaming system was transparent to the retailers. The following describes the key milestones associated with the two phase conversion plan executed by Scientific Games for the MSLA.

The MSLA awarded its online contract to Scientific Games in late October 2005, providing for an approximately eight-month conversion period through early July 2006.

- Three months after award (Definition Phase)
 - Project plan validation
 - Terminal GUI design and terminal software emulation programming
 - Equipment procurement and manufacturing
 - Retailer communication planning

- Installation schedule validation
- Training plan logistics
- Five months after award (Installation Phase)
 - Deployed over 35K pieces of equipment (communications, terminals, ticket checkers, keno monitors, servers, signs, displays)
 - 4,200 terminals to 3,800 retailers, 2,500 of which were keno retailers; addressed unique installation requirements associated with historical districts and government building locations
 - Installed retailer sites during worst weather storm in 200 years – two weeks of torrential rain and extensive flooding
 - Built out new primary and back-up data center facilities
 - Trained 6,500 retailers, including 550 Korean retailers
 - Trained 150 lottery personnel
 - Deployed a unique terminal sales solution for visually impaired retailers
- Six months after award (Ongoing systems and marketing activities)
 - Launched two promotions on the legacy system (top of ticket and single use coupon) during the conversion period. Requirements definition, programming, and marketing support for these promotion launches completed successfully in parallel with required system conversion activities.
- Six months after award (Conversion)
 - Successfully launched the [redacted] with 3,800 retailers over a largely [redacted]
 - Launched a new game promotion (Keno Doubler), and a new Pick 3 promotion just three weeks after conversion date. Requirements definition, programming, and marketing for these new promotion launches on the new system completed successfully in parallel with required conversion activities.
 - Launched a new horse race monitor game RACETRAX and another new Pick 3 promotion less than 60 days after conversion to [redacted]
 - Designed requirements for our player activated terminals – PlayCentral

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The implementation project effort was rewarded just eight months later when [redacted] volume of a \$390 million Mega Million jackpot.

[redacted] easily handled the increased sales

Indiana (Hoosier Lottery)

Today, our team is engaged in the Indiana conversion, which is underway with a Two Phase migration approach of a legacy gaming system to an integrated Lottery gaming system. On September 24, 2009, Scientific Games agreed to supply our gaming system, which includes a full suite of online and instant ticket pass-through systems, as well as a range of lottery equipment, including more than 4,000 WAVE™ terminals and peripherals. The conversion date is scheduled for late August 2010.

HOOSIER  **LOTTERY**

Installation of 4,000 retailers with WAVE™ terminals and wireless ticket checkers began in early April 2010 at a rate of nearly 350 retailers per week. Retailer training was scheduled and sessions held just days ahead of the installation. In all, we expect to train nearly 8,000 retailers prior to conversion. The installed terminals are currently operating with the legacy gaming system and will be cutover to _____ and a network comprised of both _____ in late August 2010.

We are confident our successful conversion activities in Indiana will continue through the launch date with positive benefits to the Indiana players, retailers, and the Hoosier Lottery.

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INTERNATIONAL CONVERSIONS

Scientific Games' success with conversions and other types of deployments are not confined to domestic or even North America lotteries. Scientific Games is a global lottery provider with a significant presence on six continents. In addition to being what we believe is the second largest online lottery provider in Europe, we have lottery systems operating in Argentina, Canada, China, the Dominican Republic, France, Germany, Hungary, Iceland, Latvia, the Republic of Korea, Mexico, the Netherlands, Norway, the Philippines, Spain, Sweden, and Switzerland. In addition, we are the exclusive instant ticket validation network provider to the China Sports Lottery, whose success story we are proud to relate to you next.

China Sports Lottery

In terms of geographical scale, logistical complexity, speed of installation, and rapid sales growth, Scientific Games' China implementation was a phenomenal business achievement, and comparable to the upcoming Texas conversion the Texas Lottery is about to undertake.

In January 2008, Scientific Games agreed to supply a lottery ticket sales system and related services to the China Sports Lottery ("CSL") for the lottery market in the People's Republic of China ("PRC"). The national lottery ticket sales system was designed to track the distribution and validation of tickets throughout the PRC. Scientific Games also agreed to provide a national call center and 90,000 ticket validation terminals and related services, such as game design, marketing and certain distribution to the CSL provincial lotteries. Earlier, Scientific Games agreed to a contract for the manufacturing of tickets with China Sports Lottery Printing, Ltd. ("CSLP") in the PRC. Working together with the CSLP, a state of the art ticket manufacturing facility in Beijing, Scientific Games agreed to establish and operate the plant through a joint venture.

As one of the key sponsors of the Beijing Olympics scheduled to open on August 8, 2008, the CSL planned a very aggressive rollout of the system infrastructure, training, and ticket supply to ensure product availability and retailer presence in the majority of key population centers in the PRC by the opening of the Beijing Olympics. The goals of the CSL included deployment of more than 50,000 terminals, support for more than 150,000 retailers, and training nearly 17,000 sales representatives in all regions across a enormous land mass with limited infrastructure.

The implementation plan scheduled the rollout of the Beijing-based main system infrastructure (data center, system hardware/software, call center, and warehouse/distribution infrastructure) in no more than 60 days from contract execution. Thereafter, the implementation plan scheduled the retailer infrastructure, training, data communication network, warehouse and distribution infrastructure, and distribution of inventory in a rolling schedule throughout the 31 PRC provinces and initially focused on the 400 key population centers across the country. The successful execution of the provincial rollout was essential to

ensure enough coverage of retailers, terminals, and Olympic-themed tickets in advance of the Opening Ceremony of the Beijing Olympics. Additionally, the final component of the implementation infrastructure, a state of the art ticket manufacturing facility, was scheduled to launch 12 months after the contract execution, in late 2008.

Scientific Games mobilized a project team of experienced professionals from various locations around the globe to implement a truly national system on a scale unprecedented in the lottery industry. In late March 2008, Scientific Games successfully launched Olympic-themed lottery tickets by the CSL in the PRC. The program debuted on Sunday, March 23rd, in the Shandong province in over 1,500 initial retail locations, with the combination of distributed tickets and activations generating approximately 40 million Yuan, or \$5.6 million U.S., on the first day. The distribution and validation of CSL tickets were being tracked by a central system and retailer validation terminals that were provided by Scientific Games and operated by the CSL.

After the initial provincial launch in Shandong, the deployment of system infrastructure (retailer terminal, data communications network, and warehouse and distribution infrastructure) rapidly advanced as Scientific Games and the CSL efficiently trained the provincial lottery organizations and distributed ticket inventory throughout the installed provinces. From the date of the first activations on the system on March 23rd, the system grew from 1,500 terminals in one province to over 50,000 terminals deployed in 30 provinces giving more than 99% of the population of China, or 1.3 billion people, an opportunity to play the Olympic themed games by the Opening Ceremony of the Beijing Olympics.

Additional Key Implementation Accomplishments included:

60 days after Contract Execution (March 31, 2008)

- Infrastructure installed, tested, and launched in Beijing
 - Data Center
 - Ticket Sales System
 - Software
 - Data communications network
 - Call center
 - Warehousing and distribution infrastructure
- CSL staff trained (Beijing)
- Two PRC provinces launched
 - 2,000 terminals deployed
 - CSL provincial staff trained
 - Provincial warehousing and distribution infrastructure established
 - Tickets distributed, activated, selling, and validating
- Total population of potential players tops 167,000,000

90 days after Contract Execution (April 30, 2008)

- Seven PRC provinces launched for a total of nine provinces operational
 - 12,000 terminals deployed
 - CSL provincial staff trained
 - Provincial warehousing and distribution infrastructure established
 - Tickets distributed, activated, selling, and validating
- Total population of potential players tops 508,000,000
- Confirmations achieved total one billion Chinese Yuan (43 days)

120 days after Contract Execution (May 30, 2008)

- 17 PRC provincial launched for a total of 26 provinces operational
 - 23,000 terminals deployed
 - CSL provincial staff trained
 - Provincial warehousing and distribution infrastructure established
 - Tickets distributed, activated, selling, and validating
- Total population of potential players tops 1,151,000,000
- Confirmations achieved total two billion Chinese Yuan (72 days)

150 days after Contract Execution (June 30, 2008)

- Three PRC provincial launches accomplished for a total of two provinces operational
 - 42,000 terminals deployed
 - CSL provincial staff trained
 - Provincial warehousing and distribution infrastructure established
 - Tickets distributed, activated, selling, and validating
- Total population of potential players tops 1,246,000,000 or 96% of the total population of the PRC

360 days after Contract Execution (December 31, 2008)

- 31 PRC provinces operational and ticket retail sales in the PRC exceeds 10 billion Chinese Yuan in calendar year 2008
- 50,000 terminals deployed
- All CSL provincial staff fully trained

- All warehousing and distribution infrastructure fully established
- A secure state-of-the-art ticket manufacturing facility in Beijing established with production capacity of approximately eight billion 2" x 4" tickets.

Scientific Games is proud of our achievements in China in advance of the Beijing Olympic Games. Today, just over two years after the initial launch of the national lottery ticket sales system, nearly 55,000 terminals are deployed across the entire country supported by 17,000 sales representatives, and nearly 500 warehouses. There is really no way to compare our efforts around the world with those in China where we serve the China Sports Lottery in all 31 provincial lotteries and over 400 city lotteries. Many of these lottery entities are larger than one large state in the United States.

While Texas stands as one of the largest states in the United States with nearly 269,000 square miles, China stands 6,000,000 square miles, which is slightly smaller than the entire United States. As the fourth largest country in the world, 22 of China's 31 provinces have larger populations than the entire state of Texas. In fact, China has nearly 60 cities with populations larger than one million citizens. While the topography of Texas rises gradually from east to west, reaching its highest point of nearly 8,800 feet, China is a land filled with mountains, high plateaus, with deserts in the west, plains, deltas, and hills in the east and the highest point stretching nearly 30,000 feet above sea level.

The geographical scale and logistical complexities of this start-up are significant. Equally important to the Texas Lottery are the key leaders within Scientific Games who planned and executed this business achievement. Many of these leaders continue to provide strategic and tactical guidance to lotteries throughout the world today. The proposed Texas Account Director was an instrumental executive in the creation and implementation of the China business during his tenure based in China. Many of the proposed Scientific Games TLC Project Steering Committee Team members provided executive leadership to the implementation efforts and nearly all of the proposed Scientific Games Global Management Team played key roles in the creation and implementation of the business in China.

We believe this effort and the industry leadership demonstrated are testaments to Scientific Games' capacity to design and deliver a lottery of massive complexity and scale.

We believe this effort is a testament to Scientific Games' capacity to deliver for the Texas Lottery.

Consorzio Lotterie Nazionali (Italy)

In 1996, because of a technical error, a great number of winning tickets were sold in a small town in northern Italy, Curno. The Italian lottery governing body decided not to pay the winning tickets, and the citizens lost confidence in the game. Sales continued on a downward decline from that point until 2004 when Scientific Games joined a consortium of companies (Consorzio Lotterie Nazionali "CLN") and led the relaunch of instant tickets in Italy.

Scientific Games agreed to design and supply the systems' infrastructure to operate and support the distribution of instant tickets, provide instant tickets, game development services, and marketing support activities.

The key components of the re-launch included the following:

- Deployment of technology to a retailer population that has grown to nearly 50,000 retailers today

- Establishment of a proactive distribution approach and improved customer service standards that today generates more than 2,000,000 outbound calls per year, 8,000 deliveries per day, and 48 hour delivery to anywhere in Italy
- Increased prize payout and differentiation in both concept and point-of-sale

While Italy is roughly the size of the state of Arizona, the re-launch comprised more than 24,000 retailers or approximately 40% more than the current retailer population in Texas. Italy has nearly 58 million citizens or nearly 2.5 times the population of Texas.

The results of this re-launch effort have been extraordinary.

Retailers have grown by more than 100% in six years, the average selling price has grown by more than 100%, and, most importantly, total sales have grown at an average rate of nearly 98% per year from 486 million Euros in 2004 to more than 9.4 billion Euros in 2009.

Many of the proposed Global Management Team for Lottery Services provided executive leadership to the implementation efforts in the creation and re-launch of the business in Italy.

Additionally, numerous members of the proposed TLC Transition Team continue to provide support to our successful efforts in Italy.

We believe this effort and the industry leadership demonstrated are testaments to Scientific Games' capacity to design and deliver a lottery of comparable complexity and scale. We believe this effort is a testament to Scientific Games' capacity to deliver for the Texas Lottery.

How Does This Benefit The Lottery?

Choosing Scientific Games and our two phase approach will ensure the Lottery a smooth, non-disruptive transition. This method has been tested repeatedly and implemented with unprecedented success with lotteries around the globe. Coupled with 35 years of lottery experience, seasoned professionals with lessons learned over multiple implementation projects, and our commitment transition governance through executive guidance and support, all highlight the benefits the Lottery will receive by selecting Scientific Games as their operations and services vendor – and partner.

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THE TEXAS LOTTERY DESERVES THE FLEXIBILITY TO CHOOSE ITS VENDORS

An incumbent vendor should never perceive or maintain that it is the only viable option for its customer. Unfortunately, this perception can exist, especially as the size and complexity of the customer's enterprise increases. Today's lottery environment is one in which all customers can and should expect the best that a competitive industry has to offer. The notion that any customer should feel bound to its current system is unnecessary. Likewise, the notion that changing vendors must necessarily be a process

embroiled with risk is outdated and has been proven to be unfounded, not only by Scientific Games but also by other lottery vendors.

The evolution of the technology component of the public gaming industry is similar to those of many other IT market sectors in that the "mystery" behind the technology has diminished, allowing a more level playing field among vendors. This is referred to as commoditization of the market. There are several vendors in this industry that are capable of fielding an effective technology solution. With that said, there are some areas in particular where the industry has not commoditized. They include outstanding customer service and a focus on the future for the mutual benefit of the customer and vendor. These are not commodities and Scientific Games is a front runner in these areas.

Scientific Games will expect the cooperation of the current online system vendor to make our Two Phase migration successful. We will cooperate fully with GTECH and we expect the same cooperation in return. The Texas Lottery and its stakeholders deserve no less.

10.1.2.2 WORKING WITH THIRD PARTIES (DR 16)

In satisfaction of RFP Table 122, Detail Requirement No. 16, Scientific Games understands that we must work with any third party representatives that the Texas Lottery may designate to assist in the oversight of the Conversion project. Scientific Games is recognized in the lottery industry as a highly cooperative partner and we are adept at integrating various lottery stakeholders into our project management process. Some examples of third party representatives that we have engaged in conversion projects include:

- Battelle Memorial Institute
- White Sands Consulting
- North American Association of State and Provincial Lotteries (NASPL)
- Multi-State Lottery Association (MUSL)

In addition to the transparent reporting of project status and achievement metrics such as internal test reports, Scientific Games will include (or invite) Texas Lottery-designated staff or third party representatives into working meetings, quality walk-throughs, risk reviews, and other milestone-oriented activities.

10.1.3 PROJECT MANAGEMENT PROCESS (DR 17)

Response Requirement 3: The Proposer must provide its proposed Conversion Plan project management process.

In this section, we provide an overview of our project management process. Our process is described in more detail within **Section 10.4**, where a detailed response is required by the RFP.

Scientific Games understands that the Texas Lottery will review and approve the project management process and oversight structure once it is satisfied that the plan meets Texas Lottery's standards and needs. Scientific Games will finalize the plan and oversight structure before it is implemented.

The depth and breadth of Scientific Games' project management organization is unmatched in the lottery industry. No other vendor has more experience in and understanding how to seamlessly migrate a lottery system in a highly structured fashion to ensure it will not only be successful, but virtually transparent to the retailer and player communities.

PROJECT MANAGEMENT

Scientific Games has structured the project transition organization using Project Management best practices and quality performance as the driver for a successful delivery of our Texas Lottery solution. Our project management approach emphasizes not only the project organizational structure, but also how that organization interacts with the Texas Lottery, the TLC Account Team, and the retailer network.

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10.1.4 CONVERSION STAFF (DR 14)

Response Requirement 4: The Proposer must identify, including names and resumes, the conversion staff whose full-time responsibilities are to convert the Texas Lottery to the Proposer's System. Proposers must also identify any staff who may assist with these activities, but will not be assigned to the Texas Lottery account on a full-time basis (e.g., corporate technical staff).

Transition Management Office (TMO)

Scientific Games proposes the establishment of a Transition Management Office (TMO) upon contract award. The TMO's primary functions will be to ensure clear and consistent enterprise communication and verify knowledge penetration within the entire Texas Lottery organization. As the TLC Transition Team and Texas Lottery commence the transition efforts for the lottery operations and service, Scientific Games recommends we jointly establish a TMO to assess,



monitor, and communicate business process changes impacting the Texas Lottery staff workflow as a result of the new lottery gaming system.

It is incumbent upon the TLC Transition Team to effectively identify the critical business process improvements and work with the Texas Lottery on appropriate communication methods to all levels of the Texas Lottery. The successful implementation of this TMO will make certain transition communication is clear, concise, and penetrates the entire enterprise. We propose roles and responsibilities identified in Figure 10.1-6.

Figure 10.1-6: Transition Roles and Responsibilities

ROLES AND RESPONSIBILITIES	SGI	TLC
Create Enterprise Communication Plan (ECP)	X	
Review ECP and provide feedback as appropriate		X
Provide staff for ECP execution	X	
Provide oversight of ECP execution		X
Provide regular communication as defined by the ECP	X	
Perform regular departmental briefings as defined by the ECP	X	
Participate in the monthly TLC Project Steering Committee meetings	X	X

Scientific Games recommends that the Senior Project Manager, Cory Bonogofsky, leads the TMO with an assigned resource from the Texas Lottery providing oversight in all TMO activities. Additional staff can be assigned, as needed. As the TLC Senior Project Manager, Cory will ensure the identification of enterprise-wide business process involvements and develop appropriate communication tools to disseminate information and review training needs, as appropriate.

Scientific Games is confident the adoption of a Transition Management Office by the Texas Lottery will improve the transition to the new lottery gaming system and provide a valuable communication link between the TLC Transition Team’s activities and the entire Texas Lottery organization.

Scientific Games will provide the Texas Lottery with a seasoned and dedicated Transition Team with extensive lottery conversion experience. In satisfaction of RFP Table 122, Detail Requirement No. 14, we have included in our response the names and resumes of the full-time staff, as well as detailed descriptions of key



Additional dedicated Senior Project Manager to lead the “Transition Management Office.”

management personnel. In addition, we have identified key corporate personnel who will work closely with the Project Director and TLC Transition Team. Key management staffing for the TLC Transition Team and Account Team are detailed in Section 4.3. Resumes can be found for all personnel named in this section in the Supplemental Documentation for Part 4 as well as on the Supplemental Documentation CD behind the Electronic Media tab card.

Scientific Games uses a four-tiered management model, as illustrated by Figure 10.1-7. Not to be misinterpreted as layers of management; instead, these groups have clear and complementary roles, all designed to ensure the project's success. They include:

Figure 10.1-7: Scientific Games Four-Tiered Support Model

TEAM	ROLE
Global Management Team	Having a global presence, Scientific Games understands that management direction begins at the corporate executive level. Our corporate executives are linked with each customer as they work in concert to define business objectives and make key decisions for lottery business initiatives. Key corporate executives from Scientific Games will be assigned to fulfill this role in our interactions with the Texas Lottery.
TLC Project Steering Committee – Executive Sponsorship	Scientific Games' corporate organization will interface with the TLC Transition and Account Teams through the Texas Executive Steering Committee. The Texas Project Steering Committee will be comprised of executives from Scientific Games' departments such as hardware engineering and systems development. The committee will ensure that resources for the implementation and ongoing operations are properly allocated, key milestone dates are met, ongoing operations function in a way that meets retailers' needs and that the Lottery continues to grow and prosper. The TLC Project Steering Committee will also participate in periodic project reviews and risk reviews. The TLC Project Steering Committee will also take direction from the project's executive sponsor-Steve Beason, Lottery Systems President and CTO.
TLC Transition Team (fully dedicated)	Guided by the TLC Project Steering Committee and supported by the local account team, we will bring a TLC Transition Team to the Texas project who have unmatched experience and knowledge of your system, retailer base, and business requirements. The TLC Transition Team, led by a lottery-seasoned Project Director, is comprised of personnel with experience in central systems, software development, communication networks, equipment installation, facilities construction, security, operations, manufacturing, training, instant ticket services, and sales and marketing. Additional personnel, if needed, will be brought in to meet timelines identified in the final implementation plan.

Figure 10.1-7: Scientific Games Four-Tiered Support Model

TEAM	ROLE
Texas Account Team (fully dedicated)	Scientific Games will provide the Lottery with a talented, proven, and dedicated team of industry professionals led by John Osenenko, who has over 19 years experience in the lottery industry. John's team will provide complete support to the Texas Lottery and have responsibility for delivery of all contracted products and services and ensuring Texas Lottery satisfaction with service level performance.

10.1.4.1 DEDICATED AND EXPERIENCED PROJECT MANAGEMENT PROFESSIONALS

Due to the magnitude of the conversion effort, Scientific Games has chosen to assign three Project Managers to lead the TLC Transition Team exceeding the RFP requirement. While such an approach is not mandatory, we have chosen to appoint three project managers based on our desire to take a proactive and low-risk approach in Texas. Overall responsibility for the project will reside with our seasoned engineer and Project Director, Mr. Dan Grace. A second project manager will work in a deputy capacity, reporting to the Project Director. The Senior Project Manager will be Mr. Cory Bonogofsky. The Project Director and Senior Project Manager designations have been made to avoid any confusion or management overlap in the reporting chain. The Project Director will be the primary focal point for the Texas Lottery and Scientific Games. In addition, Cherie Peyton, Senior Project Warehouse Implementation Manager, will oversee the procurement and installation of all equipment related to the instant ticket warehouse.



PROJECT DIRECTOR BIOGRAPHY

Dan Grace, Project Director

Scientific Games will assign Dan Grace as our dedicated Project Director throughout the implementation. Dan has over ten years of lottery-specific experience. Dan has headed and completed projects for AWI, IGT-OES, and Scientific Games. Dan is a seasoned professional with more than ten years of lottery experience. In the eight years he has been with Scientific Games, he has played a key role in conversions, system implementations, and terminal deployments in Asia, Europe and the U.S. He recently successfully completed an assignment as the Senior Project



Dan Grace

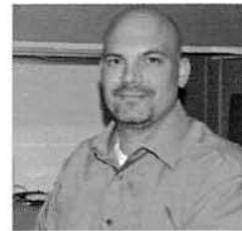
Manager for Scientific Games' conversion and system implementation in Pennsylvania. He is currently engaged in the Hoosier Conversion Project.

Dan is a member of the Project Management Institute (PMI) and is a certified Project Management Professional (PMP). He will ensure project standards and processes are in compliance with NASPL best practices and the PMI. He will oversee the requirements gathering process to ensure that a clear understanding of all Texas Lottery requirements is accurately captured. Supporting Dan will be Cory Bonogofsky as Senior Project Manager.

Cory Bonogofsky, Senior Project Manager

With over six years of lottery-specific experience, 13 years of project management, and is certified as a Project Management Professional (PMP) and Certified Purchasing Manager (CPM), Cory will manage the technical infrastructure team dedicated to the Texas Lottery gaming system Implementation, which consists of three departments: Production Systems, Corporate Operations Support, and the Network Implementation.

Cory will interact with Dan Grace by being the single point of contact for technical infrastructure issues, for pricing, scheduling, and status. Cory will be involved in the internal and customer status meetings throughout the conversion project. Cory will be engaged throughout the life of the project.



Cory Bonogofsky

Both project leaders will be fully dedicated to the Texas project and will reside in our Texas office for the duration of the project. These project leaders will manage all major activities for project implementation including planning, development, coordination, approval, and tracking of project deliverables. Both will be fully engaged instant ticket the project preparation and have completed the "draft" Texas conversion plan and schedule, included with our proposal in the Supplemental Documentation at the end of **Part 10** as well as on the Supplemental Documentation CD behind the Electronic Media tab card. Both project leaders will work closely with the Texas Lottery to finalize the plan after contract award. The Project Director has also held frequent discussions with the proposed TLC Account Team leads as well as Scientific Games' corporate Engineering, Software and QC, Marketing, Training, and other key contributing organizations to develop and plan the Texas Lottery conversion.

Cherie Peyton, Senior Project Implementation Manager

Also on the ground in Texas during the implementation phase through start of instant ticket distribution from the new warehouse facility will be Cherie Peyton, Senior Project Warehouse Implementation Manager. Her contract functions include management of the procurement and installation of all equipment related to the instant ticket warehouse. Cherie possesses six years of lottery specific experience and most recently served as project manager for the Florida conversion and Puerto Rico and Arkansas start-up. She is also a member of PMI. She will assist Dan Grace with the execution of the implementation plan to ensure it is completed in a timely and efficient manner.



Cherie Peyton

All project leaders report directly to Mr. Todd Hopkins, Vice President of Scientific Games Worldwide Projects, so high-level visibility for the project is assured. Todd will ensure project standards and processes are in compliance with NASPL best practices and the PMI. The Project Director is authorized to make commitments for the Transition Team, negotiate directly with Texas Lottery, and coordinate activities within cross-functional Scientific Games teams. As such, he represents the primary management interface between Scientific Games and Texas Lottery for all matters pertaining to the conversion, from requirements development to system delivery.



Todd Hopkins

Open and frequent communication with the Lottery is paramount to project success. Towards that end, both project leaders will be available to Texas Lottery on both a scheduled and ad hoc basis to address concerns and project status. When required, either project leader will also escalate issues to Scientific Games corporate.

10.1.4.2 CERTIFIED MEMBERS OF THE TLC TRANSITION TEAM

In order to ensure that all facets of the Texas conversion project are properly managed, a key management person has been identified and tasked with project oversight for each key functional deliverable of the implementation. As depicted in Figure 10.1-8 each person has a direct line of communication to the Project Director, who has oversight of the entire project. Additionally, each key management person named has a direct line of communication with the Scientific Games executive who has corporate oversight for their functional area of project responsibility. This helps Scientific Games to quickly resolve any potential trouble spot that may jeopardize the conversion schedule.



Functional Team Managers have an average of nearly ten years of lottery-specific experience for each manager.

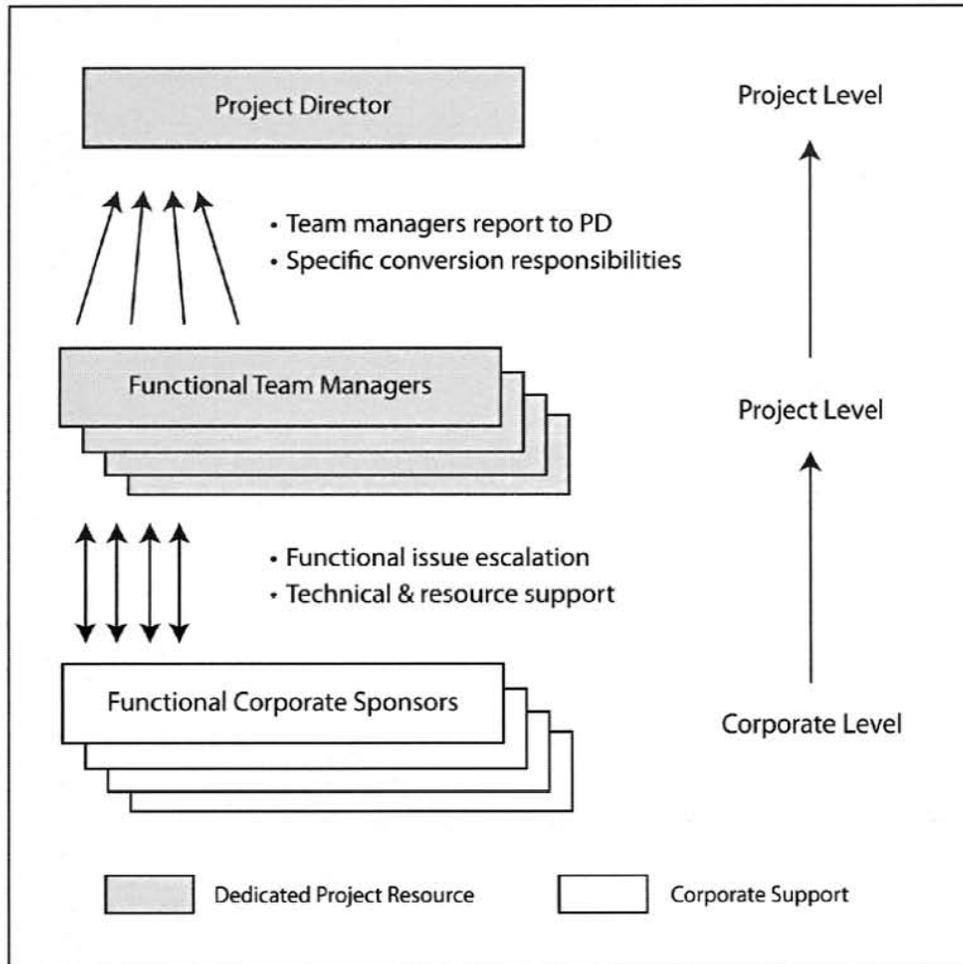


Figure 10.1-8: Direct Line of Project Communication

While having a strong Project Director is an asset, other members of the TLC Transition Team and the leadership that supports them are also important so that the Texas Lottery can be confident that the conversion is being managed by fully-experienced personnel. Fully-dedicated members of the conversion team include the following Functional Team Managers who will lead the many subject matter experts that comprise the various delivery teams.

Functional Team Manager: Adam Cormany, Gaming System Architect
Affiliated Group: Central Systems

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Adam has played a key role in five lottery-specific deployments between 2003 and 2009. Adam has over eight years of Lottery experience as well as over 15 years overall experience in computer technology, and has personally been involved in every system start-up and conversion during his tenure. His implementation and engineering expertise was a major factor in Scientific Games' ability to implement the Oklahoma Lottery in record time; convert the Maryland Lottery's MasterLink central system to and the seamless conversion of the Connecticut Lottery gaming system in May 2008. He recently participated in the Pennsylvania Lottery gaming system conversion in 2009 and is currently involved with the Hoosier Lottery project.



Adam Cormany

Functional Team Manager: Brad Bever, Production Systems Manager
Affiliated Group: Central Systems

With over eight years of lottery-specific experience, and certified

Brad will be

responsible for receiving, assembly and configuration of Production, Test, QA and Development computer systems. Brad's team will ensure that all servers are assembled according to the contract specifications as well as loading operating systems and over-the-counter software. Brad's Production Systems Team builds the Texas Lottery gaming systems, including installation of the operating systems, databases, and third party applications. His team will also configure these servers into an

Brad will be engaged throughout the life of the project.



Brad Bever

Functional Team Manager: Steve O'Connell, Corporate Operations Support Manager
Affiliated Group: Operational Support

With over seven years of lottery-specific experience, Steve will lead the Corporate Systems Support Team. This team installs and configures the Scientific Games proprietary software and supports the operations of the gaming systems. Steve will be engaged throughout the life of the project.



Steve O'Connell

Functional Team Manager: Stan Doling, Telecommunications and Network Communications Manager
Affiliated Group: Communications Network

With over nine years of lottery-specific experience, Stan will lead the Network Implementation Team. Stan is responsible for the LAN and WAN architecture and installation, including the gaming system network at the primary and back-up facilities and the terminal networks. Stan will be engaged throughout the life of the project.



Stan Doling

Functional Team Manager: Eric Deaton, System Project Manager**Affiliated Group: Software Development**

With four years of lottery-specific experience, Eric Deaton will be the primary point-of-contact for the Lottery regarding the implementation of the System. Eric will be assigned exclusively to this implementation and will be on-site during Lottery Acceptance Testing, conversion, and several weeks following conversion. Eric will also be responsible for managing the product development activities within the Manufacturing and Hardware Engineering group and ensuring that the prescribed activities are carried out in accordance with specified goals and objectives, and customer contract requirements.

He will interface with Dan Grace as the key point of contact for product development and will coordinate activities concerned with technical developments, scheduling, and resolving quickly any issues, questions, or challenges related to the engineering design and test problems. In addition, Eric will collaborate across Scientific Games' other teams, in order to support, build a mutual understanding and work effectively across the matrix. Eric will be engaged through the life of the project.



Eric Deaton

Functional Team Manager: Jessie Pack, Field Project Manager**Affiliated Group: Field Installations**

With 25 years of lottery-specific experience, Jessie Pack will be the Senior Field Operations Project Manager. Jessie will work closely with Dan Grace, the dedicated TLC Project Manager. Jessie will be the primary point-of-contact for the Lottery regarding the conversion of the retailers including installation of the retailer communications network and all retailer devices. Jessie will be assigned exclusively to this implementation and will be on-site during network installation, deployment of retailer devices, and several weeks following conversion. His contract functions will also cover the day-to-day responsibilities of the conversion including training, communications and WAVE™ terminal installations. Jessie will be engaged through the life of the project.

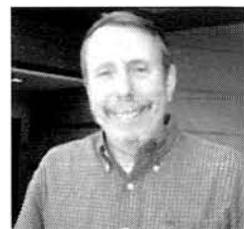
Also under Jessie's direction, the Network Roll-out Office (NRO) is responsible for all new communications and WAVE™ terminal installations during the project and ongoing field service corporate oversight of daily field operations.



Jessie Pack

Functional Team Manager: Maurice "Moe" Corrette, Director, Logistics and Planning**Affiliated Group: Facilities**

With 14 years of lottery-specific experience, Moe will lead Scientific Games' Facility Logistics Team in the facility build-out. His team's contract functions include the overall building design, construction and infrastructure equipment to be provided as part of the implementation project. Moe will interact on a daily basis with Dan Grace throughout the build-out process. Moe will be engaged throughout the life of the project.



Moe Corrette

Functional Team Manager: Carla Merrell, Engineering Project Manager
Affiliated Group: Manufacturing

With seven years of lottery-specific experience, Carla's contract functions include responsibility for managing the product development activities within the Manufacturing and Hardware Engineering group. She will also be responsible for ensuring that the prescribed activities are carried out in accordance with specified goals and objectives, and customer contract requirements. She will interface with Dan Grace as the key point of contact for product development and will coordinate activities concerned with technical developments, scheduling, and resolving quickly any issues, questions, or challenges related to the engineering design and test problems. In addition, Carla will work to collaborate across Scientific Games' other teams, in order to support, build a mutual understanding and work effectively across the matrix. Carla will be engaged throughout the life of the contract.



Carla Merrell

Functional Team Manager: Kris-Ann Hosonitz, Educational Services Manager
Affiliated Group: Training

With six years of lottery-specific experience, including the recently completed Pennsylvania conversion, Kris-Ann Hosonitz's contract functions begin with leading a team of individuals that are responsible for every aspect of training; from gathering training requirements, to designing learning solutions, to facilitating instructor-led classes as well as managing Lottery UniverCity™ and evaluating the solution to ensure it meets the objectives set.



Kris-Ann Hosonitz

Kris-Ann will be the primary point-of-contact for the Lottery regarding the training of the retailers prior to conversion. Kris-Ann will be on-site a few weeks prior to the start of retailer training throughout the end of retailer training and thereafter as required. She will be engaged through the life of the project.

As an integral part of the project team, it is Kris-Ann's responsibility to work with Dan Grace on the following items:

- Ensure we have the tools we need (software, terminals) to instruct end users
- Manage the vendors and facilities we utilize during training
- Ensure that all learning solutions are implemented flawlessly
- Report on training participation
- Report on evaluation scores
- Determine the need for other learning solutions
- Ensure that learning opportunities are established and ready for the life of the contract

**Functional Team Manager: Leslie Badger, Senior Director Lottery Product Marketing
Affiliated Group: Sales and Marketing**

Leslie will provide strategic marketing and planning of the online product line and facilitate development of new products and services for the Lottery. She has corporate oversight for Scientific Games' marketing personnel serving the Lottery including the Field Sales Team, the Field Marketing Team, the Corporate/Chain Accounts Team, the Promotions Team, and the Training Coordinator. She also provides oversight of the development and execution of marketing plans and promotions programs. Leslie will work closely with the Texas Account Director, the Regional Sales Director (Pam Lee) to bring the Texas Lottery valuable information about the latest trends, research, and product changes in the lottery industry, and to assist in strategic planning for the future.



Leslie Badger

Scientific Games' organizational chart for key members of the TLC Transition Team is presented in Figure 10.1-10.

Resumes can be found in the Supplemental Documentation section at the end of **Part 4**.

10.1.4.3 KEY CORPORATE OVERSIGHT – EXECUTIVE STEERING COMMITTEE

Scientific Games has found that having executive sponsorship for each of the project functional disciplines has proven to provide high visibility within the corporate environment and quick resolution to any risk items identified. As depicted in Figure 10.1-11 at the end of this section, each functional discipline is paired with the appropriate executive sponsor.

As a further commitment to project oversight, key executive sponsors will make up the Scientific Games executive steering committee membership. This further brings a wealth of lottery experience and knowledge that the Lottery may query to help resolve any project challenges that arise throughout the project.

Figure 10.1-9 identifies all key corporate executives who will be closely involved in the implementation, their specific contract function, and their years of lottery experience. All key conversion staff members have been identified. They will be a valuable resource for resolving issues before they impact the project. Each person has a direct line of communication to Steve Beason, Scientific Games' Executive Sponsor.



***Executive management assigned
for exceptional Transition
Governance.***

Figure 10.1-9: Key Corporate Personnel with TLC Project Implementation Oversight

SCIENTIFIC GAMES' TLC PROJECT KEY IMPLEMENTATION STAFF	CONTRACT FUNCTIONS	YEARS OF LOTTERY EXPERIENCE
LOTTERY SYSTEMS		
Steve Beason President, Lottery Systems and CTO	Serves as the Executive Sponsor and provides executive leadership within individual business units to ensure effective execution of our technology strategy for the TLC Project.	25
Todd Hopkins Vice President, Project Management and Implementations	Oversees the conversion project and provides executive oversight of the end-to-end solution. Reports directly to the Executive Sponsor on all project-related matters and status.	25
David Douglas Deputy Director of Technology	Directs the service delivery. Meets with the Texas Lottery management staff regularly to provide status information and address issues and problems. Leads the Data Center/Operations, Call Center, and Software Delivery Teams. Directs the delivery of overall service, improvement plans, and ensures all service levels are met according to contract requirements.	23
Pat McHugh Vice President, North American Lottery Operations	Oversees local and corporate support of the ongoing operational services, including all support services to ensure contract compliance, quality and integrity of site operations, and customer satisfaction.	16
Bill McArthur Vice President, Information Services and Technology	Manages the Information Services and Technology department, which supports lottery production system implementation.	10
John McCormack Vice President, Systems Development	Manage the central system and terminal software development for the site solution.	18
John Osenenko Texas Account Director	Acts as the primary contact between the Lottery and Scientific Games and oversee all aspects of contract compliance.	19

Figure 10.1-9: Key Corporate Personnel with TLC Project Implementation Oversight

SCIENTIFIC GAMES' TLC PROJECT KEY IMPLEMENTATION STAFF	CONTRACT FUNCTIONS	YEARS OF LOTTERY EXPERIENCE
Ajay Ghia Vice President, Engineering and Manufacturing	Responsible for the management of the engineering, product introduction, and manufacturing of terminals and peripherals for lottery systems.	2
SALES AND MARKETING		
Jim Kennedy Senior Vice President, Sales and Global Marketing	Provides executive management, support and direction of the Sales and Marketing Team; and will also direct account management, marketing, and product development.	25
Jennifer Welshons Vice President, Global Marketing	Leads the efforts of the Global Marketing department, including market research services, analysis, and strategic planning.	10
Pam Lee Senior Regional Director, North American Sales and Marketing	Provides overall strategic account management and will serve as the primary liaison between Scientific Games and its customers. Responsible for revenue generation, sales forecasting, marketing support, and game planning.	15
Janine Whiteman Senior Director, Retail Solutions Marketing	Serves as corporate sponsor for the Scientific Games terminal and peripherals. Assists the site team with development and deployment of new lottery solutions for specified retailers.	27
Leslie Badger Senior Director, Lottery Product Marketing	Oversees and supports the strategic marketing and planning of the lottery product portfolio and facilitates the development of new lottery products and services by interfacing with the TLC Account Team. Provides guidance and direction to the creation of the annual marketing plans and ensures they complement the Texas Lottery's marketing strategies.	11
John Schulz Vice President, Instant Ticket Services	Provides account operational oversight of warehousing and distribution (Inside Sales).	25

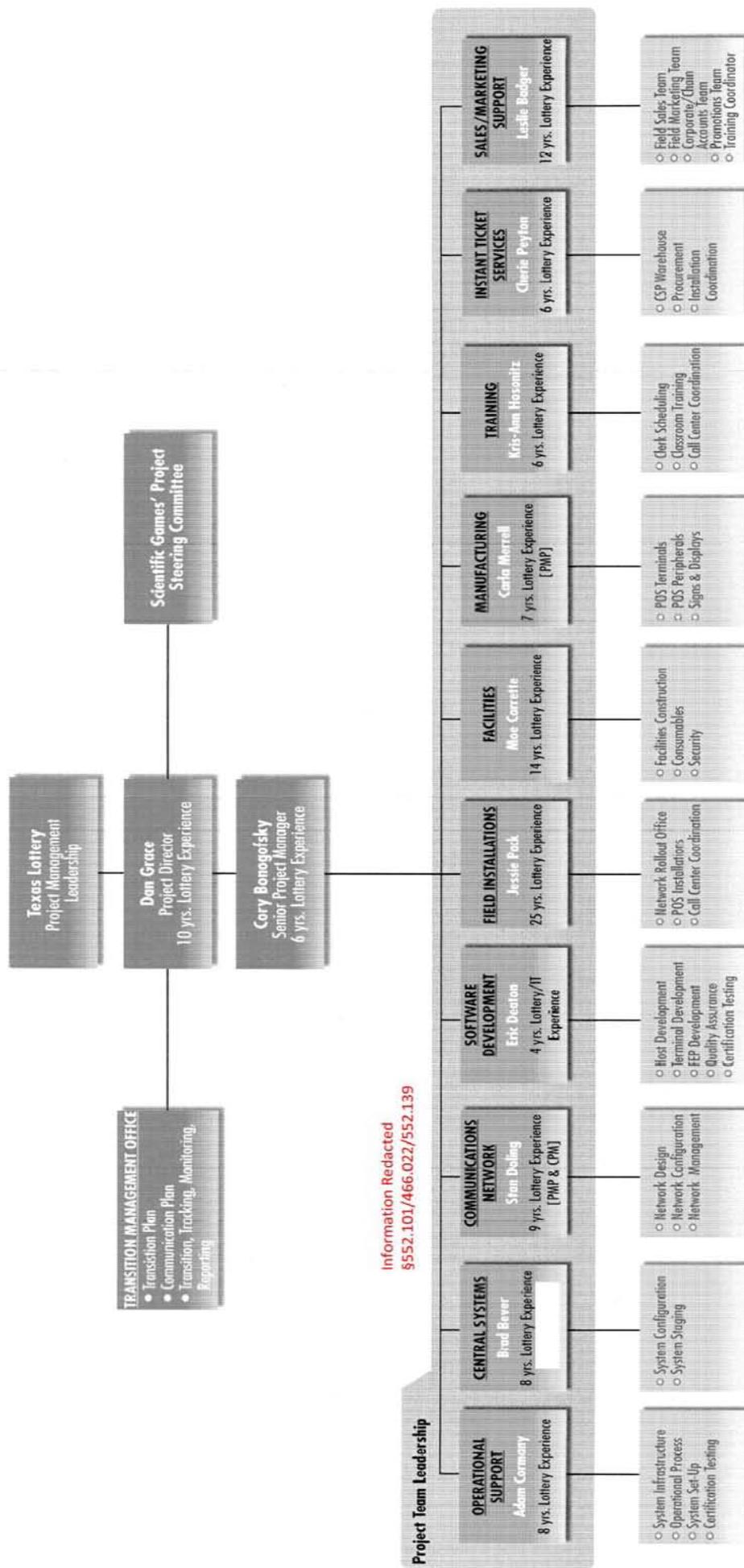
Scientific Games' organizational chart for key members of the TLC Project Steering Committee is presented in Figure 10.1-11.

Resumes can be found in the Supplemental Documentation section at the end of **Part 4**.

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FIGURE 10.1-10: TLC TRANSITION TEAM



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10.2 INTEGRATION AND TESTING

RFP Requirement: Integration and testing are the activities associated with ensuring that all individual Lottery Gaming System components are configured and deployed to provide a cohesive solution and to achieve the intended results. The following table identifies the integration and testing requirements.

Scientific Games considers this RFP requirement to be informational, therefore no response is needed.

Table 125. Integration and Testing Requirements

ROLES AND RESPONSIBILITIES	SUCCESSFUL PROPOSER	TLC
1. Provides proposed Integration and Test Plan	X	
2. Reviews and approves Integration and Test Plan		X
3. Defines integration and testing requirements	X	
4. Reviews and approves integration and testing requirements		X
5. Develops, documents and maintains Integration and Testing Plan that meets Texas Lottery-defined requirements and adheres to Texas Lottery-defined policies	X	
6. Manages integration and test environment	X	
7. Maintains software release matrices across development, QA, and production environments and networks	X	
8. Conducts integration and security testing for all equipment, networks, and software to include terminal, system, integration and regression testing based on Texas Lottery requirements	X	
9. Evaluates all new Lottery Gaming System components and services for compliance with Texas Lottery security requirements	X	
10. Assesses and communicates to the Texas Lottery the overall impact and potential risk to Lottery Gaming System components prior to implementing changes	X	
11. Jointly defines User Acceptance Test (UAT) requirements	X	X
12. Develops UAT plans per requirements	X	
13. Reviews and approves UAT plans		X
14. Conducts and documents UAT results per requirements	X	
15. Reviews and approves UAT results		X
16. Stages new equipment, software and services to smoothly transition into existing environment based on Texas Lottery requirements and Texas Lottery-approved design documents	X	

Table 125. Integration and Testing Requirements

ROLES AND RESPONSIBILITIES	SUCCESSFUL PROPOSER	TLC
17. Performs modifications and performance enhancement adjustments to Lottery Gaming System software and utilities as a result of changes to architectural standards or additions and upgrades to the environment	X	
18. Tests new releases of Lottery Gaming System hardware and software to ensure required performance and functionality is maintained in conformance with SLRs	X	
19. Provides and supports any and all software required to integrate Lottery Gaming System software and hardware	X	
20. Provides integration of Lottery Gaming System software	X	
21. Performs configuration management and change management activities related to integration and testing	X	
22. Documents the procedures to test the integrity and validity of archived files	X	
23. Conducts comprehensive Gaming System tests and provides the results to the Texas Lottery	X	
24. Reviews and accepts or rejects Gaming System test results as appropriate		X
25. Modifies architecture, hardware or software components as required based on testing outcomes	X	
26. Re-tests as appropriate and provides results to the Texas Lottery	X	
27. Reviews and accepts test results approving migration of System into production		X
DETAIL REQUIREMENTS	RESPONSE SECTION(S)	
28. The Texas Lottery will conduct a series of acceptance tests, which the Successful Proposer must support. To support acceptance testing, the Successful Proposer must have testing site facilities within 30 miles from the State Capitol building in Austin, Texas, and also provide the ability for the Texas Lottery to test from the Texas Lottery headquarters building. The Successful Proposer must provide all necessary and required computer hardware, communications hardware, software, and at least six (6) test sales Terminals representing each planned Retailer Sales Terminal type with appropriate attachments, and six (6) additional non-sales Terminals installed and operational for integration, system and acceptance testing prior to the scheduled conversion. The date to start acceptance testing must be no later than June 1st, 2011.	10.2.2.2	

DETAIL REQUIREMENTS	RESPONSE SECTION(S)
29. The Back-up Data Center and required ICS interfaces must also complete successful acceptance testing before conversion.	10.2.2.2
30. Each release of the software for testing by the Texas Lottery must be accompanied by release notes. The release notes must evidence good configuration management practices, namely each release must be identified by a version number and the changes must be succinctly defined. This requirement shall extend throughout the Contract and not just the conversion period.	10.2.3.5
31. The Texas Lottery will consider the System ready for acceptance testing once all hardware and software items are installed and configured to operate in the Texas Lottery's environment and in accordance with the Texas Lottery's standards. The Texas Lottery will have successfully completed testing when all components of the System have been tested and all significant issues identified during testing are resolved by the Successful Proposer and validated by the Texas Lottery. The Successful Proposer and Texas Lottery will develop and agree upon detailed criteria to be met prior to the System being accepted and put into production.	10.2.3.3
32. The Texas Lottery takes a comprehensive approach to acceptance testing and reserves the right to conduct any acceptance testing deemed necessary. The results of these tests will determine whether the Texas Lottery accepts an application or a change to an application. The Texas Lottery is the exclusive decision-maker for determining acceptance test passing or failing.	10.2.3.4
33. The Successful Proposer must perform and document extensive self-testing, debugging, security testing, and quality assurance on all software prior to submitting the software to the Texas Lottery for acceptance testing. All software submitted to the Texas Lottery for testing must be fully operational and principally ready for production use. The Texas Lottery reserves the right to reject any software.	10.2.2
34. The Successful Proposer shall provide on-site personnel capable of modifying the Lottery Gaming System and all support systems during acceptance testing. The on-site personnel must be assigned to the Texas Lottery on a full-time (at least 40 hours a week) basis during acceptance testing, and must also be experienced with the specific hardware and software being tested.	10.2.3.7
35. The Successful Proposer must ensure any system used for acceptance testing is identical to the Lottery Gaming System and shall provide document of such upon request by the Texas Lottery.	10.2.2.2
36. The Successful Proposer must ensure all security controls and encryption schemas remain in effect during all tests.	10.2.3.6
37. The Successful Proposer must ensure any system used for acceptance testing has working interfaces identical to those found in the production system.	10.2.2.2

DETAIL REQUIREMENTS	RESPONSE SECTION(S)
38. The Successful Proposer shall test the ability of the backup Lottery Gaming System to take over total operation of all Texas Lottery Products, associated systems and functions and then return operational control to the production Lottery Gaming System. This must occur transparently to all System users.	10.2.5.1

Table 126. Integration and Testing Response Requirements

RESPONSE REQUIREMENT
1. The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.
2. The Proposer must provide an overview of its proposed integration and testing process.
3. The Proposer must provide its proposed acceptance testing process and provide its standard acceptance testing criteria.
4. The Proposer must provide its proposed integration and test Plan.
5. The Proposer must describe its Lottery Gaming System backup, recovery, failover process and test plan.

RESPONSE TO TABLE 126: INTEGRATION AND TESTING RESPONSE REQUIREMENTS

10.2.1 ACKNOWLEDGEMENT OF ROLES AND RESPONSIBILITIES AND DETAIL REQUIREMENTS

Response Requirement 1: The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.

Scientific Games acknowledges and accepts the roles and responsibilities, and will comply, and often exceed, detail requirements indicated in RFP Section 10.2.

10.2.2 INTEGRATION AND TESTING PROCESS (DR 33)

Response Requirement 2: The Proposer must provide an overview of its proposed integration and testing process.

Scientific Games' overview of our proposed integration and testing process is given on the following page.

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10.2.2.1 INTERNAL INTEGRATION: TESTING OVERVIEW

Prior to customer acceptance testing by the Texas Lottery, Scientific Games will apply a repeatable, deterministic, traceable, controlled, and documented test methodology in order to perform a full range of Internal Software Quality Control (QC) testing. Our integration and testing process will:

- Verify the compliance of the Texas information system to the System Requirements Specification (SRS).
- Develop specific test conditions and procedures to be used in testing the software, with the expected results of each test case being documented in test scripts and/or test matrices.
- Manage all software anomalies, from identification through resolution, through an automated problem-tracking system
- Report on the testing performed and the results of testing at software deliverable milestones in the project's lifecycle.

Scientific Games will maintain a controlled test environment with the Development and Test Teams working hand in hand to identify the date and time for specific builds and versions to introduce into the controlled test environment.

Scientific Games' QC and Testing staff will conduct a highly structured and comprehensive test sweep through the new Texas Lottery system. Tests will include hardware device installation, network construction, and software development, modification, and maintenance to ensure the Texas system works properly. Testing activities and results will be documented in test summary reports that accompany all planned software releases.

For each new version installed and deployed to the test environment, there will be a detailed set of release notes describing the changes included since the last version. The outcome of the test process serves to verify and validate that the software is production quality.

A more detailed description of Scientific Games' Integration and testing process is included in **Section 10.2.4**.

10.2.2.2 ACCEPTANCE TESTING OVERVIEW (DRs 28, 29, 35 and 37)

Scientific Games understands and agrees that acceptance testing will begin no later than June 1, 2011. All software submitted to the Texas Lottery for acceptance testing will be fully operational and ready for production use. No software will be released to production until acceptance testing has been successfully completed and the Texas Lottery has approved the release.

To support acceptance testing, and in satisfaction of RFP Table 125, Detail Requirement No. 28, Scientific Games will have testing site facilities

Scientific Games will provide dedicated support to the Texas Lottery's acceptance testing, remaining on-site during critical phases of testing, as specifically identified during the business requirements definition phase and the user acceptance testing development phase. Scientific Games will assign dedicated QC staff to assist, advise and consult on-site during the entire testing period. The QC staff will be part of the same team that has already performed the internal verification and validation of the requirements against the system software designated for : The QC staff will facilitate the user acceptance task by

executing the test system operation, answering end user functionality questions, documenting and tracking enhancement requests, and coordinating possible problem resolution with the software development staff.

Scientific Games will provide all the necessary and required computer hardware, communications hardware, software, test sales terminals representing each planned retailer sales terminal type with appropriate attachments. Six additional non-sales terminals, installed and operational for integration, system and acceptance testing prior to the scheduled conversion will also be included.

To ensure thorough and accurate testing, it is paramount that all aspects of the system are identical to those that will be part of the final Texas Lottery production system. As such, Scientific Games will also ensure that all security controls and encryption schemas remain in effect during the testing process and that the system used for acceptance testing has working interfaces identical to those found in the production system. Scientific Games will document this upon request of the Texas Lottery. This satisfies RFP Table 125, Detail Requirement Nos. 28, 35 and 37.

To ensure accurate acceptance testing, the system will have working interfaces identical to those found in the production system.

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The back-up data center in _____ will be ready when acceptance testing is scheduled to begin. At that time, the _____ will be functioning to confirm the integrity of the new lottery system. The back-up data center and required _____ will complete successful acceptance testing before conversion, satisfying RFP Table 125, Detail Requirement No. 29. The date to start acceptance testing will be no later than June 1, 2011.

Prior to Lottery acceptance testing the entire gaming infra-structure undergoes a detailed vetting process. A high level overview of the tasks involved in this process are outlined below:

- Wagering and network system component check
 - Systems ordered as proposed
- Wagering and network system configuration check
 - Systems configured as required and proposed
- System operating system, driver, and patch levels
 - All systems at the proper release levels
- Primary data center _____ deployment and configuration
 - Primary/back-up systems mirror image
 - Communications tests
 - Failover tests
 - Benchmarking tests

- Back-up data center deployment and configuration Information Redacted
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 - Primary/back-up systems mirror image
 - Back-up systems mirror image of primary data center
 - Communications tests
 - Failover tests
 - Benchmarking tests
- Inter-site Failover Testing
 - Back haul performance monitoring and capacity test
 - Inter-site failover testing
 - Benchmarking tests

The end result is that prior to handing the wagering system over to the Lottery to start their acceptance testing, the entire environment will have been completely audited and vetted for readiness.

A more detailed description of Scientific Games' acceptance testing support process is included below in **Section 10.2.3**.

10.2.3 ACCEPTANCE TESTING PROCESS

Response Requirement 3: The Proposer must provide its proposed acceptance testing process and provide its standard acceptance testing criteria.

Scientific Games' proposed acceptance testing process and acceptance testing criteria is given below.

10.2.3.1 SYSTEM ACCEPTANCE TESTING

Scientific Games recognizes that thorough and efficient Lottery acceptance testing is absolutely critical to ensuring a successful conversion. Our experience has shown us that the level of expertise and professionalism of our Testing Support Team directly correlates with the timely completion of acceptance testing. Toward that end, our Acceptance Testing Support Team is fully trained and follows NASPL's quality process.

During initial (pre-launch) in-state testing, the Lottery can be confident that all tasks will be performed correctly. As shown in Figure 10.2-1, Scientific Games' testing process complies with NASPL's best practices and includes the following scalable options.

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10.2.3.2 WAVE™ TERMINALS – LOTTERY ACCEPTANCE TESTING

Scientific Games will have a Quality Assurance Engineer located at the Lottery's facility throughout the acceptance testing process to assist in:

- Testing the WAVE™ terminal
- Diagnosing and reporting any defects to the software engineering group
- Answering any questions regarding functionality
- Providing the management and logistics of releasing updated applications

The Quality Assurance Engineer supporting acceptance testing will be the same type of engineer that oversees the internal quality testing phase of the project and will be on-site full-time during Lottery Acceptance Testing. This will allow us to bring continuity to the testing cycle as the Quality Assurance Engineer will be extremely familiar with the functionality of the WAVE™ terminal and the Lottery's specific requirements.

Throughout the acceptance testing process, the Project Director will be on-site to assist in the management and communication of testing. The Quality Assurance Engineer will have a direct reporting line to the Project Director and the associated Software Engineers to expedite defect resolution or get answers to technical issues. Our significant Lottery system installation and conversion experience has shown that this organizational structure will provide the optimum support for the Lottery during the project.

10.2.3.3 SCIENTIFIC GAMES' ACCEPTANCE TESTING CRITERIA (DR 31)

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In satisfaction of RFP Table 125, Detail Requirement No. 31, Scientific Games will work with the Texas Lottery to develop and agree upon detailed criteria to be met prior to being accepted and put into production.

Scientific Games supports formalization of the acceptance testing process. We understand that the Lottery will not start testing until all test environment components meet Texas Lottery standards. Similarly, testing will not be successfully completed until all test plan line items have been executed and verified to have been completed in accordance with test plan specifications.

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Scientific Games understands that we are ultimately responsible for the system's quality and that of the software releases as well. Our responsibility for continued quality and effectiveness of the software continues after the Texas Lottery approves the system based on the Acceptance Test results.

10.2.3.4 CONDITIONS FOR PASSING ACCEPTANCE TEST (DR 32)

In satisfaction of RFP Table 125, Detail Requirement No. 32, Scientific Games understands that the Texas Lottery will take a comprehensive approach to acceptance testing and that we will jointly develop and agree upon the detailed criteria to be met prior to the System being accepted and put into production. In order to pass the test, we understand that:

- All hardware and software items must be installed and configured to operate in the Texas Lottery's environment and in accordance with the Texas Lottery's standards.
- All components of the System have been tested and all significant issues identified during testing are resolved by Scientific Games and validated by the Texas Lottery.

Our proposed joint Acceptance Test Readiness Review will ensure that the system is acceptable and compliant to requirements. Scientific Games will ensure that all testing processes are complete before acceptance testing begins.

10.2.3.5 RELEASE AND CONFIGURATION CONTROL (DR 30)

In satisfaction of RFP Table 125, Detail Requirement No. 30, each release of the software for testing by the Texas Lottery will be accompanied by release notes. The release notes will evidence good configuration management practices, namely each release will be identified by a version number and the changes must be succinctly defined. We understand that this requirement will extend throughout the Contract and not just the conversion period. Scientific Games' release and configuration control process will ensure that all system components used for acceptance testing are identical to those to be delivered as the Texas Lottery gaming system.

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10.2.3.6 SYSTEM SECURITY DURING TESTING (DR 36)

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10.2.3.7 ON-SITE SUPPORT DURING ACCEPTANCE TESTING (DR 34)

To support acceptance testing, Scientific Games will have testing site facilities in
and will also provide the ability for the Texas Lottery to test We will
provide dedicated resources on-site for the duration of the testing on a full-time basis (i.e. 40+ hours a week). The Project
Director, the Senior Project Manager, and key experienced Transition Team staff, capable of modifying the gaming system, will
be on-site.

10.2.4 INTEGRATION AND TEST PLAN

Response Requirement 4: The Proposer must provide its proposed integration and test Plan.

There are a significant amount of artifacts that must be produced before commencing the acceptance testing process. These will establish our blue print for successfully meeting our goal of accepting the system in a timely and efficient manner.

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10.2.5 LOTTERY GAMING SYSTEM BACK-UP AND RECOVERY

Response Requirement 5: The Proposer must describe its Lottery Gaming System backup, recovery, failover process and test plan.

Scientific Games' Lottery gaming system back-up recovery, failover process, and test plan are described in the following subsections.

10.2.5.1 SYSTEM BACK-UP, FAILOVER, AND RECOVERY (DR 38)

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A back-up data center system will be enabled to assume full operation of the Lottery environment in the event of a system failure at the primary site. Having the remote back-up configuration will guarantee geographic diversity and provides significant protection against simultaneous loss to the same natural disaster. Remote back-up site configuration is a standard component of Scientific Games' system configurations, currently implemented in 13 domestic lottery jurisdictions where we have an uptime rate that exceeds lottery jurisdiction requirements.



Data transferred to and recorded at the back-up site will always contain the most recent transactions, thereby allowing a takeover since the back-up system is identical to the primary site system and capable of performing all online gaming functions. The remote system operates as a hot back-up, . It is standard operating procedure for Scientific Games' back-up facilities to accomplish takeover and recovery without losing previously recorded transactions and with minimal disruption to retailer terminals.

LOAD BALANCING CONSISTENTLY VALIDATES BACK-UP SYSTEM READINESS

Scientific Games employs a load balancing strategy of the retailer network between the primary data center and back-up data center. Half of the retailer network connects to the Communication Front End Servers (CFEs) at the primary site and the other half at the remote back-up site. By employing this load balancing methodology, we ensure that Retailer Communications to the remote back-up site are in a constant state of readiness. Redundancy features designed into enable failover to the remote site without human intervention; however, the operations staff will know in real-time the status of the back-up site system.

BUSINESS CONTINUITY AND INFRASTRUCTURE PROTECTION

Scientific Games will provide and annually update a Business Continuity and Disaster Recovery and Plan for the computer centers and administrative facilities sites used in this contract. The plan will take into account disasters caused by weather, water, fire, environmental spills and accidents, malicious destruction, acts of terrorism, and contingencies such as strikes, and epidemics.

Scientific Games will also put in place a Corporate Infrastructure Protection Plan. This precautionary plan ensures that we always have the capabilities necessary to support the Lottery. It serves as a guide to all local site personnel as well as our corporate support staff in the event of a disaster affecting the corporate infrastructure. Included in this plan are the equipment lists and

serial numbers, support schedules, contracts, warranties and emergency contact information for all back-up entities, along with the function they provide during an emergency event.

Additionally, corporate escalation procedures are provided should it be necessary to expedite resolution of a situation beyond the normally established emergency procedures. Please see **Section 6.7** for more details.

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10.3 IMPLEMENTATION AND MIGRATION

RFP Requirement: Implementation and migration services are the activities associated with the installation of new Lottery Gaming System components (e.g., hardware, software, Terminals and network components). The following table identifies the implementation and migration requirements.

Scientific Games considers this RFP requirement to be informational, therefore no response is required.

Table 127. Implementation and Migration Requirements

ROLES AND RESPONSIBILITIES	SUCCESSFUL PROPOSER	TLC
1. Provides implementation requirements and migration plan and install schedule for all system components and Terminals	X	
2. Reviews and approves implementation and migration plan and schedules		X
3. Develops, documents and maintains implementation and migration procedures that meet Texas Lottery-approved requirements and adhere to Texas Lottery-approved defined policies	X	
4. Coordinates and reviews all implementation and migration plans and schedules with the Texas Lottery in advance, in accordance with change management process and procedures	X	
5. Conducts pre-installation Retailer site surveys, as required	X	
6. Participates in pre-installation Retailer site surveys, as desired		X
7. Installs enhancements to technical architecture or services provided as needed based on surveys	X	
8. Installs new or enhanced Lottery Gaming System components (e.g., hardware, software, middleware, utilities, networks, peripherals, Terminals, configurations, etc.) as necessary to meet service requirements	X	
9. Coordinates implementation and migration support activities with the Texas Lottery and the Successful Proposer call center	X	
10. Performs data migration and conversion by electronic or manual methods as part of implementation and migration plan	X	
11. Provides the Texas Lottery and Retailers with training related to the implementation of new Lottery Products, services and equipment	X	

DETAIL REQUIREMENTS	RESPONSE SECTION(S)
12. The Successful Proposer shall provide a mechanism by which the Texas Lottery and/or an independent vendor may verify that the software provided by the Successful Proposer and tested and accepted by the Texas Lottery is the same software moved into production, and that no other software is moved into production without the Texas Lottery's express prior written approval.	10.3.2.2
13. The Successful Proposer shall develop and maintain an installation tracking system and provide reports as required by the Texas Lottery. The installation tracking system must confirm the completion of training, Terminal(s) installation and operational status.	10.3.2.3
14. The Successful Proposer must select (subject to Texas Lottery prior approval) and use an independent certified public accountant with systems experience to design and approve the accounting reports provided by the Successful Proposer's System. The Successful Proposer must ensure the firm's services are available at all times during the implementation of the Successful Proposer's System and for a period of six (6) months thereafter. Throughout the Contract, the Successful Proposer must make available, on an as-needed basis or as otherwise requested by the Texas Lottery, equivalent accounting and systems expertise to assist with corrections and extensions to the body of system reports.	10.3.2.4

Table 128. Implementation and Migration Response Requirements

RESPONSE REQUIREMENT
1. The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.
2. The Proposer must provide a description of its proposed implementation and migration strategy and processes.

RESPONSE TO TABLE 128: IMPLEMENTATION AND MIGRATION RESPONSE REQUIREMENTS

10.3.1 ACKNOWLEDGEMENT OF ROLES AND RESPONSIBILITIES AND DETAIL REQUIREMENTS

Response Requirements 1: The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.

Scientific Games acknowledges and accepts the roles and responsibilities, and will comply, and often exceed, detail requirements indicated in RFP Section 10.3.

10.3.2 IMPLEMENTATION AND MIGRATION STRATEGY AND PROCESSES

Response Requirements 2: The Proposer must provide a description of its proposed implementation and migration strategy and processes.

As described in our Conversion Plan and Process, Scientific Games will cooperate with the Texas Lottery's current Lottery operator in order to seamlessly transition all services to Scientific Games' central systems, IP based communications network, and WAVE™ terminals utilizing our proven Two Phase Migration approach. The conversion will be completed successfully no later than August 31, 2011.

Section 10.1 provided a description of the Two Phase Migration approach in which Scientific Games is able to run our POS devices on the current vendor's gaming system before our system is put in place and is operational. We also provided a summary of relevant Scientific Games conversion successes domestically and internationally. Our ability to make our Two Phase Migration approach work is based on our heritage. First, Scientific Games has converted and migrated more competitor legacy lottery systems than any other lottery vendor in the industry. Second, we have deliberately chosen to pursue a development path of open systems architectures in order to take full advantage of new technologies, whether they are commercially available now or are likely to be in the future. Our open systems architecture approach benefits the Texas Lottery not only during the conversion from the current providers system but also by providing significant flexibility from which the Texas Lottery can benefit throughout the life of the contract.

10.3.2.1 MIGRATION PLANS AND PROCEDURES

Scientific Games' Project Director, Senior Project Manager, and the entire Transition Team will work closely to develop migration requirements and a detailed plan to implement our proposed Two Phase Migration approach. We understand that our plan and procedures must be first evaluated and approved by the Texas Lottery prior to the plan's execution. The entire conversion process will be managed using industry leading communications, configuration control, and change management processes and procedures. The conversion will be a very structured but open process where we will work hand in hand with our partners—the Texas Lottery and the retailers—to effect a highly successful conversion outcome for all stakeholders.

10.3.2.2 RELEASE MANAGEMENT (DR 12)

Release management is also a detailed requirement of RFP Section 10.2 (Integration and Testing), therefore, we have included a description of our process in **Section 10.2.3.5**.

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Our process mandates that each release of the software is accompanied by release notes and ensures that all system components used for acceptance testing are identical to those to be delivered as the Texas Lottery gaming system. This process provides end-to-end tracking and auditing trails of changes to ensure that the proper version is tested and released and that only authorized modifications are installed in a production

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10.3.2.4 CERTIFIED PUBLIC ACCOUNTANT (DR 14)

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Subject to Texas Lottery prior approval, Scientific Games will select an independent certified public accountant with systems experience to design and approve the accounting reports provided by [REDACTED]. F. Scientific Games will ensure the firm's services are available at all times during the implementation of [REDACTED] and for a period of six months thereafter.

Throughout the contract, the Scientific Games will make available, on an as-needed basis or as otherwise requested by the Texas Lottery, equivalent accounting and systems expertise to assist with corrections and extensions to the body of system reports. This satisfies RFP Table 127, Detail Requirement No. 14.

10.4 CONVERSION PLAN GENERAL REQUIREMENTS

RFP Requirement: The Texas Lottery wants to minimize conversion risks and maintain good Retailer relations throughout the conversion process. All existing terminals and related System sales equipment will be removed by the current Lottery Operator within fourteen (14) Days of the Conversion completion date, unless otherwise directed by the Texas Lottery.

Scientific Games considers this RFP requirement to be informational, therefore no response is required.

Table 129. Conversion Plan General Requirements

ROLES AND RESPONSIBILITIES	SUCCESSFUL PROPOSER	TLC
1. Jointly develop Conversion Plan responsibilities	X	X
DETAIL REQUIREMENTS	RESPONSE SECTION(S)	
2. The Successful Proposer must minimize conversion risks and maintain good Retailer relations throughout the conversion process.	10.4.2.5	
3. The Successful Proposer must submit a detailed Conversion Plan and schedule for all Retailers, including but not limited to, Retailer Sales Terminals and related System sales equipment. The Successful Proposer must submit the plan to the Texas Lottery for prior approval within the timeframe specified by the Service Level Requirements. At a minimum, and in addition to the Retailer requirements above, the Conversion Plan must include, but not be limited to, staffing, failover procedures, acceptance testing and a security plan. The final Conversion Plan must be approved by the Texas Lottery. All changes to the plan must be approved by the Texas Lottery prior to implementation.	10.4.2	
4. The Successful Proposer shall provide the Texas Lottery with the project management software to be used by the Successful Proposer to enable the Texas Lottery to monitor and maintain project management schedules.	10.4.2	
5. The Successful Proposer must convert a minimum of thirty-six (36) months of pre-existing sales and operating data, including the data from the current Lottery Operator, so the Texas Lottery and the Retailers will see a continuity of data in displays and reports from before, during, and after the start-up day. A conversion process for historical Texas Lottery data (older than thirty-six [36] months) must be developed by the Successful Proposer in conjunction with the Texas Lottery.	10.4.2.3	
INTERIM FACILITIES AND PROCESSES	RESPONSE SECTION(S)	
6. If the conversion involves interim configurations, facilities, staffing, or business procedures, the Successful Proposer must explicitly describe them in the Conversion Plan and place their development and use within the Conversion Plan schedule.	10.4.2.2	

INTERIM FACILITIES AND PROCESSES	RESPONSE SECTION(S)
7. Costs associated with interim facilities are wholly the Successful Proposer's obligation.	10.4.2.2
LOTTERY STAFF TRAINING	RESPONSE SECTION(S)
8. Texas Lottery staff must be fully trained by the Successful Proposer on the various Lottery Gaming System applications and Retailer Sales Terminals prior to conversion. At a minimum, training must consist of new System training, and conversion training.	10.4.2.2 10.4.2.5
PROJECT REPORTING AND MONITORING	RESPONSE SECTION(S)
9. The Successful Proposer must provide a project team structure and management process which facilitates Texas Lottery oversight of the conversion. Regular project status meetings, walkthroughs, and reporting are required.	10.4.2
10. The Successful Proposer must provide a dedicated on-site Conversion plan manager for the duration of the implementation and conversion to the new System.	10.4.2
11. The Successful Proposer must provide access to project records to enable Texas Lottery staff to monitor project management tasks, schedules, and issues. This requirement begins with Contract execution and continues throughout the Contract.	10.4.4.2
VALIDATION AFTER CONVERSION	RESPONSE SECTION(S)
12. The Successful Proposer must accommodate and provide validation of winning tickets that have been sold prior to the conversion, either by reading the bar code or by accepting manual entry of the "old" winning ticket's serial number into the new system. The goal, during conversion and after, is to minimize confusion and effort for the players and Retailers.	10.4.2.4
PROCESS DOCUMENTATION	RESPONSE SECTION(S)
13. The Successful Proposer must provide the following process guides for Texas Lottery review and approval: <ul style="list-style-type: none"> a. Change management; b. Release management; c. Performance management; d. Service Level Monitoring and Reporting; and e. Texas Lottery security requirements as defined in this RFP and the Contract. 	10.4.4.10

Table 130. Conversion Plan General Requirements Response Requirements

RESPONSE REQUIREMENT	
1.	The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.
2.	The Proposer must provide a proposed high-level Conversion Plan that would be appropriate for the size and complexity of the Texas Lottery's needs as described in this RFP. The Conversion Plan must include an information sharing and communication plan and expected participation from the Texas Lottery and the level and duration of involvement from the current vendor.
3.	The Proposer must describe the structure and content of its process documentation and explain how the documentation will be customized to fit Texas Lottery needs.
4.	The Proposer must describe the project management methodology that will be employed during the transition, which will address the following at a minimum: <ol style="list-style-type: none"> a. Project Management; b. Business Change Management; c. Issue Management; d. Communication Strategy e. Knowledge Transfer; f. Relationship Management; g. Risk Management and Mitigation; and h. Transition Reporting (Type and Frequency).
5.	The Proposer shall provide a detailed initial distribution plan for Instant Tickets, On-Line Ticket stock, Retailer Sales Terminals and associated System sales equipment, Point-of-Sale materials, On-Line play slips, promotional merchandise, playstations, signage and other materials, as required. Quality control procedures should be included in this plan.

RESPONSE TO TABLE 130: CONVERSION PLAN GENERAL REQUIREMENTS RESPONSE REQUIREMENTS

10.4.1 ACKNOWLEDGEMENT OF ROLES AND RESPONSIBILITIES AND DETAIL REQUIREMENTS

Response Requirement 1: The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.

Scientific Games acknowledges and accepts the roles and responsibilities, and will comply, and often exceed, detail requirements for RFP Section 10.4.

10.4.2 CONVERSION PLAN (DRs 3, 4, 9, and 10)

Response Requirement 2: The Proposer must provide a proposed high-level Conversion Plan that would be appropriate for the size and complexity of the Texas Lottery's needs as described in this RFP. The Conversion Plan must include an information sharing and communication plan and expected participation from the Texas Lottery and the level and duration of involvement from the current vendor.

After contract award, Scientific Games will submit a detailed conversion plan and schedule to the Texas Lottery for approval. We understand that all subsequent changes to the plan must be approved by the Texas Lottery. Scientific Games will provide the Texas Lottery with the project management software used by Scientific Games to enable the Texas Lottery to monitor and maintain project management schedules, thereby satisfying RFP Table 129, Detail Requirement No. 4.

Scientific Games has provided a proposed high-level conversion plan in the form of a Gantt chart that is appropriate for the size and complexity of the Texas Lottery's conversion requirements as described in the RFP. The Gantt chart includes an information sharing and communication plan. It also details the desired/expected participation from the Texas Lottery and the level and duration of involvement from the current vendor. The Gantt chart also identifies the major milestones to be accomplished for the conversion that includes, but may not be limited to: business requirements definition, construction, equipment delivery, software programming, installation, testing, and file migration.

The Gantt chart can be found in the Supplemental Documentation section at the end of **Part 10**, thereby satisfying RFP Table 129, Detail Requirement No. 3.

In order to facilitate Texas Lottery oversight of the conversion, Scientific Games will provide a project team structure and management process that includes regular project status meetings, walkthroughs, and reporting. Please see **Section 10.1.3**, and **10.1.4** for details.

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FIGURE 10.4-2: PROJECT PARTICIPANTS ROLES AND RESPONSIBILITIES

10.4-7

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10.4.2.2 INTERIM FACILITIES AND PROCESSES (DRs 6, 7 and 8)

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10.4.2.3 CONVERTING PRE-EXISTING SALES AND OPERATING DATA (DR 5)

Scientific Games will meet the requirement to convert a minimum of 36 months of pre-existing sales and operating data, including the data from the current Lottery operator, so that the Texas Lottery and the retailers will see a continuity of data in displays and reports from before, during, and after the conversion and new system start-up. Additionally, we will also work with the Texas Lottery to develop a conversion process for historical Texas Lottery data that is older than 36 months. This satisfies and exceeds RFP Table 129, Detail Requirement No. 5.



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10.4.2.4 VALIDATION AFTER CONVERSION (DR 12)

Satisfying RFP Table 129, Detail Requirement No. 12, the new Lottery system, in concert with the new retailer terminals, will accommodate validation of winning tickets sold prior to launch. These validation processes will support both bar code and manual input of ticket data. We will migrate data contained in the current instant ticket validation file to the _____ to support ticket validation after launch.

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TIMELY TRAINING PROMOTES LEARNING RETENTION

Prior to terminal installations, each trainer will:

- Deliver a comprehensive Texas Lottery-approved message about the many benefits of the conversion project
- Fully train retailers on the new lottery system technology
- Outline what will happen on installation and training days
- Explain the value of sending other clerks to training classes

The Scientific Games training group will also work closely with key accounts. We know that some accounts will want to deliver their own training classes to employees—and this is addressed in our training program. Additionally, we will solve the difficulty of scheduling training for store employees by offering classes with various start times throughout the day.

In satisfaction of RFP Table 8, Detail Requirement No. 8, the Texas Lottery staff will be fully trained on the various lottery gaming system applications and retailer sales terminals prior to conversion. At a minimum, training will consist of new system training and conversion training. Details related to training are in **Section 6.8**.

HOTLINE RESPONSE CENTER FOSTERS POSITIVE RETAILER RELATIONSHIPS

During the conversion, the Texas Regional Call Center (TRCC) will minimize conversion risk, overcome any limitations, and will be completely focused on maintaining positive retailer relationships. When conversion activities begin, key Scientific Games employees will be actively involved in staffing the TRCC and, over time, their responsibilities will expand to support additional

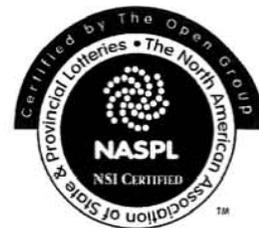
project-related functions and events. They will also act as an interface between in-state teams, our NRO, and the retailer population. Details related to the TRCC can be found in **Section 7.13**.

10.4.3 PROCESS DOCUMENTATION

Response Requirement 3: The Proposer must describe the structure and content of its process documentation and explain how the documentation will be customized to fit Texas Lottery needs.

Scientific Games is a firm believer in standards-based process documentation and has achieved NASPL certification in two specific areas related to ongoing improvements of software development and quality as listed below.

- NSI QA Development Process 1.0
- NSI QA Requirements Definition for Vendors 1.0



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10.4.4 PROJECT MANAGEMENT METHODOLOGY (DR 13)

Response Requirement 4: The Proposer must describe the project management methodology that will be employed during the transition, which will address the following at a minimum:

- a) Project Management;*
 - b) Business Change Management;*
 - c) Issue Management;*
 - d) Communication Strategy*
 - e) Knowledge Transfer;*
 - f) Relationship Management;*
 - g) Risk Management and Mitigation; and*
 - h) Transition Reporting (Type and Frequency).*
-

In order to avoid repetition, please see **Section 10.1.4** for information related to the proposed team structure, including organization charts.

Previously in **Section 10.1.3**, we provided an overview of our Project Management Process, as required by the RFP. In this section, we provide a more detailed description of our methodology. Scientific Games' disciplined approach to project planning formalizes the management disciplines that are the integral components of sound project management. This industry proven and open process will facilitate Texas Lottery oversight of the conversion. Regular project status meetings, walk-throughs, and reporting will all be part of this process.

Please note that Scientific Games' approach exceeds Response Requirement No. 4 for RFP Section 10.4. Not only are all eight of the listed items (a-h) addressed, our Project Management Process includes several additional components. Figure 10.4-5 clearly identifies items a-h in the RFP Required Topic column while the second column indicates where each item is addressed in our formal project management approach.



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10.4.4.6 QUALITY MANAGEMENT

Quality management involves defining quality goals for the software and hardware products, establishing plans to achieve these goals, and monitoring and adjusting the software plans, software work products, activities, and quality goals to satisfy the needs and desires of the customer and end user.

The purpose of Scientific Games' software quality management activities are to develop a quantitative understanding of the quality of our lottery project's software products and achieve specific quality goals, which are necessary to deliver a quality solution to the Texas Lottery and the Account Team.

Internal and Acceptance Testing – Scientific Games will apply a repeatable, deterministic, traceable, controlled, and documented test methodology in order to perform a full range of internal software quality control testing prior to customer acceptance testing by Texas Lottery. Scientific Games' internal testing program will:

- Verify the compliance of the Texas information system to the SRS
- Develop specific test conditions and procedures to be used in testing the software, with the expected results of each test case being documented in test scripts and/or test matrices
- Manage all software anomalies, from identification through resolution, through an automated problem-tracking system

- Report on the testing performed and the results of testing at software deliverable milestones in the project's lifecycle.

We have previously provided a detailed description of our internal and user acceptance testing processes in **Section 10.2**, therefore that detail is not repeated here.

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10.4.4.8 KNOWLEDGE MANAGEMENT AND TRANSFER

Scientific Games uses three key components to manage and maintain knowledge data. Our project team maintains all artifacts and experiences relating to the project, terminal services, and software defects and enhancements. These are used at the project inception through contract term. This insures a rich and ever growing repository of knowledge specific to the Texas Lottery.

Additionally, as described earlier, we use our Unified Approach Program to integrate the operations staff into the project early to get a solid knowledge base of all the activities, decisions and deliverables that are involved in the project to completion. Transitioning out of project mode into operational mode is handled through our 30-60-90 Day Transition Program in which the project team is fully engaged with the Account Team for the first 30 days of operation. At this milestone an assessment is done to determine the remedial steps that need to be taken to address any operational or Lottery concerns. If the status is favorable, the project will begin to disengage from the operational support activities; if it is determined that further focused engagement is required, the project Transition Team will remain engaged. The process is repeated again at the 60 day mark with the addition of the post project review. From the 60 to 90 day time period, the project Transition Team focuses on the final transition from project mode to fully operational mode and provides the project turnover documentation to our on-site Account Team.

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10.4.4.10 PROCESS DOCUMENTATION (DR 13)

Scientific Games will provide the following process guides for Texas Lottery review and approval:

- a. Change management
- b. Release management
- c. Performance management
- d. Service Level Monitoring and Reporting
- e. Texas Lottery security requirements as defined in the RFP and the Contract

This satisfies RFP Table 129, Detail Requirement No. 13.

10.4.5 INITIAL DISTRIBUTION PLAN

Response Requirement 5: The Proposer shall provide a detailed initial distribution plan for Instant Tickets, On-Line Ticket stock, Retailer Sales Terminals and associated System sales equipment, Point-of-Sale materials, On-Line play slips, promotional merchandise, playstations, signage and other materials, as required. Quality control procedures should be included in this plan.

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HOW DOES THIS BENEFIT THE LOTTERY?

Scientific Games' risk management strategies, conversion plan detail, project management methodologies, and advanced tracking and reporting technology will give the Lottery the tools it needs for a smooth and painless transition. Our proven, two-phase conversion and migration process will give your retailers an almost seamless transition from the Legacy system to our and WAVE™ terminals. Our unique Uniformed Approach Program combined with our 30-60-90 day Transition Program will give our TLC Account Team, the TLC project Transition Team, and the lottery the knowledge transfer and support they need going forward after the transition.

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10.5 CONVERSION MILESTONES

RFP Requirement: The following are the critical milestone requirements that must be included in the Conversion Plan. It is expected that the Conversion Plan tasks will be at a greater level of detail than those listed in the following table.

Scientific Games considers this RFP requirement to be informational, therefore no response is necessary.

Table 131. Conversion Milestones

MILESTONE DESCRIPTION	MILESTONE DATE	CALENDAR DAYS FROM AWARD ANNOUNCEMENT
1. Identify and make available to the Texas Lottery on TLC's premises the Conversion Project Manager (Project Kickoff Meeting)	15 November 2010	22
2. Creation and delivery of detailed Conversion Plan	4 November 2010	42
3. Lottery Gaming System software available for TLC User Acceptance Testing (UAT)	26 May 2011	245
4. Successful UAT Testing and System Acceptance Signoff by the Texas Lottery	16 August 2011	327
5. System fully operational with Retailers' selling Lottery Products	1 September 2011	343

Table 132. Conversion Milestones Response Requirements

RESPONSE REQUIREMENTS
1. The Proposer must provide a Conversion Plan and time chart (Gantt, PERT, or similar format) identifying the major milestones to be accomplished for the construction, equipment delivery, software programming, installation, testing, user training, data conversion, and documentation of the proposed System. The Proposer must also provide the dates (expressed as the number of Days from Contract Award) for the described milestones in the Conversion Milestone table above (Table 131) as part of the Proposal. The detailed Conversion Plan must include acceptance testing and security plan milestones.

RESPONSE TO TABLE 132: CONVERSION MILESTONES RESPONSE REQUIREMENTS

10.5.1 CONVERSION PLAN AND TIME CHART

Response Requirement 1: The Proposer must provide a Conversion Plan and time chart (Gantt, PERT, or similar format) identifying the major milestones to be accomplished for the construction, equipment delivery, software programming, installation, testing, user training, data conversion, and documentation of the proposed System. The Proposer must also provide the dates (expressed as the number of Days from Contract Award) for the described milestones in the Conversion Milestone table above (Table 131) as part of the Proposal. The detailed Conversion Plan must include acceptance testing and security plan milestones.

As described in Section 10.4, Scientific Games provides a proposed high-level conversion plan and schedule in the form of a Gantt chart at the end of Part 10.

Our conversion plan includes working closely with the incumbent vendor for establishing terminal connectivity, verification of accuracy of data received during conversion, and data conversion processing activities.

Our project responsibilities and deliverables will depend primarily upon our data, our people, our technology suppliers, and our schedules, and establishing a professional relationship with the incumbent vendor to ensure a successful system conversion.

A summary view of the Gantt chart is presented in Figure 10.5-1.

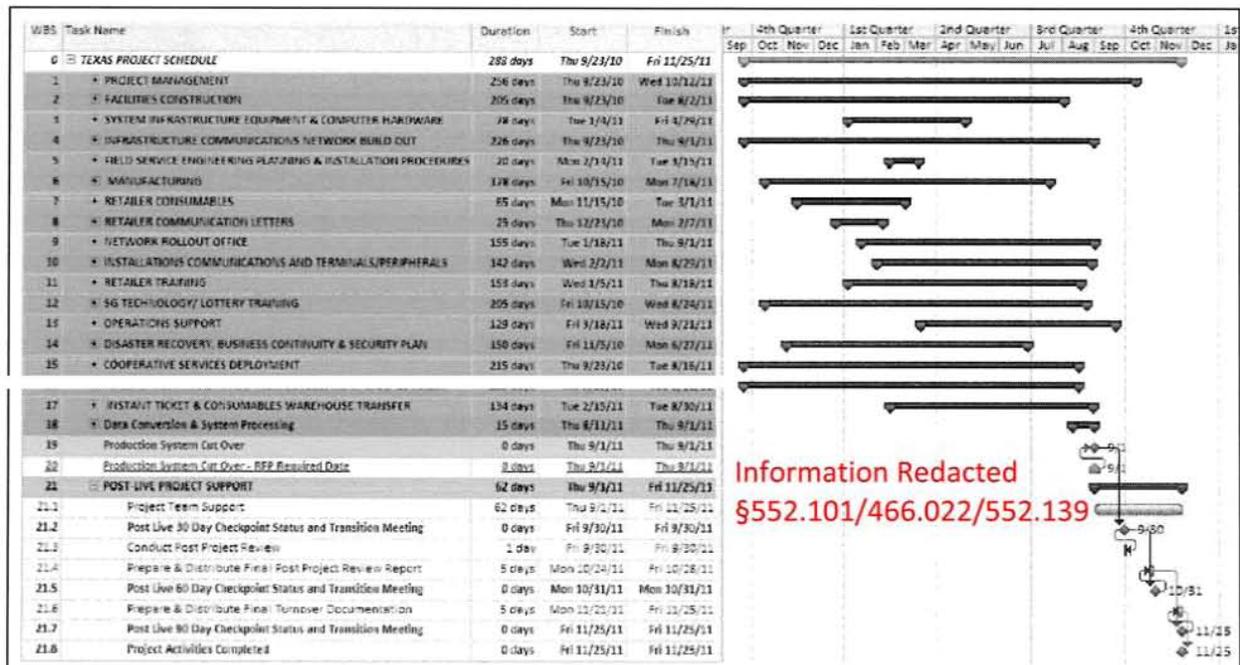


Figure 10.5-1: Work Breakdown Structure (WBS) – Project Level

10.6 END OF THE CONTRACT CONVERSION PLAN

RFP Requirement: The Texas Lottery requires that the Successful Proposer shall fully cooperate with any replacement provider and the Texas Lottery and assist with planning for the End of Contract Conversion Period. This is to ensure a complete knowledge transfer to the Texas Lottery and any designated entity for Texas Lottery-specific functions, information, processes, and procedures.

The Successful Proposer shall be responsible for managing the implementation of the End of Contract Conversion Plan while the Texas Lottery and/or any designated entity such as a replacement provider will be responsible for managing the implementation of the Business Cutover Plan to new services. The Business Cutover Plan will address unique or different aspects of the replacement solution. The Successful Proposer shall provide input relating to the goods and services provided by the Successful Proposer under the Contract and regarding all activities required of the Successful Proposer during conversion. This includes implementing the overall transition plan to move the services to the Texas Lottery and/or the replacement provider (the "Business Cutover Plan").

The Successful Proposer, the Texas Lottery and any replacement provider will manage performance of their respective responsibilities in a cooperative and coordinated fashion. The parties will communicate through scheduled meetings and other communications as may be appropriate. The parties must communicate with each other regarding any circumstances that come to one of the parties' attention that may impact the performance of either of the other party(ies)'s responsibilities during any point in the conversion. The following table identifies the roles and responsibilities that the Successful Proposer and the Texas Lottery will perform.

Scientific Games will be responsible for managing the implementation of the end of contract conversion plan while the Texas Lottery and/or any designated entity, such as a replacement provider, will be responsible for managing the implementation of the business cutover plan to new services.

Starting approximately nine months before end of contract, Scientific Games will work with the Texas Lottery and/or any designated entity to formalize the dependencies between the end of contract conversion plan and the business cutover plan, subject to entering appropriate non-disclosure commitments to protect cash vendor's and the Texas Lottery's proprietary and confidential information. The end of contract conversion plan should be complete and finalized no later than six months before the end of the contract. This plan should address:

- Transition Categories
 - Operational Support Staffing
 - Central Systems
 - Communications Network
 - Software
 - Field Service Staffing
 - Facilities
 - Cooperative Services
 - Data Transfer
 - Licensing Agreements
 - Transition Management
- Dependencies to the Business Cutover Plan

- Major Milestones
- Staffing Requirements to Formalize and Manage the End of Contract Conversion Plan

Table 133. End of Contract Conversion Plan Requirements

ROLES AND RESPONSIBILITIES	SUCCESSFUL PROPOSER	TLC
1. Schedules meetings to begin planning for the transition of the services to the Texas Lottery or the replacement provider, as applicable	X	
2. Develops End of Contract Conversion Plan, in participation with the replacement provider, that will detail activities that are required of the Successful Proposer to support execution of a smooth transition	X	
3. Acknowledges and agrees that in addition to the activities included in the End of Contract Conversion Plan, the Successful Proposer must also participate as reasonably requested by the Texas Lottery in the following transition sub-plans as appropriate: <ul style="list-style-type: none"> a. Communications plan; b. Human capital management (HCM) plan; c. Business cutover; d. Relationship management; e. Contract management; f. Asset management; g. Financial management; and h. Security management 	X	
4. Participates in detailed planning activities including developing a timetable with milestones and a process with critical controls for the transfer of the provision of the goods and services provided under the Contract from the Successful Proposer to the replacement provider or back to the Texas Lottery in coordination with the Business Cutover Plan	X	
5. Documents the management structure to be employed by the Successful Proposer in the execution of the End of Contract Conversion Plan	X	
6. Within ten (10) Working Days of commencement of the End of Contract Transfer Period, provides details of the Successful Proposer's personnel and other resources that will provide End of Contract Conversion services, including a list of the Successful Proposer's subject matter experts and other personnel who will be engaged	X	

Table 133. End of Contract Conversion Plan Requirements

ROLES AND RESPONSIBILITIES	SUCCESSFUL PROPOSER	TLC
7. Works with the Texas Lottery to define the scope and extent of the Successful Proposer's obligations to the relevant hand-over activities and the resource profile	X	
8. Provides a list of the Texas Lottery's and/or the replacement provider's obligations that are necessary for the proper and timely execution of the End of Contract Conversion Plan	X	
9. Identifies the End of Contract Conversion information including documents that are to be delivered by the Successful Proposer to the Texas Lottery during the hand-over process	X	
10. Reviews and approves the list of End of Contract Conversion information to be delivered during the hand-over process	X	
11. Provides copies of process and procedure manuals to the Texas Lottery no later than ten (10) Days after commencement of the End of Contract Transfer Period	X	
DETAILED REQUIREMENTS	RESPONSE REQUIREMENT	
<p>12. The Successful Proposer must provide a detailed End of Contract Conversion Plan. Any and all System changes during the term of the Contract must be reflected in an updated End of Contract Conversion Plan. At a minimum, the End of Contract Conversion Plan must address:</p> <ul style="list-style-type: none"> a. Contract assignment to either the Texas Lottery or the replacement provider; b. Asset purchase assignment to either the Texas Lottery or the replacement provider; c. Inventory assignment to either the Texas Lottery or the replacement provider; d. License assignment to either the Texas Lottery or the replacement provider; e. Network and system diagrams; and f. Materials pertaining to the Successful Proposer's System (including but not limited to: memoranda, notes, records, drawings, manuals, computer software). 	10.6.2	
<p>13. The Successful Proposer shall promptly remove all Successful Proposer equipment and materials from each Retailer location and from Lottery property after final conversion to the replacement provider, within a reasonable period as set by the Texas Lottery. Equipment and materials not removed promptly by the Successful Proposer shall be considered abandoned and may be disposed of at the Texas Lottery's sole discretion. All costs will be deducted from any amounts owed to the Successful Proposer and if no payments are due, then billed back (charged) to the Successful Proposer.</p>	10.6.2	

Table 134. End of Contract Conversion Plan Response Requirements

RESPONSE REQUIREMENT
1. The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.
2. The Proposer shall describe the following processes and factors related to End of Contract Conversion with the Texas Lottery: <ul style="list-style-type: none"> a. People Processes: <ul style="list-style-type: none"> 1. Knowledge transfer to the Texas Lottery or replacement provider b. Management Processes: <ul style="list-style-type: none"> 1. Issue Management 2. Risk Management and Mitigation 3. Exit Reporting (Type and Frequency) c. Technology <ul style="list-style-type: none"> 1. Handover Procedures 2. Tools, Software, Network Connections and Data Transfer d. License Transfer (Indicate Where This Would Be Required)

RESPONSE TO TABLE 134: END OF CONTRACT PLAN RESPONSE REQUIREMENTS

10.6.1 ACKNOWLEDGEMENT OF ROLES AND RESPONSIBILITIES AND DETAIL REQUIREMENTS

Response Requirement 1: The Proposer must acknowledge and accept the roles and responsibilities and detail requirements indicated in this section.

Scientific Games acknowledges and accepts the roles and responsibilities, and will comply, and often exceed, the detail requirements indicated in RFP Section 10.6.

10.6.2 PROCESS AND FACTORS RELATED TO END OF CONTRACT CONVERSION (DRs 12 and 13)

Response Requirement 2: *The Proposer shall describe the following processes and factors related to End of Contract Conversion with the Texas Lottery:*

a) People Processes:

1. Knowledge transfer to the Texas Lottery or replacement provider

b) Management Processes:

1. Issue Management

2. Risk Management and Mitigation

3. Exit Reporting (Type and Frequency)

c) Technology

1. Handover Procedures

2. Tools, Software, Network Connections and Data Transfer

d) License Transfer (Indicate Where This Would Be Required)

Scientific Games will cooperate professionally and in good faith in such conversion, which may or may not involve other contractors. As required in RFP Section 10.6, Scientific Games will provide a detailed end of contract conversion plan, thereby satisfying RFP Table 133, Detail Requirement No. 12.

At a minimum, the end of contract conversion plan will address:

- Contract assignment to either the Texas Lottery or the replacement provider
- Asset purchase assignment to either the Texas Lottery or the replacement provider
- Inventory assignment to either the Texas Lottery or the replacement provider
- Third party license assignment to either the Texas Lottery or the replacement provider
- Network and system diagrams
- Materials pertaining to the successful proposer's system (including but not limited to: memoranda, notes, records, drawings, manuals, computer software)

Scientific Games will promptly remove all our equipment and materials from each retailer location and from Texas Lottery property after final conversion to the replacement provider, within a reasonable period as set by the Lottery, thereby complying with RFP Table 133, Detail Requirement No. 13.

a. People Processes

1. Knowledge Transfer to the Texas Lottery or Replacement Provider

Business acumen and knowledge is built up over the life of the contract by Scientific Games staff. These people become the core subject matter expertise on the infrastructure works and operations are performed by Scientific Games. We will work with the Lottery to identify the staff members that would and should be transitioned into the new contract if we are no longer the vendor of choice for the Lottery. We will put together a transition plan so that there is a clear

transition path for these staff members that the Lottery and/or replacement vendor may review to determine whether if appropriate for their requirements.

b. Management Processes

1. Issue Management

Once the end of contract conversion plan is finalized, a consortium of Scientific Games, the Lottery and/or its designated entity will be formed to identify issues for each impacted group. This group will perform the following duties:

- Issue identification
- Scope
- Group(s) impacted
- Group(s) responsible to resolve
- Person(s) responsible to resolve the issue

2. Risk Management and Mitigation

As with issue management, the consortium that is formed should also encompass the responsibility of risk management and mitigation.

For the most part, these activities consist of the following elements, performed, more or less, in the following order:

- a) Identify, characterize, and assess negative events
- b) Assess the vulnerability of critical assets to specific negative events
- c) Determine the risk (i.e., the expected consequences of specific types of negative events on specific assets)
- d) Identify ways to reduce those risks
- e) Prioritize risk reduction measures based on a strategy

3. Exit Reporting (Type and Frequency)

Reporting updates to the end of contract conversion plan should occur on a bi-weekly basis six months from end of contract and become a weekly occurrence three months from end of contract. This should address progress made within each of the transition categories listed previously, issues/risks identified since last reporting update. Any issues and/or risks should be brought to the transition consortium's attention for tracking, monitoring and resolution.

c. Technology

1. Handover Procedures

Procedures that were co-developed by the Lottery and Scientific Games will be turned over to the Lottery during the transition period. If the Lottery so desires to acquire additional procedures that are part of the Scientific Games gaming environment, we would be happy to discuss a commercial arrangement for such materials.

2. Tools, Software, Network Connections and Data Transfer

Data transfer of information that is needed for business continuity of the Lottery shall be provided as identified and outlined in the end of contract conversion plan. Tools, software, and network connections may be obtained by the Lottery by agreeing to a negotiated commercial agreement with Scientific Games.

d. License Transfer (Where Required)

Where allowable, Scientific Games will transfer any third party software licensing to the Lottery and/or its designated entity. Scientific Games owned licensing and intellectual property will require a commercial agreement that will define the terms and conditions for the use of those items.

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TEXAS LOTTERY

PART 10: SUPPLEMENTAL DOCUMENTATION





PART 10 – SUPPLEMENTAL DOCUMENTATION

As referenced in Sections 10.1.2.1, 10.4.2, 10.4.4.3, and 10.5.1, Scientific Games provides on the following pages a Gantt chart that is appropriate for the size and complexity of the Texas Lottery's conversion requirements as described in the RFP. The Gantt chart includes an information sharing and communication plan. It also details the desired/expected participation from the Texas Lottery and the level and duration of involvement from the current vendor.

The Gantt chart identifies the major milestones to be accomplished for the conversion, including but not limited to, business requirements definition, construction, equipment delivery, software programming, installation, testing, and file migration.



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