

**Hoosier Lottery Integrated Services
Request for Information
Evaluation Process**

The Request for Information

On July 9, 2012, the Indiana State Lottery Commission issued a Request for Information (RFI) in an effort to select an experienced, responsible private entity (the Provider) to materially accelerate the realization of a significant increase in net revenues generated by the Hoosier Lottery through innovation, agility and market responsiveness. The Provider recommended by the Commission Director (Director) and approved by the Commission will enter into an Integrated Services Agreement (ISA) to furnish a broad range of services (Services) for a term of fifteen (15) years with an opportunity to extend this term based on performance. The Provider's compensation will be correlated to its success in increasing the net income of the Hoosier Lottery in a responsible manner.

Authority

This RFI is being carried out and administered under the authority and powers granted under Indiana Code 4-30, 65 IAC 2-1-4(8) and the Commission's Resolution dated May 16, 2012. Under the Resolution, the Director is charged with the authority to solicit offers for the Services with the objective (after evaluating Offers and taking into consideration price and other evaluation factors including competence, quality of services, experience and expectation for timely performance of the Integrated Services Agreement), of determining whether a private party may enhance certain aspects of the Lottery and recommending the Offer, if any, that is most advantageous and highest overall value to the Commission and the State.

The Selection Team

Pursuant to the discretion and authority vested in the Director, the following five (5) member Selection Team has agreed to support and assist the Director in carrying out his responsibility to evaluate Offers and determine whether to recommend an Offer for consideration and approval by the Commission: (1) Jim McGoff, (2) Zach Jackson, (3) Greg Fitzloff, (4) Carrie Stroud, (5) and Karl Browning. The members of the Selection Team bring a rich mix of knowledge, experience and perspective to the task of evaluating Offers and assisting in the development of a recommendation. During the evaluation and selection process, the Selection Team will receive assistance from, and have access to, Hoosier Lottery staff members, advisors, consultants and counsel who possess knowledge in specific subject matters relevant to this RFI (each generally referred to herein as "Advisors").

With this description of the evaluation process, each Selection Team member is receiving copies of the RFI and ISA, a briefing document, an instructional statement and a copy of the

Evaluation Tool that will be used by the Selection Team to evaluate each Offer (these materials, along with this Evaluation Process document, are collectively referred to herein as the "Evaluation Materials"). Each member of the Selection Team must sign and return a copy of the instructional statement prior to August 31, 2012. The Evaluation Tool is the document that the Selection Team will use as a group to memorialize its evaluation and opinion of each Offer.

In addition to the Evaluation Materials, the Selection Team will attend a briefing session with Advisors prior to receiving Offers in order to familiarize each member with the structure of the anticipated relationship between the Commission and the Provider; the definition and use of key terms including Bid Net Income and Provider Net Income; the "value levers" that one would expect to see addressed in a viable business plan (distribution, marketing, player engagement, branding, sales force, product development); and the evaluation criteria and process, among other concepts, necessary to conduct a robust and thoughtful evaluation of Offers.

During the briefing session, the Selection Team will also meet with the Probity Officer to understand the importance of confidentiality and objectivity to a fair evaluation process that protects the integrity and value of the transaction. If at any time a member of the Selection Team has a concern regarding the integrity of the evaluation process, he or she should contact the Probity Officer.

Probity Submission

On August 1, 2012, those interested in responding to the RFI were required to submit information and disclosures to assist the Probity Officer in ascertaining that the entities and individuals seeking to enter into an Integrated Services Agreement with the Commission are eligible under applicable lottery laws and are of the highest reputation and integrity. Those interested were also required to demonstrate that they have the financial resources and stability to meet the Provider's obligations under the ISA through submission of financial reports and filings and demonstration of access to capitalization of at least \$20,000,000.

Together, the Probity Officer and Advisors will confirm that Probity Submissions are complete and responsive to the Probity submission requirements of the RFI. If necessary, additional information may be requested from the Offerors as part of this process.

The Evaluation Process

Responses (the component of the Offers containing the Bid Net Income Proposals and Business Plans) are due no later than Noon (12:00 p.m. EDT) on August 31, 2012. With the exception of the Bid Net Income information, the Offers will be promptly delivered to the Selection Team. Advisors will immediately review all Offers for general completeness and communicate the

results of this review to the Selection Team along with any instructions as appropriate. The Bid Net Income Proposals will be provided to the Selection Team on September 7th.

The anticipated schedule for the evaluation and recommendation process is provided below.

Task	Date	Time	Objective
Selection Team Briefing	August 30	2:30 pm - 4:30 pm	Review value levers, deal concepts and evaluation process
Offer Distribution	August 31		Deliver Offers to Selection Team
Offer Discussion	September 5	8:00 am - 12:00 pm 1:00 pm - 5:00 pm	Verify understanding, seek clarification, discuss initial impressions of Offers Offeror 1 Offeror 2
	September 6	8:00 am - 12:00 pm 1:00 pm - 5:00 pm	Offeror 3 Offeror 4
Financial Briefing	September 7	8:00 am - 10:30 pm	Review proposed, BNI, budgets and P&L
Probity Briefing	September 7	11:00 pm - 12:30 pm	Receive initial findings regarding suitability
Clarification Agendas	September 7	1:30 pm - 2:30 pm	Finalize invitations and agenda for discussions with Offerors and invite revised Offers (discretionary)
Clarification Meetings	September 13	9:00 am - 11:30 am 1:00 pm - 3:30 pm	Meet with Offerors to discuss and clarify Offers (discretionary) Offeror 1 Offeror 2
	September 14	9:00 am - 11:30 am 1:00 pm - 3:30 pm	Offeror 3 Offeror 4
Revised Offers Due	September 17	5:00 pm	Receive revised Offers (if requested)
Consensus Determination	September 17-19	9:00 am - 5:00 pm	Develop and document consensus assessment
Recommendation & Notification	September 20-24	9:00 am - 5:00 pm	Finalize summary and recommendation for Commission; notify Selected Offeror
Commission Decision	September 26	9:30 am	Commission vote on Recommendation
Final Probity Report	October 17	9:00 am	Report on full probity review of Selected Offeror

The Selection Team will read the Offers and convene on September 5th – 7th to verify their understanding of the Offers, seek clarification as necessary from Advisors, discuss the strengths and weaknesses of the each Offer based on the evaluation criteria, and determine whether clarification meetings and/or revised Offers should be requested from one or more Offerors.

Questions concerning the Offers may be prepared by the Selection Team and transmitted to the Offerors in advance of conferences that may, in the discretion of the Selection Team, be scheduled with one or more Offerors for September 13th and 14th. In the event that these conferences are scheduled, there is no obligation for the Selection Team to meet with an Offeror who submitted an Offer that is not reasonably susceptible of being recommended to the Commission.

Prior to deliberating for the purpose of developing a final evaluation and recommendation, the Selection Team may provide one or more Offerors an opportunity to submit a revised Bid Net Income Proposal. If an Offeror is provided an opportunity to submit a revised Bid Net Income Proposal, the same opportunity will be extended to all Offerors reasonably susceptible of being recommended to the Commission. Offerors may also be requested to submit revised Offers in order to address any component of a proposed strategy, initiative or activity that is non-compliant or disallowed or requires additional clarity/specificity. Requests for revised Offers may be extended along with any questions or requests for clarification that the Selection Team may develop on September 7th.

The Selection Team will meet on September 18th and 19th, in an effort to collectively develop and document a consensus evaluation and opinion of each Offer using the Evaluation Tool. The expectation is that the Selection Team will reach a unanimous decision as to which, if any, Offer should be recommended to the Commission. In the event of divergent opinions, votes may be taken and the Offer receiving the majority of votes may be determined to be the Offer that the Selection Team will recommend.

If and when an Offer is recommended, the Director, with the assistance of Advisors, will prepare and provide the Commission with a summary of the process, evaluation and recommendation, which will include the completed Evaluation Tool prepared by the Selection Team for each Offer. The Commission has the sole and final power to approve the recommended Offer and authorize any Integrated Services Agreement.

If the Commission approves an Offer, the Director will prepare to execute the Integrated Services Agreement, including conducting an additional, in-depth probity investigation.

Evaluation Criteria

In evaluating Offers, the Selection Team will consider price (Bid Net Income Proposals) supported by a credible Business Plan and the background and integrity of all individuals and entities that will have an interest in the Provider (Probity), as well as the Offer's commitment to

propelling the Hoosier Lottery to top performance, honoring transparency and building a cooperating and collaborative relationship. The Selection Team will give these criteria comparable weight and, with respect to the Bid Net Income Proposals and Business Plans, will focus primarily on the Base Business Plan, while also considering the Additional Requirements, Enhanced Business Plan, and Financial Resources, as described in Sec. 3.3 of the RFI.

- **Bid Net Income Proposals**

As Offers are received, Advisors will calculate the cumulative value of each Offeror's Base Bid Net Income Proposal for Contract Years 1 to 5.

- **Business Plans**

The Business Plan reflects the plans and strategy(ies) for achieving significant net income growth. Each component of the Business Plans will be assessed on a scale of: Unacceptable, Acceptable and Exceptional. More detail on the evaluation and rating of each Business Plan criteria is provided in the Selection Team Instructions & Evaluation Tool, which are being provided with this evaluation process summary.

- **Probity**

Recognizing the sensitive nature of a state-conducted lottery and its public image and social implications, it is important to verify that individuals and entities having a significant role in the Provider represent the highest level of reputation and integrity, and that there is nothing in the background of the entities or individuals that would prevent the Commission from doing business with those entities or individuals.

The Probity Officer has used the information and disclosures supplied in the Probity Submission as a basis to conduct a preliminary investigation into the individuals and entities represented by the Offerors. The Probity Officer has been empowered to request supplemental information during the preliminary investigation.

The Probity Officer will meet with the Selection Team on September 7th to provide an oral briefing on the results of the preliminary investigation and may provide, if requested by the Selection Team, a written summary including any initial findings that might have a bearing on an Offeror's suitability to serve as Provider.

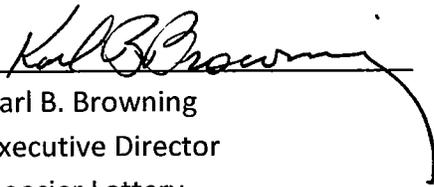
After the Selection Team has deliberated, completed the Evaluation Tool for each Offer and has recommended an Offer, the Selection Team will be released of its commitment and dismissed from this process.

Selection

The Director's intent is for the Selection Team to be the means by which an Offer, if any, is found to be the most advantageous and highest overall value to the Commission and the State after evaluating the criteria identified in the RFI (Bid Net Income Proposal, Business Plan and Probity). After the Selection Team fulfills its commitment, the Director will report a recommendation to the Commission for consideration and approval.

Final Probity

Once the Selected Offer is determined by the Commission, the Probity Officer will conduct a full investigation into the suitability of the entities and individuals involved. The findings of this review will be shared with the Director on or about October 17, 2012. Should a material issue be uncovered without an available cure, the Director may recommend that the Commission consider another Offer.


Karl B. Browning
Executive Director
Hoosier Lottery

8.30.12
Date