

Indiana Initial Annual Business Plan
October 2012

Final Submission

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August 31, 2012

Mr. Karl B. Browning
Executive Director
Hoosier Lottery
1302 N. Meridian St.
Indianapolis, IN 46202

RE: RFI for Hoosier Lottery Integrated Services

Dear Director Browning:

I am pleased to present the State of Indiana with GTECH's Response to the RFI for Hoosier Lottery Integrated Services. We have invested significant time, energy, and resources into devising a socially responsible Business Plan that will help propel the Hoosier Lottery to the forefront of U.S. lotteries.

Based on our comprehensive planning and analysis for the Hoosier Lottery, we have committed to \$1.761 billion of cumulative Bid Net Income over the 5-year evaluation period.

On behalf of GTECH, I would like to express my deep gratitude for this exciting opportunity. We hope you will find that our Response promises great value for Hoosiers and the State of Indiana.

Sincerely,

Jaymin B. Patel
President and CEO
GTECH Corporation
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Providence, RI 02903
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2.0 Executive Summary

GTECH Corporation (GTECH) is pleased to present its Response to the RFI for Hoosier Lottery Integrated Services. The State Lottery Commission of Indiana (the Commission) has clearly articulated its goal of identifying a Provider that will:

- Help the Hoosier Lottery become and remain one of the highest-performing lotteries in the nation and a benchmark of social responsibility.
- Meet the Hoosier Lottery’s important stakeholder transparency needs.
- Make the relationship between the Commission and the Provider a model for cooperation, collaboration, and excellence.

We will assist in the realization of these goals while securing the highest standard of security, honesty, fairness, integrity, and transparency in the operation and administration of the Lottery. Our unmatched operator experience, global footprint, commitment to innovation, and market responsiveness will be at the service of the Commission. Our Base Business Plan (hereinafter the “Business Plan”) will leverage the Hoosier Lottery’s reputable brand to increase its Net Income and contribution to the State of Indiana.

Throughout this Response, you will find GTECH to be the Offeror that:

- Is **the most qualified Provider** to manage the Hoosier Lottery and fulfill the Commission’s objectives, leveraging:
 - **The most extensive and proven operator capabilities**, with experience in Illinois as the first U.S. private manager, in Italy operating the world’s largest lottery, and in other operator contracts in Europe and Latin America.
 - **The most comprehensive U.S. lottery experience.**
 - **The experience and knowledge of a global footprint.**
- Presents **the most credible and compelling Business Plan**, built on quantitative, Indiana-specific analysis.
- Offers **the greatest value to the State of Indiana**, combining credible Net Income projections with the lowest execution risk.
- Has assembled **a team that combines local insight and global lottery expertise** to ensure seamless integration of our best practices into the Indiana market.

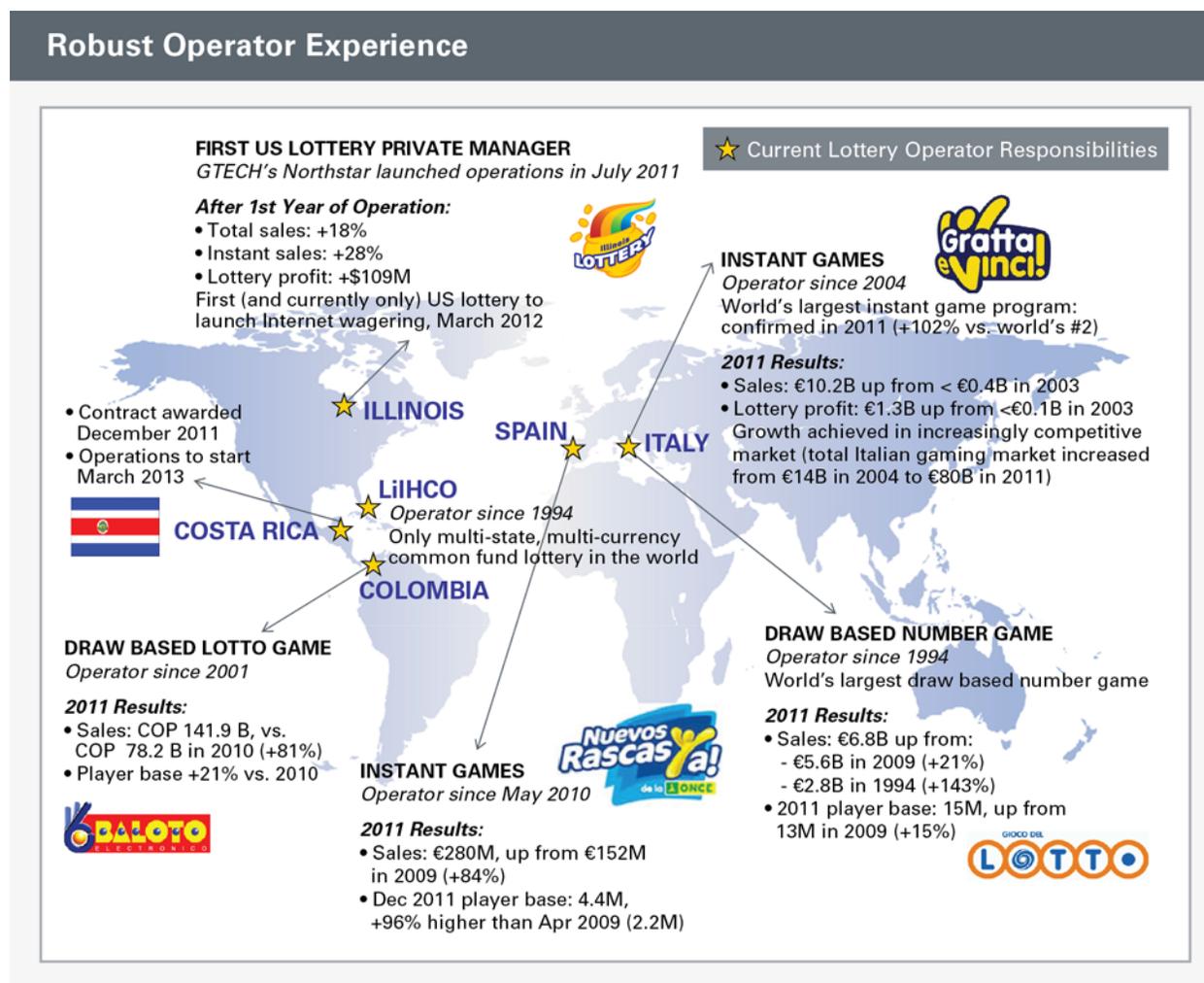
We are genuinely excited about this opportunity, and stand ready and able to deliver on our Business Plan’s commitment to the State of Indiana. The Commission has outlined an optimal course forward to increase funding for programs that benefit the State. The Business Plan we offer for consideration will demonstrate our unparalleled capabilities and preparedness to serve the Hoosier Lottery.

UNMATCHED QUALIFICATIONS TO SUCCEED AS THE HOOSIER LOTTERY PROVIDER

The Most Extensive and Proven Operator Capabilities

GTECH and the affiliated companies of the Lottomatica Group are unmatched in terms of size, geographical footprint, and success in running lottery-operation contracts, as illustrated in the following figure.

Figure 1:



Key highlights of our current operator experience include:

- Northstar Lottery Group LLC, the first private manager in the U.S., controlled and operated by GTECH. In its first year of management, Northstar increased the Illinois Lottery's sales by 18% and secured approximately \$109M in additional profit for the State of Illinois (a 16% increase, unaudited). (Please see **The Illinois Experience: Year One** insert on the following page for more detail.) Further, under Northstar's management, Illinois became the first (and still only) U.S. lottery to offer real-time Internet wagering in March 2012, only three months after the Department of Justice clarification.

- Lottomatica Italy, which manages the world’s largest instant ticket program and most successful draw game. Combined sales rose 16% in 2011 to €17B (\$21B), while Lottery Profit¹ increased 7% to exceed €3.0B.
- GTECH’s operator contract in Spain for instant games with Organization Nacional de Ciegos Espanoles (ONCE).
- GTECH’s operation of lotteries in South America and the Caribbean, including Colombia (BALOTO), Leeward Islands (LILHCo), and its recent selection to operate in Costa Rica (start-up planned for March 2013).

Across six contracts on three continents as lottery operators, GTECH and the Lottomatica Group:

- Managed total lottery sales exceeding \$26.3B in 2011, up 22.4% from 2010.
- Secured more than \$4.5B in Lottery Profit to states and governments, up 14.3% from 2010.

Managing Integrated Services

We are proud of having successfully integrated the Illinois Lottery sales staff into our Northstar lottery operations. Armed with a comprehensive 360-degree marketing and sales program supported by powerful sales, marketing, promotion, and retail tools, the entire integrated team is laser-focused on retail execution. Backed by our commitment, staff inspiration, and effective management, the 80-plus Illinois Lottery employees working at Northstar’s direction are among the driving forces in that lottery’s transformation.

Moreover, while we have evolved into a leading lottery management company, we have maintained a core competency in systems integration. We will employ the best solutions for the Hoosier Lottery that the market has to offer – whether our own world-class products, services, and end-to-end solutions or those of best-in-class third party vendors. Our approach is to employ the solutions best able to responsibly drive the business, regardless of origin. For example:

- Both GTECH (in Illinois) and Lottomatica (in Italy) procure printed instant tickets from Scientific Games (80% of the total in Italy and 100% in Illinois).
- We continue to leverage the services of many local firms that serviced the Illinois Lottery before Northstar assumed operations. Moreover, at \$15.2M, Northstar more than doubled its goal of \$7.17M in contracts awarded to minority- and women-owned businesses.

¹ We use the term “Lottery Profit” here to indicate profit transferred to the Italian government for good causes. The €3.0B realized by Lottomatica does not include additional “Profit” of €1.1B transferred to the government by a competing lottery operator. (The Italian regulatory environment allows two competing private managers.)

As our Business Plan outlines, we will work with Scientific Games to utilize its existing online infrastructure to support planned initiatives. We will also establish a process to qualify each of the three current suppliers of instant tickets to the U.S. marketplace: GTECH Printing Corporation, Pollard Banknote, and Scientific Games. Our singular focus is to deliver on our Business Plan's commitments. It is not our intent to limit the suppliers from which we can procure solutions and products; our Plan includes risk-mitigation strategies to ensure that the Hoosier Lottery will operate without disruption.

GTECH recognizes the dual requirements of the Commission to:

- Generate net profits for the State of Indiana.
- Exercise its regulatory power to protect Hoosiers and the Hoosier Lottery brand.

In our view, these objectives are not adverse to one another. We understand the needs and constraints of governments – and adapt and respond flexibly to the environments in which we operate to meet the highest standards of transparency and integrity. With such deep experience and sensitivity to each jurisdiction's unique operating environment, GTECH is the Offeror best suited to unlock opportunities to responsibly grow the Hoosier Lottery.

The Most Comprehensive U.S. Lottery Experience

GTECH serves various roles in support of lotteries worldwide. Each operation offers visibility and insight into the best practices we employ with many of the highest-performing lotteries in the U.S., including California, Georgia, Michigan, New Jersey, New York, and Texas.

Since 1980, collaborating with governments to grow lotteries has been our core business. We currently support 30 of the 44 U.S. lotteries, each with a customized solution. Ours is not a consulting model. We align and collaborate with our customers to achieve the desired outcomes. Our history of winning and maintaining contracts that are fundamental to our customers' operations is unmatched, and has made us a driving force in the development of the U.S. lottery industry:

- GTECH's 68% share of the U.S. facilities-management market represented \$37.6B in total lottery sales in 2011.
- GTECH products and services are currently supplied to eight of the top 10 U.S. lotteries in terms of revenues.
- We participate in and support MUSL (Powerball) and Mega Millions consortia in the development of multi-jurisdiction games.

- As an extended service partner with lotteries in Texas, New York, Nebraska, and West Virginia, we provide complete supply chain management for instant tickets, expanded marketing services, and consumer research. Further, GTECH manages electronic funds transfer from more than 17,000 retailers on behalf of the New York Lottery.
- We are the only vendor in the U.S. engaged in the direct management of lottery sales staffs (Nebraska, Texas, and West Virginia – as well as Illinois, via Northstar).
- We often provide, under separate contracts, a dedicated sales force for specific recruitment and retailer optimization initiatives. For example, GTECH recruited 2,500 Keno retailers in Michigan, generating significant revenue growth, and was recently awarded a special contract for a retailer optimization program in New York.
- We are committed to national-chain retail expansion. Our corporate-chain team supports several lotteries – including non-GTECH lotteries – in the day-to-day development of this mission-critical industry growth opportunity.

The Experience and Knowledge of a Global Footprint

GTECH and the affiliated companies of the Lottomatica Group form the world's leading provider of operations management, technology solutions, innovative lottery products, and integration services. On the global stage, GTECH:

- Supplies a unique set of solutions and services to 80 lottery customers.
- Manages nearly 500,000 retailer terminals around the world.
- Was asked to develop a white paper on security, integrity, and technical feasibility for the development of the World Game.
- Completed 28 system conversions in 2011. We have unmatched expertise in deploying complex infrastructures and business methodologies with no disruption to business operations. For example:
 - In 2010, we successfully installed new equipment in approximately 31,500 Italian lottery retail locations, enabling the launch of 10eLotto, which generated more than \$1.6B in 2011 sales.
 - In 2008, we completed, on time and on budget, one of the largest and most complex technology conversions for Camelot's third UK National Lottery contract, enabling seamless growth in sales and lottery profit even during this transition period.

Most importantly, this worldwide experience has made us adept at complying with a wide range of integrity and transparency requirements. We will bring this experience – and an abiding commitment to the highest standards of responsible gaming – to Indiana in order to assist the Commission in the responsible execution of its goals and objectives.

THE MOST CREDIBLE AND COMPELLING BUSINESS PLAN

Building on our global operating experience and comprehensive knowledge of the U.S. lottery market, we've leveraged our data-driven, Indiana-specific research to design a Business Plan tailored to Indiana's environment and customer base. This disciplined, methodical, and transparent approach details the expected impact of each initiative we propose to grow the Lottery while minimizing the cannibalization of existing sales.

An Indiana-Based Plan for Hoosiers

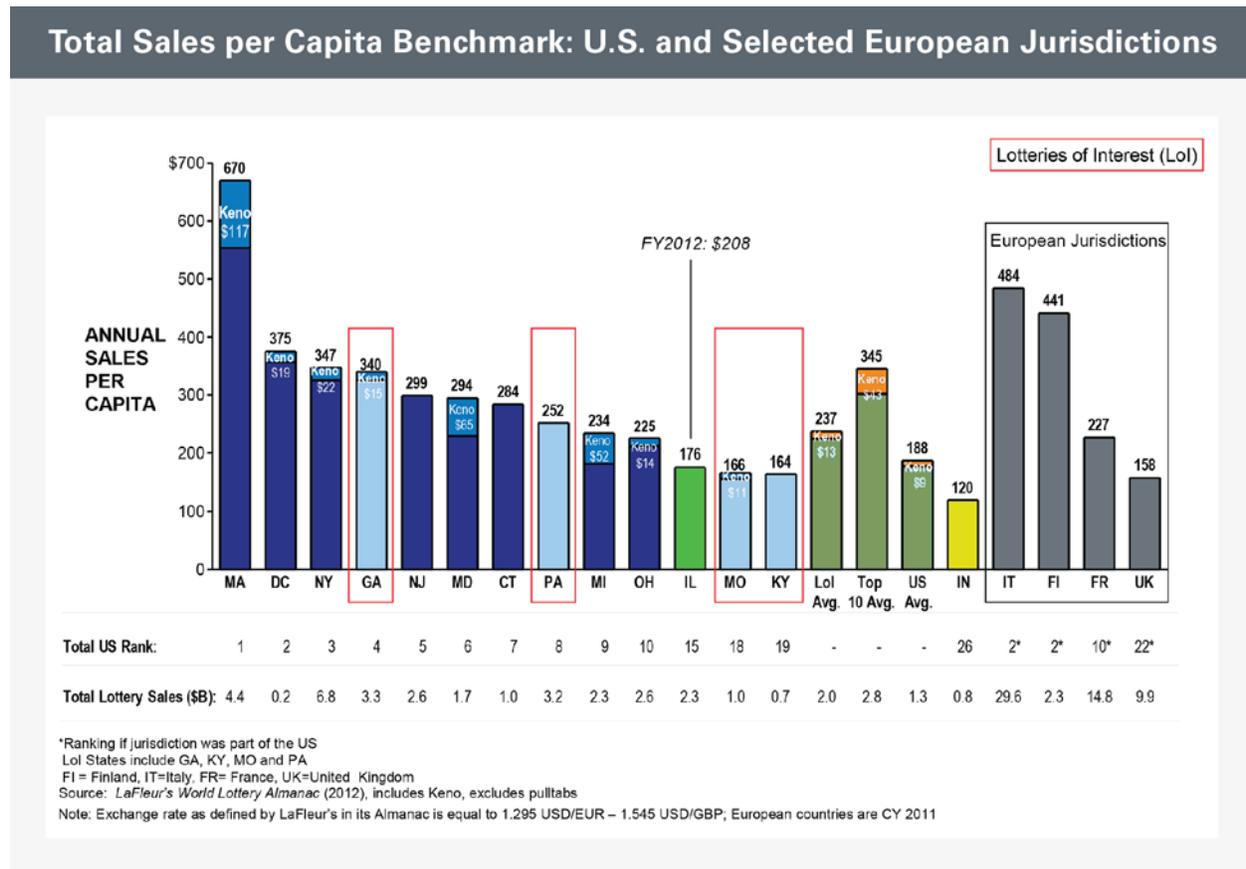
Our extensive on-the-ground research (which we will make available upon contract award), conducted in June/July 2011, includes:

- Our own Attitude & Usage study independently executed by KS&R, a full-service, top-rated market research firm.
- In-depth media research – conducted by OMD, recently appointed “U.S. Media Agency of the Year” for 2011 – to assess current Hoosier Lottery advertising practices and explore opportunities to increase the return on this important investment.
- Quantitative research on an extensive menu of game innovations. Our Business Plan identifies which games to introduce based on actual feedback from Indiana consumers (both lottery players and non-players).
- Retailer focus groups in Indianapolis and Merrillville involving both lottery and non-lottery retailers across different trade styles.
- Retailer prospect visits that gauged the viability of recruiting additional retailers and tested the quality of the prospect lists. More than one-third of visited retailers were found to hold significant potential for Lottery sales, inspiring confidence in the quality of our prospect list and in the recruitment opportunity.

Opportunities for Significant Growth

In FY11, the Hoosier Lottery ranked 26th in the U.S. in sales per capita (as illustrated in the following figure) and 27th in profit per capita.

Figure 2:



As the chart illustrates, the Commission’s view that the Hoosier Lottery has untapped potential is well founded when comparing its performance to other similar jurisdictions. If given the opportunity, **it is our commitment to make the Hoosier Lottery into one of the top 10 U.S. lotteries in terms of sales per capita by the fourth year of the Integrated Services Agreement (ISA).**

Detailed Initiatives Tailored to Indiana’s Market and Consumers

Our operator experience has allowed us to develop a detailed Plan that leverages all activities across the value chain. Major initiatives include:

- **Enhancing brand equity:** While a reputable brand that encompasses public trust, transparency, responsibility, and integrity, the Hoosier Lottery has an opportunity to enhance its brand equity from current levels. (E.g., Only 35% of Hoosiers describe the Lottery as “for people like me.”) We are committed to transforming the brand and doubling brand equity levels in the public imagination by reinforcing the Hoosier Lottery as part of Hoosier community life across its 92 counties.
- **Expanding the player base:** We will sustainably grow the Hoosier Lottery’s player base by attracting new customer groups and re-engaging with light and lapsed players. Our Plan boosts past-year playership from [REDACTED] and past-month playership from [REDACTED]
- **An end-to-end re-engineering of the instant ticket category:** With sales per capita less than the U.S. average, the Hoosier Lottery’s instant category will benefit from a complete relaunch. We plan to differentiate the portfolio, leverage core games, [REDACTED] and optimize game launches. We will completely re-engineer the supply chain while fundamentally transforming the consumer retail experience with the instant ticket category.
- **Innovating and energizing draw games:** We will leverage the best-performing add-on game in the U.S., attribute a specific goal to each game in the portfolio, [REDACTED], and introduce a continuous flow of new games already tested with Hoosier consumers. We will further leverage multi-jurisdiction game innovation, and continue to invest in and collaborate with the national MUSL and Mega Millions consortia.
- **Expanding the quality retailer network:** In addition to adding [REDACTED] independent retailers, we will further leverage the extensive efforts over the past several months by GTECH and the lottery industry to recruit high-quality chains such as Walgreens, Walmart, CVS, and others. By these and other measures, we will increase retailer penetration per capita in Indiana from [REDACTED] within the first three years.

- **Aligning sales staff priorities:** We will shift the focus of Lottery Sales Representatives (LSRs) to high-added-value activities, optimize LSRs' call cycles, and provide retailers with a suite of sales support tools from people on the ground.
- **Maximizing the advertising investment:** We've identified significant potential in this area, including [REDACTED]

The **Major Growth Drivers** insert on the following page further details our in-depth analysis of the Indiana market, along with the principal actions embedded in our Plan. We elaborate on both later in our Response.

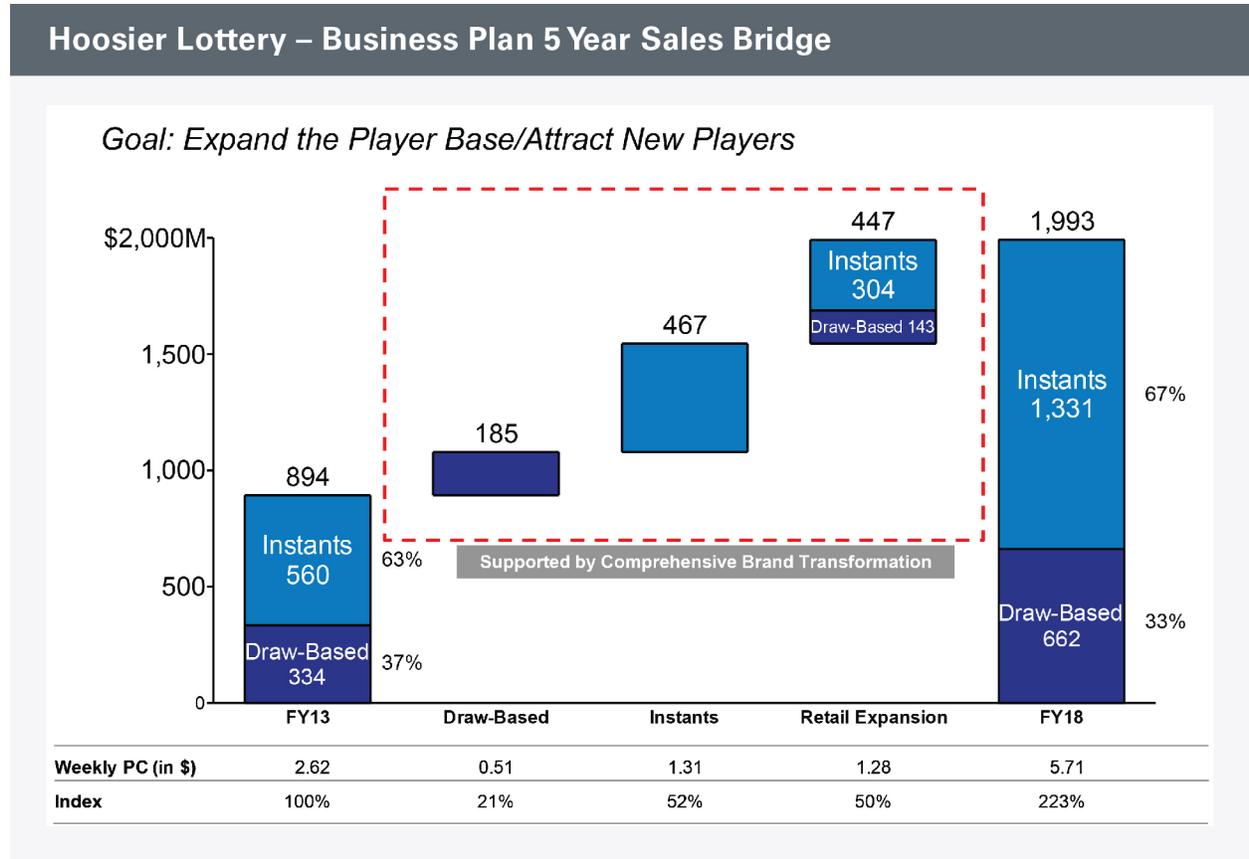
THE GREATEST VALUE FOR THE STATE OF INDIANA

Over the first five years of the ISA, the execution of our Business Plan will deliver cumulative **Provider Net Income of \$2.0B**, representing a CAGR of 16.8%. Based on this Business Plan, we have committed to **\$1.761B of cumulative Bid Net Income**.

Moving the Hoosier Lottery to the Top Tier of U.S. Lotteries

By year 5 of operations, we plan to achieve sales of \$2.0B. The following figure illustrates the distribution of sales across the key growth drivers.

Figure 3:

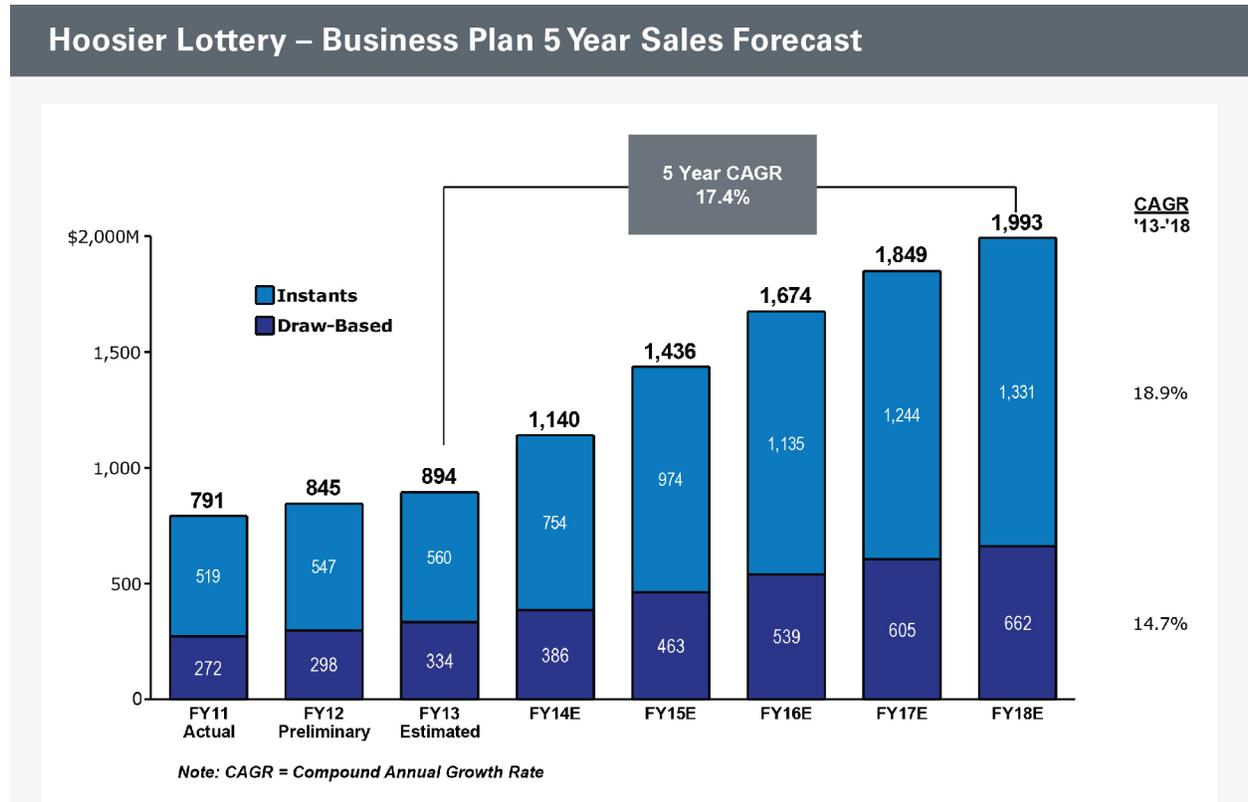


Major Growth Drivers

	Customer Base/ Brand Perception	Draw-Based Game Portfolio	Instant Game Portfolio	Retail Distribution Network	Communication
Situational Assessment	<ul style="list-style-type: none"> ☑ 58% agree "Lottery makes a positive contribution to State" ☑ 53% agree "games are run fairly/honestly" <p>Opportunity to Improve</p>	<ul style="list-style-type: none"> ☑ Quick Draw is US top-performing daily keno game ☑ Hoosier Lotto is 6th best in-state lotto game <p>Opportunity to Improve</p>	<ul style="list-style-type: none"> ☑ #23 in US based on instant sales per capita ☑ Consistent instant game launch cycle ☑ Strong, disciplined in-store positioning <p>Opportunity to Improve</p>	<ul style="list-style-type: none"> ☑ Excellent penetration of corporate chains (≥ 54% of total retailers) <p>Opportunity to Improve</p>	<ul style="list-style-type: none"> ☑ Commitment to corporate chain communication. ☑ \$13M spent in advertisement in FY12 <ul style="list-style-type: none"> - 90% onTV (outdoor < 8%, radio < 3%) - > 75% of TV are 30-sec. spots (< 25% are 15-sec. except Terre Haute) <p>Opportunity to Improve</p>
Actions Planned					

The following figure illustrates total sales evolution, which will grow by 27.6% in year 1, 26.0% in year 2, and 16.6% in year 3.

Figure 4:



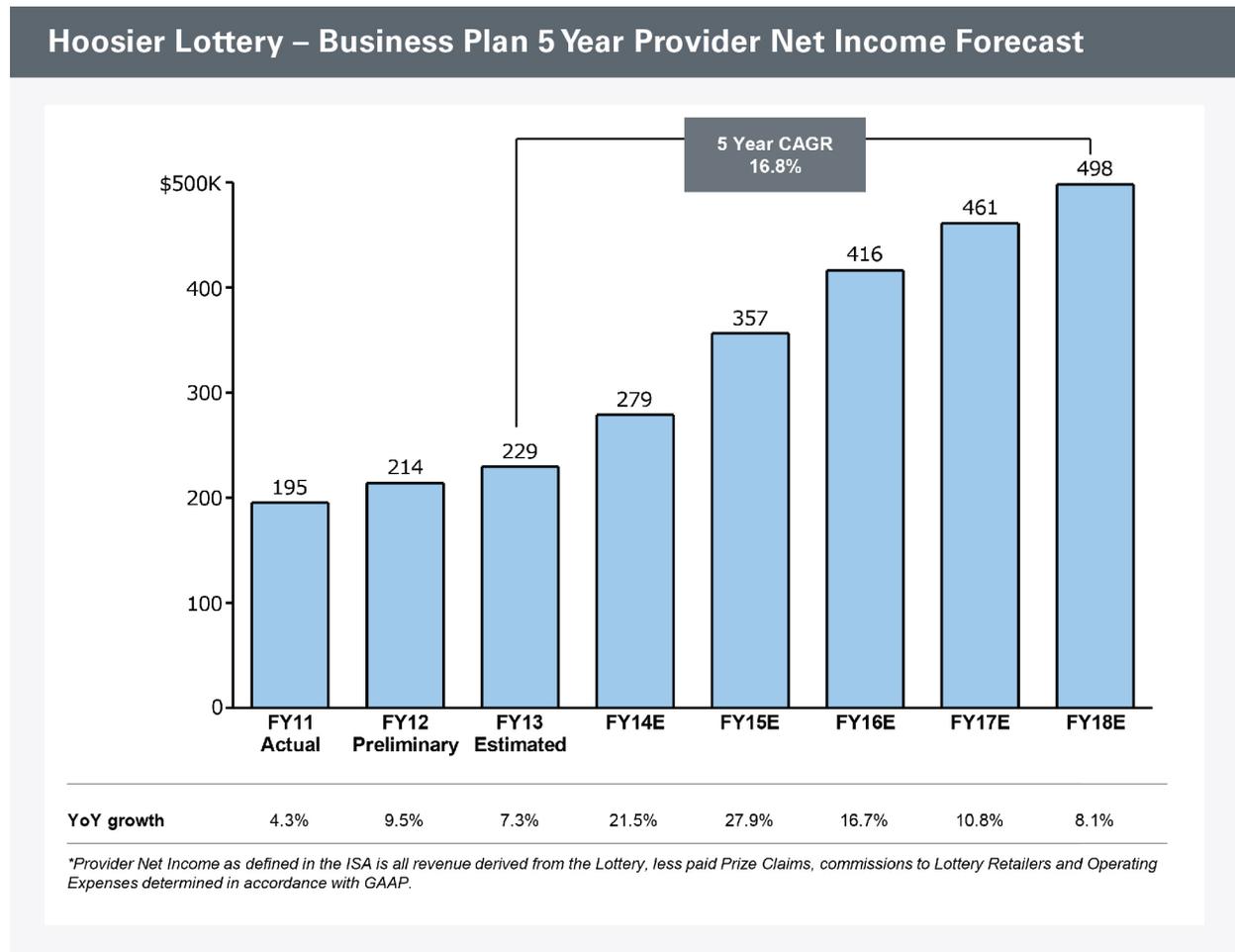
The Compound Annual Growth Rate (CAGR) for sales for the first five years is 17.4%. We are confident that our growth plan, which is based on our hands-on experience in other jurisdictions, is achievable:

- Notwithstanding a three-month delay in contract signing, GTECH’s Northstar grew sales in Illinois by 18% in its first year (FY12). In FY11, the Illinois Lottery already registered sales per capita nearly 50% stronger than those of the Hoosier Lottery (\$176 annual sales per capita vs. \$120).

- In its first 5 years of private management in Italy, Lottomatica achieved sales CAGRs of:
 - 29.5% for the Lotto draw game (1994 to 1999).
 - 87.6% for the Gratta e Vinci instant ticket program (2004 to 2009).

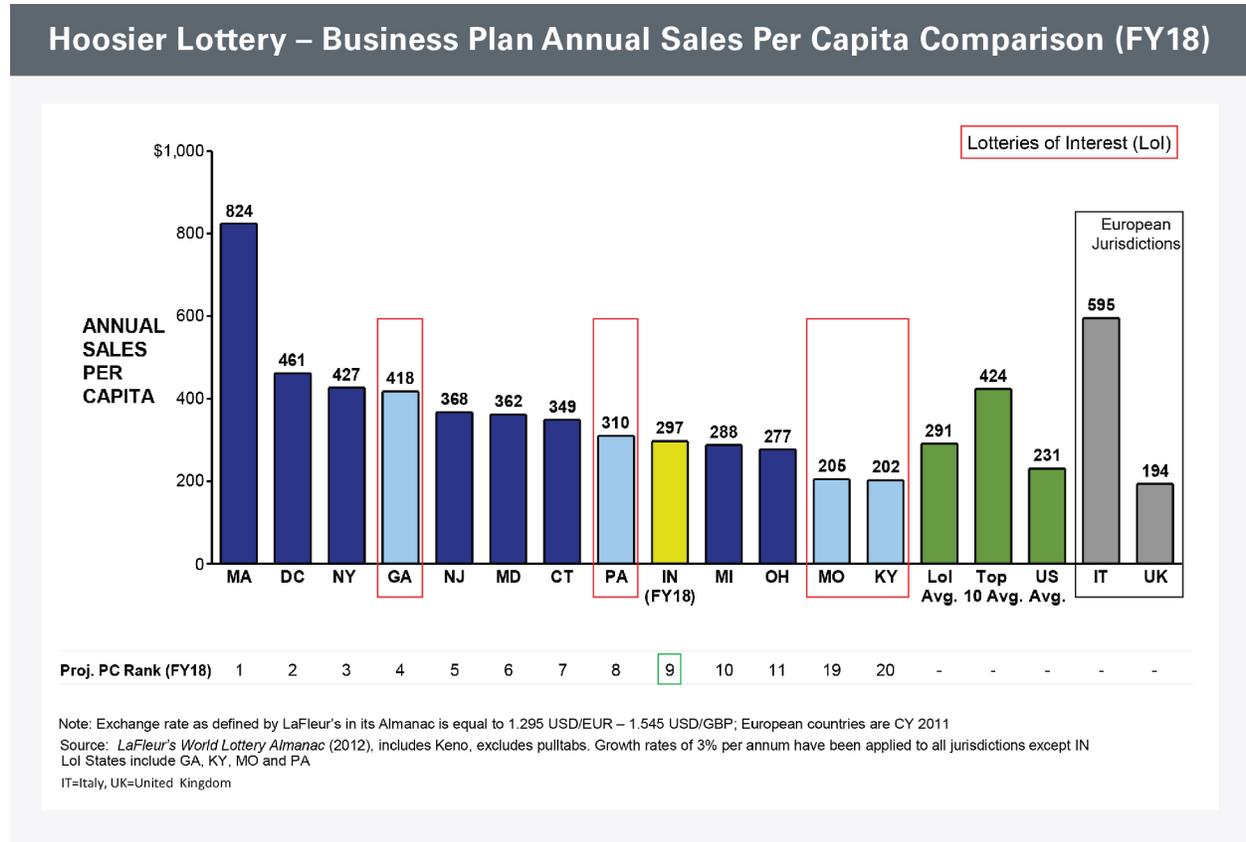
The following figure shows how the Business Plan develops Provider Net Income from an estimated \$229M in 2013 to almost \$500M in 2018, for a CAGR of 16.8%.

Figure 5:



By FY18 of our Business Plan, the Hoosier Lottery will reach performance levels of the top-performing lotteries, placing it in the U.S. first quartile in terms of sales per capita, as illustrated in the following figure. Most importantly, this sustainable Net Income growth will become a reliable source of funding for the good causes supported by the Hoosier Lottery.

Figure 6:



The Lottery will accomplish this while maintaining the highest level of integrity and responsibility.

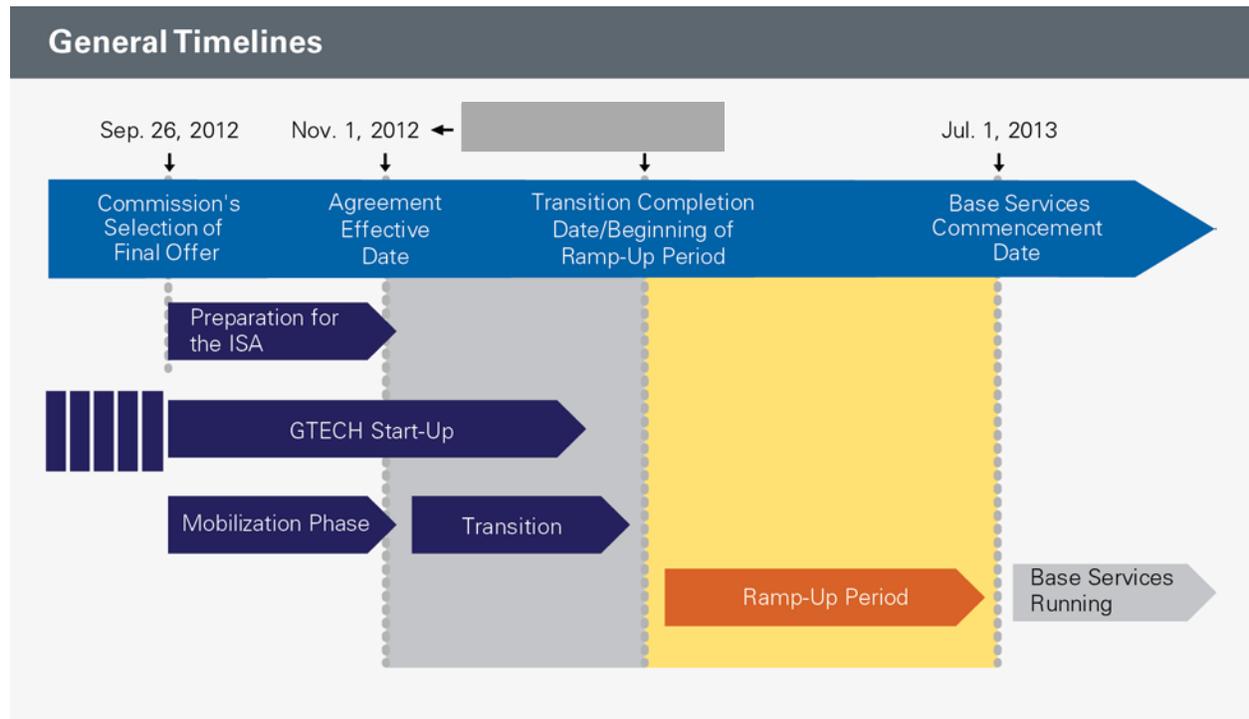
Minimal Execution Risk

Starting with the Transition Phase and throughout a 15-to-25-year relationship, the best Provider will present the Commission with the lowest implementation risk and the greatest potential for the Hoosier Lottery's immediate and long-term success. Change-management expertise and long-term fiscal stability are of the utmost importance.

Our Business Plan minimizes the execution risk because:

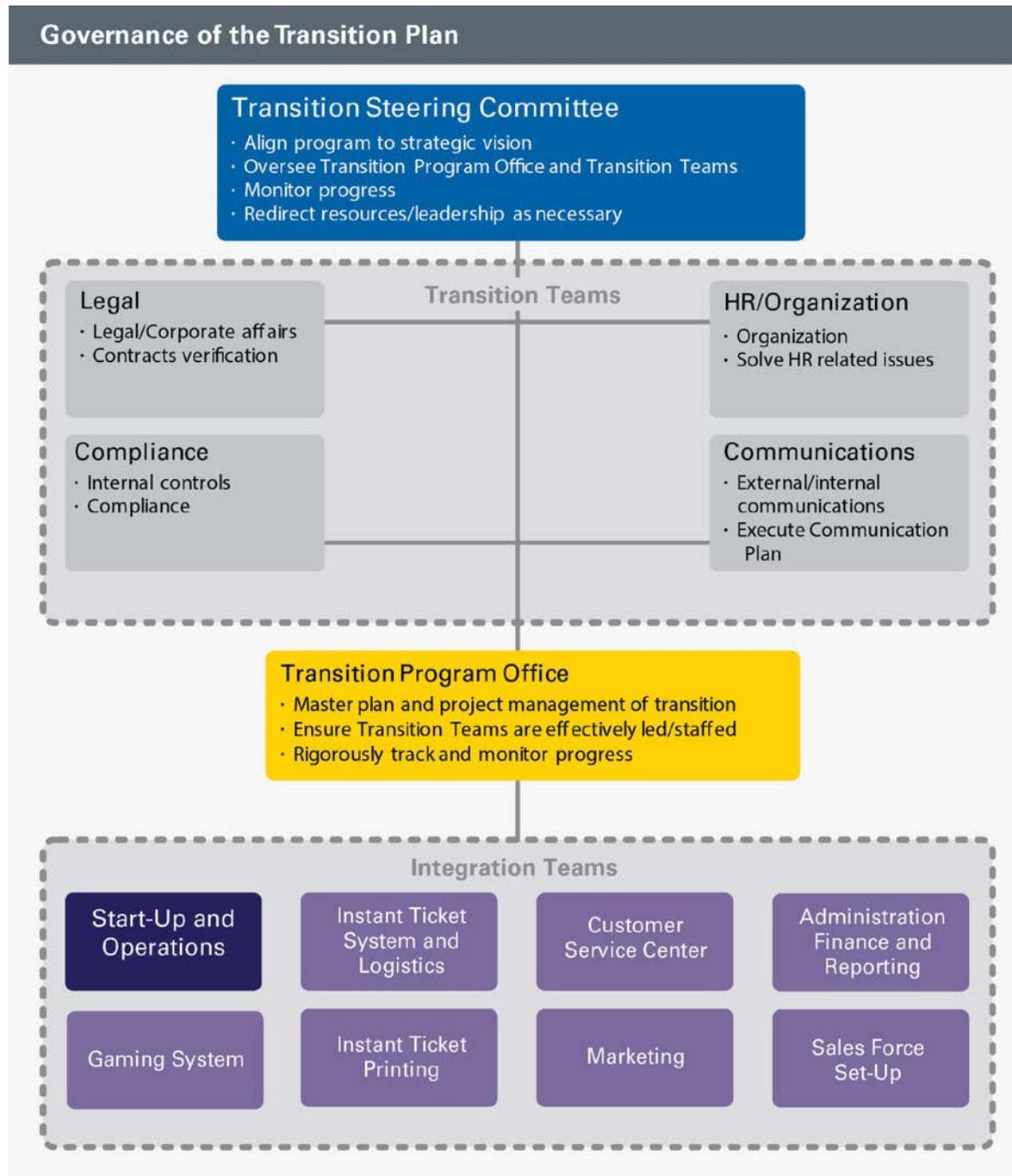
- We are the only Offeror that has managed a U.S. lottery's transition from a State-run to a private-manager model. As illustrated in the following figure, we have a well-ordered timeline that takes into account the Start-Up Phase, Transition Phase, and Ramp-Up Period.

Figure 7:



- We are highly experienced in the governance of the transition plan, and have detailed strategies to mitigate risk in each of the 6 transition teams and 8 defined integration teams, as outlined in the following graphic.

Figure 8:



- We have a proven track-record of providing marked development from the ramp-up phase and of flexibly adapting to external constraints. In Illinois, for instance, we overcame a three-month delay in contract signing, buying time to recruit new retailers, re-engineer half the instant games in the Illinois portfolio, roll out an extensive brand transformation, enhance prize structures for a wide range of instant games, and launch the Cash for Life game family. These efforts secured impressive results, with sales growth of 10.4% at the end of the Ramp-up Period.
- Our rigorous planning and Key Performance Indicator (KPI)-based tracking will monitor both operational efficiency and strict adherence to the highest standards of responsible gaming within the broader framework of our global corporate social responsibility program.
- We have a solid financial capability to realize the Commission’s goals over the life of the contract, derived from conducting business throughout the world without significant exposure to any single state or jurisdiction.
- GTECH is a financially sound and fiscally responsible company, with a portfolio of long-term service contracts that provide a solid foundation for continued profitable growth and steady, predictable cash flow. GTECH and its parent company, Lottomatica, have robust financial capability, as evidenced by Lottomatica’s investment grade credit ratings.

In our Response, we also submit three enhancements for areas in which GTECH has substantial experience and capabilities to support the Hoosier Lottery’s path towards modernization and market responsiveness – along with new games, platforms, and delivery mechanisms not currently used in Indiana but necessary for implementation.

While other lotteries have achieved significant new revenue by implementing complementary game strategies, we understand the potential challenges of pursuing these initiatives in Indiana. Our intent is to provide a base of information to enable the Commission to better judge which, if any, complementary game strategies it may wish to pursue in the future.

The three elements included in our Enhanced Plan are monitor games, Internet wagering of Lottery games, and Video Lottery Terminals (VLTs). The potential impact in terms of sales and profit for the fifth year from their introduction, and cumulative for the first five years, is illustrated in the following figure.

Figure 9:

Potential of Enhanced Business Plan Initiatives					
	YEAR 5 PERFORMANCE		CUMULATIVE 5 YEARS PERFORMANCE		
	SALES*	PROVIDER NET INCOME	SALES*	PROVIDER NET INCOME	
1	MONITOR GAME	\$460M	\$103M	~\$1.8B	~\$395M
2	INTERNET WAGERING OF HOOSIER LOTTERY GAMES	\$111M	\$26M	~\$270M	~\$60M
3	VLTs	\$804M	\$482M	~\$2.8B	~\$1.7B

* VLT sales are considered as net revenues (Cash Played less Cash Won)

A TEAM THAT COMBINES LOCAL INSIGHT AND GLOBAL LOTTERY EXPERTISE

We have identified an experienced management team and Board of Directors to implement and oversee our plan. While GTECH's professional lottery management brings global experience, a record of success, and best practices across all disciplines, we recognize that each lottery market is characterized by its unique attributes and culture. The existing Hoosier Lottery team knows its market better than anyone, and they will have an important home in our organization. We will depend on their expertise to execute the Plan we have designed specifically for Indiana.

Management Team



Connie Laverty O'Connor, GTECH's Chief Marketing Officer, will lead the delivery of integrated services as the Hoosier Lottery's Transitional CEO. As the Provider Lead, she will be the primary point of accountability for the Commission. A 30-plus-year veteran of the lottery industry, Connie was CEO of Northstar Lottery Group through the Illinois Lottery's successful transition to the private manager model, building on her established record of accomplishment with the New York and Georgia Lotteries. Connie will be ready to go on day one to implement our proposed Plan.



Jessica Powell will act as Vice President of Marketing through the Hoosier Lottery's Transition to the Integrated Services model. Jessica will leverage her experience as Northstar's Vice-President of Marketing and Advertising, where she directs an integrated 20-member team responsible for product development, research, advertising, promotions and public relations to responsibly create demand for Illinois Lottery products. Her highly successful tenure includes 15 consecutive record-breaking sales months totaling nearly \$2B in FY11/12, and her leadership of a sweeping transformation of the Illinois Lottery brand, boosting its relevancy 10 points in nine months.



Michelle Argentieri, in her role as Transitional Vice-President of Sales for the Hoosier Lottery, will bring her exemplary experience in retail sales, promotions, marketing, and public relations. After nine years with the New York Lottery, Michele recently completed a ramp-up and transition role as Vice-President of Sales for the Northstar Lottery Group under the Private Manager Agreement in Illinois. In this capacity, she achieved impressive sales growth by integrating the Northstar and Employee Use Agreement sales forces, and driving transformational business change for the sales,

recruitment, and retail optimization organizations.

Current Hoosier Lottery Employees

Once selected, we will take action to engage current employees and will offer full-time employment – effective immediately after the Transition Completion Date – to all Commission Personnel who meet the terms set forth in Section 3.1.2 of the Integrated Services Agreement. Offers will be made to 177 individuals, and we will adjust this figure as needed. We are excited about the opportunities that lie ahead for the Lottery and its employees, and we look forward to integrating our two cultures to form a superior team to accelerate the success and realize the potential of the Hoosier Lottery.

Board of Directors



Jaymin Patel, President and CEO of GTECH Corporation, will serve as Chairman of the Board of Directors. Mr. Patel was appointed Chief Executive Officer of GTECH Corporation in January 2008 after serving as President and Chief Operating Officer, and is responsible for overseeing GTECH's strategic direction and global operations. Since joining GTECH in 1994, Mr. Patel has been instrumental in the company's business development initiatives and global operations. Over the last several years, Mr. Patel has driven GTECH's efforts to expand its business and become a gaming operator as well as a solutions provider. He led the business development team that pursued the Illinois Lottery's private management opportunity, and currently serves as Chairman of Northstar Lottery Group.

Responsibility and Transparency

Our Business Plan for the Hoosier Lottery is ambitious and relies on the quality and insights of our leadership and a rigorous compliance program to ensure that we deliver on the Plan's commitments by adhering to the highest standards of responsibility and transparency.

Responsible gaming programs should not be accepted as an explanation or excuse for performance below that of comparable lotteries. Such programs, drawn from our best practice experiences, form a bond with customers that promotes, not inhibits, responsible play.

GTECH has implemented comprehensive responsible gaming programs around the world, including solutions to prevent underage play, protect vulnerable groups from addictive behavior, and guard against fraudulent retailer activity.

Growing a lottery responsibly means attracting more new players and nurturing existing players. As has been our practice in other GTECH operations, we will embed responsible gaming principles in all operational processes, and implement an end-to-end, ongoing program to set responsible gaming goals, measure results, and report on progress.

This philosophy is at the core of our strategy, evidenced by our experience managing contracts in Illinois and Europe. In Illinois, after one year of operation, we have grown playership from 6.1 million to 7.2 million. In Italy, Lotto playership grew from 13 million in 2009 to 15 million in 2011. As stated previously, we plan to increase playership in Indiana from 60% to 75-80%, as a wide player base represents the best guarantee of responsible gaming.

Further, we are keenly aware of the importance the Commission places on transparency. GTECH's has developed a world-class compliance regimen that is a core competency of the company and a fundamental part of our culture. Based on our extensive experience in this area, we are confident that we will meet or exceed the Commission's expectations of responsibility and transparency.

SUPPORTING GOOD CAUSES WHILE PROTECTING THE PUBLIC

We are delighted to submit our Response to the Commission and are confident that you will recognize our Business Plan as:

- Developed and submitted by the **most qualified Provider**, in light of our operator experience, our knowledge of and involvement in the U.S. lottery industry, and our global footprint.
- The **most credible and detailed**, built from the bottom up on data-driven, Indiana-specific analysis.
- Providing the **greatest value to the State of Indiana**, combining quantitatively grounded Profit and Net Income projections with the lowest execution risk.
- Demonstrating, through our Advisory Board, a visible commitment to ensuring that every initiative we execute will be **tailored to the local market and implemented in a socially responsible and ethical manner in the interest of the people of Indiana**.

GTECH will bring the alignment, discipline, insight, and experience to propel the Hoosier Lottery into its next phase of growth. Most importantly, we will do so on a foundation of responsible gaming principles and initiatives, which will be budgeted annually as part of our Business Plan.

As the Hoosier Lottery's selected Provider, **GTECH commits to returning 2% of Provider's annual profits to Hoosier charities, community projects, and social causes.**

As a community participant, we believe it is important to contribute to the communities in which we do business. The Hoosier Giving Pledge is incremental to other social and community programs – such as After School Advantage, a flagship initiative that has resulted in more than \$3 million in computer technology donations to community organizations and public schools – that GTECH is committed to and involved with. We are grounded in our history and experience, and in the fundamental understanding and appreciation that publicly sponsored gaming is based on supporting good causes while protecting the public. We are confident that the Plan we propose achieves that critical balance.

3.0 Base Business Plan

Strategic Approach to Growing Provider Net Income

Provider and GTECH are prepared to work cooperatively with the Commission, devoting our energy, resources, and talents to deliver the greatest value to Indiana citizens by:

- Increasing net proceeds to fund retirement programs and the Build Indiana Fund.
- Enhancing the entertainment value of the Hoosier Lottery experience.
- Attracting new, infrequent, and lapsed adult players to broaden the customer base.
- Reinforcing social responsibility policies that:
 - Protect and respect Hoosier Lottery players, Lottery Retailers, and the community.
 - Safeguard, maintain, and grow the Hoosier Lottery brand.
 - Include standards of professionalism and integrity for those affiliated with the Lottery.

When planning initiatives to develop a lottery market, our approach starts with a deep understanding of the local situation, the products offered, and the consumers and retailers' needs, desires, and behaviors. In Indiana, we have heavily invested financial resources, performed in-depth market research studies, and conducted extensive analysis of Indiana and the Hoosier Lottery in June and July of 2012, as illustrated in the following figure. (We will provide the full results of these studies upon successful contract award).

Figure 3.0 – 1:

Market Research Studies on Indiana and the Hoosier Lottery				
	WHO	WHEN	METHODOLOGY	NOTES
A&U STUDY	KS&R	June/July 2012		
GAME CONCEPT CONSUMER RESEARCH	KS&R	June/July 2012		
RETAILER FOCUS GROUPS	KS&R with GTECH	June 2012		
RETAILER INTERVIEWS AND STORE OBSERVATIONS	GTECH	June/July 2012		
FIELD SERVICE TECHNICIAN (FST) FOCUS GROUPS	GTECH	June 2012		
FST RETAILER PROSPECT VISIT	GTECH	June/July 2012		
ADVERTISING RESEARCH REPORT	OMD	June/July 2012		

** Different from those in the A&U study*

The studies mentioned in the previous figure were carefully evaluated, as were those provided by the Hoosier Lottery in the data room and summarized in the next figure:

Figure 3.0 – 2:

Market Research Studies Provided by the Hoosier Lottery	
RESEARCH	DATE
Hoosier Lottery Tracking Study Data Tabulations	1 st – 3 rd Quarter of FY12
Hoosier Lottery Tracking Study Dashboards	1 st – 3 rd Quarter of FY12
Hoosier Lottery Cross-Sell Analysis	Through 2010
Hoosier Lottery Satisfaction Insight Review	1 st July – 31 st October 2011 1 st November – 29 February 2012
Gaming Emerging Markets Syndicated Study	August 2011
Scratch-offs Player Segmentation	June 2011
Gamer Plus Segmentation	June 2011
Hoosier Lottery Tracking Study	3 rd Quarter 2011 – 2 nd Quarter 2012
Hoosier Lottery OptiMix	August 2011

Taking all of these studies into consideration, we developed our Business Plan with a clear understanding of the Hoosier Lottery’s market context and the Indiana consumer. We believe that this consumer-oriented approach, based on market insights and reinforced by our ability to innovate the game portfolio and consistently market it in a compelling way, will be key to driving profit growth.

To demonstrate accountability (as described further in the Brand Integrity section), we will monitor the implementation and fulfillment of our vision throughout the contract term using Key Performance Indicators which, apart from financial indicators, will let Provider and the Commission measure success against mutually agreed-upon objectives.

GTECH understands that the Commission’s ultimate goal is to maximize returns to good causes while maintaining the highest levels of integrity and responsibility. Our experience as an operator (described in the Supporting Experience section) shows that full alignment between the Commission and the Provider is a prerequisite to achieving this goal.

In support of the mission to attract as many people as possible to enjoy the Hoosier Lottery experience in a responsible manner, while efficiently operating to optimize returns for the State, we will build the Lottery’s brand equity around four principles:

1. **Strengthening the Player Base:** Our sales growth strategy will focus on having a large number of people spend smaller amounts of money, rather than having just a few people spend large amounts of money. In Indiana, the current past-year playership of 60% can be greatly improved. Our approach will lead to greater long-term, sustainable growth and maximize the return on marketing investments.
2. **Reinforcing Responsible Gaming:** The Hoosier Lottery is a product of trust. A brand based on the principles of reliability and player protection is most appealing to consumers. We will institute processes with the Commission that balance sales development and consumer protection, as described in the Responsible Gaming section.
3. **Fostering Innovation:** Using our global expertise, we will introduce several innovations founded on industry best practices. We will implement creative and proven product, marketing, Lottery Retailer, and technology solutions, as described in the Business Plan.
4. **Exercising Agility and Market Responsiveness:** Lottery and entertainment markets are evolving quickly. Consumers are changing their purchasing patterns and alternative gaming options are creating competition, requiring lotteries to develop strong marketing capabilities to respond to market dynamics. Our Business Plan is designed to round out this market-oriented approach, leveraging our considerable capabilities and staff members’ many talents.

We will aim to strengthen Hoosiers' connection to the Lottery and to make the Lottery a part of their life. Our goal is to significantly increase the percentage of regular Hoosier Lottery players. In the first three years of our role as Provider, our objective will be to improve:

- **Lottery participation in the past year** from the current 60% level (Source: *Ipsos Tracking Study*, Q2 FY12) to between 75 and 80%.
- **Lottery participation in the past month** from the current 47% level to at least 60%.
- **The overall opinion of the Lottery.** As an example of just one indicator, we will aim to increase the positive response to the statement "The Lottery makes a positive contribution to Indiana" from its current 58% level (Source: *KS&R A&U*, July 2012) to between 70 and 75%.

Strategy implementation will be based on the following building blocks:

- **Brand Optimization:** By applying industry-leading marketing tools, we will continually analyze consumer behavior and trends to increase Lottery penetration and identify new customers. We have created an extensive marketing communications program that will:
 - Renew the Lottery's image by instilling a sense of innovation, leveraging a robust and consistent plan for game innovation (both in the instant and draw categories).
 - Increase Lottery awareness by utilizing an optimal mix of traditional and new communications, promotions, and trade marketing initiatives.
- **Product Diversity:** We will introduce new game features and products based on Indiana market insights and successful implementations in other domestic and international jurisdictions. All will be supported by a structured product development process that will:
 - Maximize revenue generation for the Lottery.
 - Fully align with the Lottery's activities.
 - Incorporate responsible gaming principles from the beginning stages of game design.
- **Retail Network Development:** We believe this is one of the most relevant areas of business and revenue development for the Hoosier Lottery, and we will invest a great deal of effort and resources to:
 - Increase Hoosier Lottery Retailer penetration to close the gap compared with best practices. To do this, we will use our rigorous methodology that targets the best potential Lottery Retailer locations for reaching lottery customers.
 - Optimize sales per Lottery Retailer by applying a mix of trade initiatives and management processes based on profitable initiatives implemented in other U.S. jurisdictions.

- **Organization:** As an operator, we are accustomed to leveraging contributions of multiple vendors (and are already perfectly integrated in some of our key jurisdictions, such as Illinois and Italy) with other industry players. [REDACTED]

[REDACTED] We will also establish a process to qualify each of the three current U.S. market instant ticket suppliers (GTECH Printing Corporation, Pollard Banknote, and Scientific Games).

Delivering on the commitments contained in our Business Plan is our single focus. While we will never limit the suppliers from which we can procure solutions and products, we stand ready to step in and provide our own solutions when necessary in the best interest of the State. Our organizational structure will:

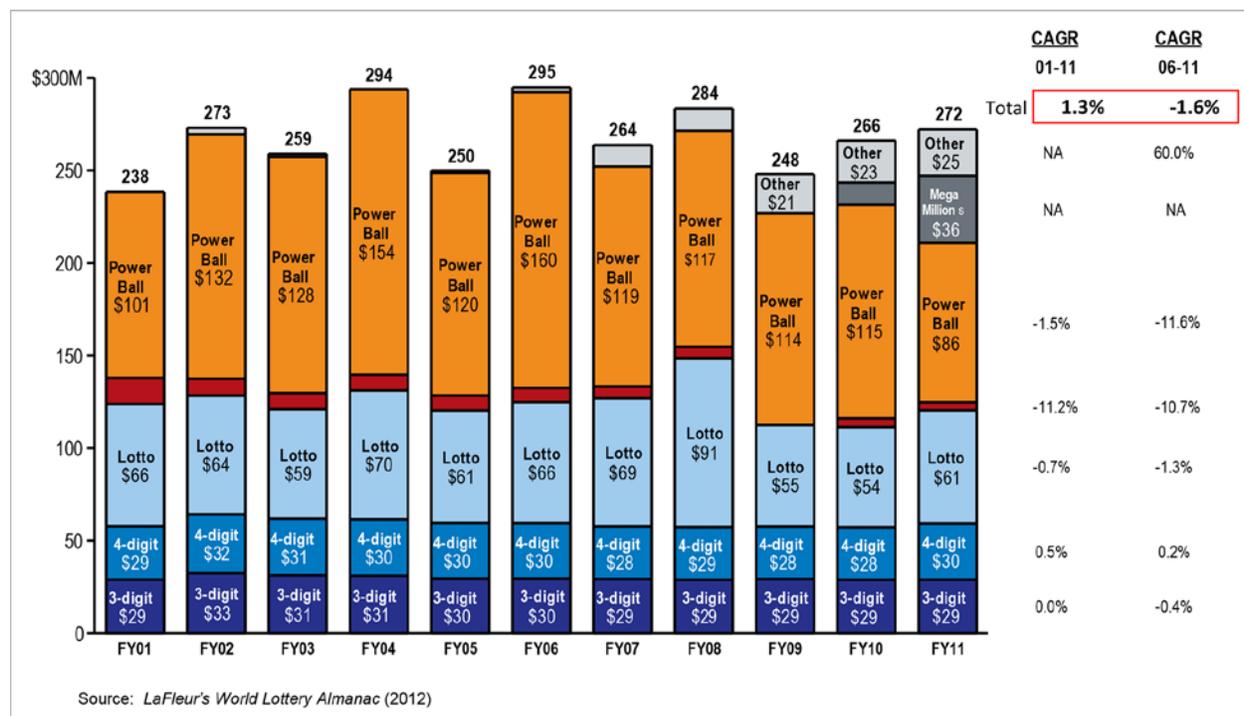
- Promote sharing of GTECH’s knowledge and experience with its partners to identify the best solutions.
- Allow for quick and proper strategy implementation through coordination of business functions.
- Minimize operational risks.
- Enable more effective and efficient operations.

Draw-Based Game Innovation

Situational Assessment

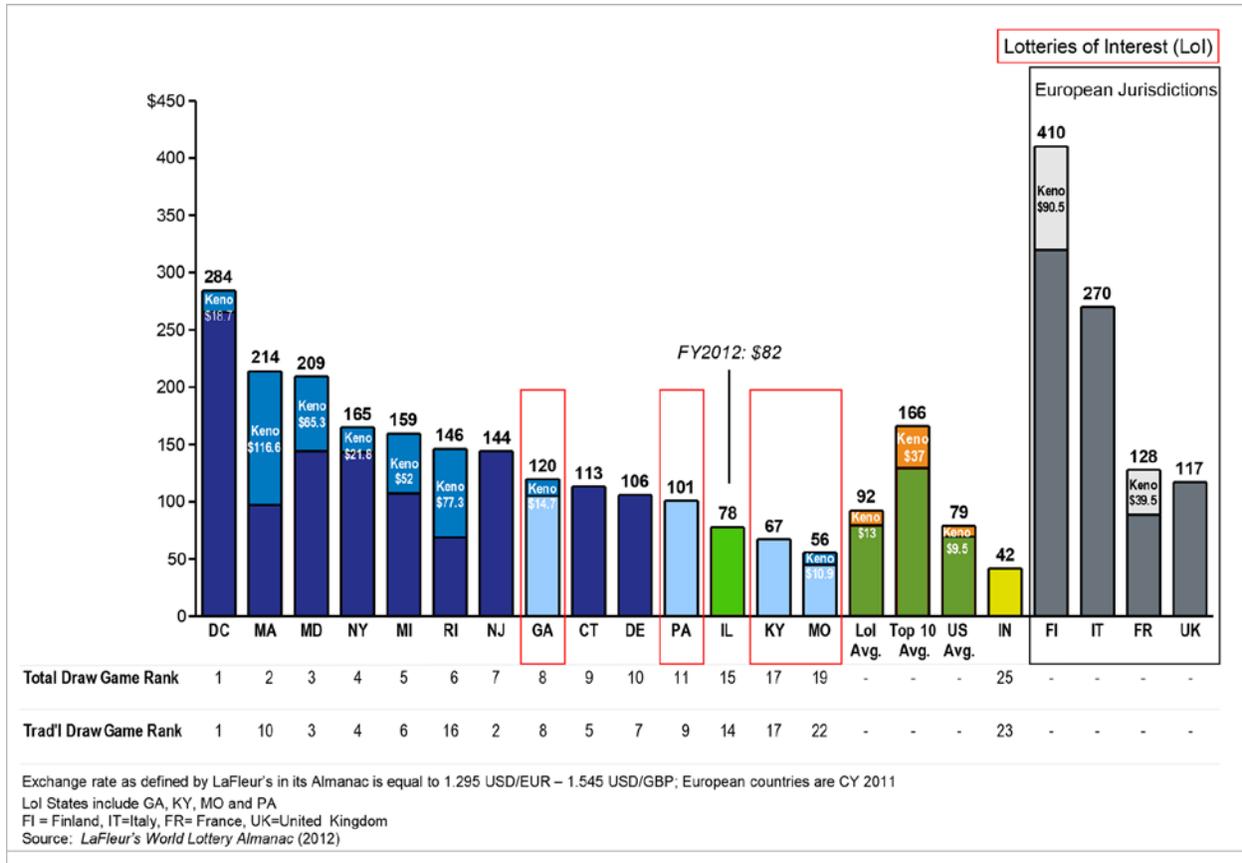
The Hoosier Lottery has achieved steady growth over the last three years, reaching \$272 million in draw-based game sales in FY11. Driven by a strong in-state Lotto game, consistent daily numbers game performance, the top-performing daily keno game in the country, and a loyal following for the two multi-jurisdiction jackpot games, Hoosier Lottery sales have experienced a 1.3% 10-year Compound Annual Growth Rate (CAGR), as depicted in the figure below.

Figure 3.0 – 1: Historical Draw Game Sales (FY02 – FY11)



As illustrated in the following figure, in FY11, the Hoosier Lottery ranked 25th among U.S. lotteries in total draw game per capita sales and 23rd for traditional draw game per capita game sales (which do not include keno sales).

Figure 3.0 – 2: Draw Game Sales Per Capita Benchmark



The next figure depicts where the Hoosier Lottery ranks for each draw game compared to other U.S. lotteries. As of FY11, the Lottery ranked 1st among daily keno games and offers a very strong in-state Lotto game, as evidenced by its 1st quartile performance.

However, both daily numbers games hold spots in the 3rd quartile, while multi-state jackpot games and the combined performance of the Lottery's two cash games (Lucky 5 and Mix & Match) lag in the 4th quartile.

Figure 3.0 – 3:

Hoosier Lottery Draw Game per Capita Sales Rankings																	
Cash		Lotto		Multi-State		Pick 3		Pick 4									
Quartile	Jurisdiction	2011 Average Weekly Cash Sales	Quartile	Jurisdiction	2011 Average Weekly In-State Lotto Sales	Quartile	Jurisdiction	2011 Average Weekly Multi-State Lotto Sales	Quartile	Jurisdiction	2011 Average Weekly Pick 3 Lotto Sales	Quartile	Jurisdiction	2011 Average Weekly Pick 4 Lotto Sales			
1	Florida	\$0.36	1	Florida	\$0.44	1	New Jersey	\$0.81	1	District of Columbia	\$1.63	1	District of Columbia	\$2.02			
	Connecticut	\$0.31		Maine	\$0.24		Rhode Island	\$0.74		New Jersey	\$0.93		Massachusetts	\$0.99			
	New Jersey	\$0.31		Vermont	\$0.23		District of Columbia	\$0.73		Georgia	\$0.89		Maryland	\$0.85			
	Pennsylvania	\$0.28		California	\$0.22		Delaware	\$0.68		New York	\$0.86		New York	\$0.79			
	New York	\$0.27		Oregon	\$0.21		New York	\$0.66		Maryland	\$0.84		Michigan	\$0.70			
	Massachusetts	\$0.25		Indiana	\$0.18		Louisiana	\$0.59		Connecticut	\$0.66		New Jersey	\$0.55			
	Illinois	\$0.17		2	Colorado		\$0.17	New Hampshire		\$0.59	Michigan		\$0.63	Connecticut	\$0.54		
	Wisconsin	\$0.16			Illinois		\$0.17	South Carolina		\$0.54	Ohio		\$0.59	Virginia	\$0.51		
	Georgia	\$0.16		New York	\$0.16		Pennsylvania	\$0.54		2	South Carolina		\$0.56	2	Rhode Island	\$0.45	
	North Carolina	\$0.12		New Jersey	\$0.16		Maryland	\$0.54			Pennsylvania		\$0.54		Delaware	\$0.38	
	2	Nebraska		\$0.11	Washington		\$0.15	Connecticut			\$0.52		Kentucky		\$0.53	Georgia	\$0.37
		Kansas		\$0.11	Connecticut		\$0.15	2			Idaho		\$0.50		Delaware	\$0.37	
		Rhode Island		\$0.11	3		New Hampshire				\$0.14		West Virginia		\$0.49	Pennsylvania	\$0.37
		Ohio		\$0.10			Louisiana				\$0.14		Michigan		\$0.49	Ohio	\$0.34
Michigan		\$0.10	Texas	\$0.13		Kentucky	\$0.48		Illinois		\$0.29						
Minnesota		\$0.10	Delaware	\$0.10		Virginia	\$0.48		South Carolina		\$0.27						
Missouri		\$0.09	Pennsylvania	\$0.10		Massachusetts	\$0.48		Florida		\$0.24						
South Carolina		\$0.09	Arizona	\$0.09		Nebraska	\$0.45		Louisiana		\$0.21	3	North Carolina		\$0.16		
Texas		\$0.09	Maryland	\$0.09		Florida	\$0.44		Texas		\$0.21		Louisiana		\$0.16		
California		\$0.08	Michigan	\$0.09		Georgia	\$0.43		3		Missouri		\$0.20		Kentucky	\$0.16	
3		Montana	\$0.08	Massachusetts		\$0.09	Iowa				\$0.43		Tennessee		\$0.17	Missouri	\$0.10
		Colorado	\$0.07	Ohio		\$0.08	North Carolina				\$0.43		West Virginia		\$0.09	Indiana	\$0.09
		Maryland	\$0.07	Wisconsin		\$0.08	3			North Dakota	\$0.43		Wisconsin	\$0.08	Tennessee	\$0.08	
		New Mexico	\$0.07	Missouri		\$0.08				Arizona	\$0.41		New Hampshire	\$0.08	New Hampshire	\$0.07	
	Washington	\$0.06	Kentucky	\$0.03		Illinois				\$0.41	Maine		\$0.08	Maine	\$0.06		
	Tennessee	\$0.06	4	Maryland		\$0.09		South Dakota		\$0.41	California		\$0.07	4	West Virginia	\$0.05	
	Virginia	\$0.06		Michigan	\$0.09	Ohio		\$0.41		Minnesota	\$0.05		Texas		\$0.05		
	South Dakota	\$0.06		Massachusetts	\$0.09	Tennessee		\$0.40		4	Washington		\$0.05		Wisconsin	\$0.04	
	West Virginia	\$0.06		Ohio	\$0.08	New Mexico		\$0.39			Vermont		\$0.05		Vermont	\$0.04	
	New Hampshire	\$0.05		Wisconsin	\$0.08	Oklahoma		\$0.39			Iowa		\$0.04		Arkansas	\$0.02	
	4	Maine		\$0.05	Missouri	\$0.08		Missouri			\$0.38		Kansas		\$0.04	Iowa	\$0.02
		Vermont		\$0.05	Kentucky	\$0.03		Arkansas			\$0.38	Arkansas	\$0.04		California	\$0.01	
		Kentucky		\$0.05	Ohio	\$0.01		Colorado			\$0.38	New Mexico	\$0.03		Oklahoma	\$0.01	
		Arizona		\$0.04	Montana	0.01		4	Indiana		\$0.37	Nebraska	\$0.03		Oregon	\$0.01	
Louisiana		\$0.04		Daily Keno	2011 Average Weekly Daily Keno Sales	Idaho			\$0.04		Maine	\$0.37	Oklahoma		\$0.03		
Delaware		\$0.03				Indiana			\$0.06		Vermont	\$0.37	Arizona		\$0.02		
Iowa		\$0.02				New York	\$0.03		Montana		\$0.35	Idaho	\$0.02				
Oklahoma		\$0.02				Michigan	\$0.02		Wisconsin		\$0.32	4	Washington		\$0.05		
Indiana		\$0.01				Washington	\$0.02		Minnesota		\$0.32		Vermont		\$0.05		
Daily Keno		2011 Average Weekly Daily Keno Sales	Ohio			0.01	Kansas		\$0.31		Iowa		\$0.04				
			Montana			0.01	California		\$0.27		Kansas		\$0.04				
			Daily Keno			2011 Average Weekly Daily Keno Sales	2011 Average Weekly Daily Keno Sales		Texas	\$0.27	Arkansas		\$0.04				
									Oregon	\$0.26	New Mexico		\$0.03				
									Washington	\$0.26	Nebraska		\$0.03				

The next figure shows the current portfolio of Hoosier Lottery draw games. The gap between Indiana and other lotteries stems largely from the following factors:

1. Over the past several years, there has been limited innovation in the portfolio (excluding multi-state games).
2. The Tag 6 game introduced on Hoosier Lotto in 2011, while innovative, suffers from a lukewarm perception from both Lottery Retailers (confirmed during our focus groups) and players based upon:
 - a. Poor overall odds
 - b. The difficulty players experience in determining their winnings.
3. Mediocre cash game performance for both Lucky 5 and Mix & Match, which in particular does not appear to deliver sufficient value for \$2. Combined, these two games contribute just 4% of draw game sales, in comparison to other jurisdictions, where this category represents 10% to 15% of the draw game portfolio.

Figure 3.0 – 4: Hoosier Lottery Draw Game Portfolio

Hoosier Lottery Draw Game Portfolio Overview										
	Games	Type	Contribution to Draw Sales ('11)	Product Characteristics						
				Year	Matrix	Add-on	Payout	Top Prize	Price	# Draw
Numbers Games	Daily 3	Pick 3	11%	1990	N/A	N/A	50%	\$500	\$1	Twice daily
	Daily 4	Pick 4	11%	1990	N/A	N/A	50%	\$5,000	\$1	Twice daily
In-State Games	Hoosier Lotto	Lotto	23%	1994	6/48	Tag6	53%	Min Jp: \$1,000,000	\$1	Daily
	Mix & Match	Lotto	2%	2006	5/50	No	62%	\$200,000	\$2	2 per week (Tue and Fri)
	Lucky 5	Cash	2%	1993	5/36	N/A	50%	\$50,000	\$1	Twice daily
Multi-State Lotto	Powerball	Lotto	32%	1992	5/59+1/39	Yes 1/35	50%	Min Jp: \$40,000,000	\$2	2 per week (Wed and Sat)
	Mega Millions	Lotto	13%	2010	5/56+1/46	Yes 1/46	50%	Min Jp: \$12,000,000	\$1	2 per week (Tue and Fri)
Other	Quick Draw	Daily Keno	6%	2009	10/20/80	No	64%	\$300,000	\$1	Daily

Proposed Draw-Based Game Innovations

Each Game Has Its Own Story

The plan that we are submitting talks about numbers and games, but most importantly about people.

Some people believe that scratching an instant ticket brings together the action and the excitement of discovering, step by step, if they've won, and possibly the enjoyment of trying again, while writing numbers on a blank play slip is an activity that is not as entertaining, seemingly repetitive and cold.

The reality is different. Looking at the numbers played in lotteries across the globe, a different world emerges.

It becomes clear that we are not talking of a single person, but rather of a total population of players, all of them different and all with their own behaviors and feelings.

It becomes clear that all of these people, with the numbers and the games they are playing, are telling us who they are, what their life has been, and how they would like to shape their future.

It becomes clear that players are not just seeking to win a prize; they are also seeking to add an element of entertainment to their day, and possibly, if lucky, to change one aspect of their life - without completely changing their life-style - with a win.

Some players believe in pure luck and will choose a Quick Pick, or will play randomly chosen numbers. Other players will choose a Quick Pick, just because they are busy, in a hurry, or have to rush, but still want to place a wager.

Others will play on special dates - the most important ones, the dates most significant in their lives, to their families or among their friends - as a means of expressing how these dates add value to their lives.

Other players will have an important project in mind, and will reproduce it on the play slip through the numbers, in order to provide an esthetic sense to their choice.

Others will research the laws of numbers, and imagine themselves able, from the winning numbers' historical sequence, to forecast future draw results.

Still others will play in a group, with friends or colleagues, because it is another way to socialize and share, through the numbers, what's happened in the past and what they have experienced together.

Each of these choices represents a behavior that, far from being cold, is instead alive, personal, and emotional.

Lottery game development allows us to reflect upon and interpret these consumer choices. Taking other elements into account, the role of the Provider is to combine all of these choices, and to build a beautiful game within a well balanced portfolio, all while complying with the principles of responsible gaming and without losing sight of the overarching goal of maximizing returns for the State and the people of Indiana.

The first component of creative game development is entertainment: designing games that engage, provide fun, and potentially suggest that the player, ultimately, defines the strategy.

The second component is making sure that all players can have fun, by establishing suitable and differentiated prizes for everyone in order to expand the player base; the more players we have, the more winners there will be, and the more prizes we can offer.

The third component is to imagine the possibilities, because every player has his or her own aspiration.

Some imagine a great jackpot win in a multi-jurisdiction game, knowing that the probability of winning is consistent with the amount that can be won... these players keep their tickets in their pocket for days, waiting for the draw, thinking about how to actualize their aspiration.

Others will have more modest expectations, nevertheless important to them, and play cash games that offer smaller prizes with greater chances of winning.

Others will look for different kinds of prizes, such as those offered with a raffle game or future innovative games as proposed in our Business Plan.

Then there are those players who enjoy playing daily or several times a week, with small and frequent wins. Quick Draw and numbers games, strategically updated, will satisfy their needs.

And every game with a compelling play slip provides a new opportunity to speak to the player, evoking joy with a contemporary design and vibrant colors... adding warmth and richness to the anticipation.

In the game portfolio there is room for every story, for every pocket, and for every aspiration.

We will take a comprehensive portfolio-management approach to the draw product category in Indiana. Each proposed modification or game addition in our Business Plan is designed to complement the other games in the portfolio and balance the appeal of the portfolio to the broadest possible range of players.

The planned changes in the portfolio are designed to retain the most popular attributes of draw games and to continue to meet the best practices of responsible gaming worldwide.

The overall goal of the draw game plan is to respond to the consumer insights specific to Indiana, which we gathered in order to:

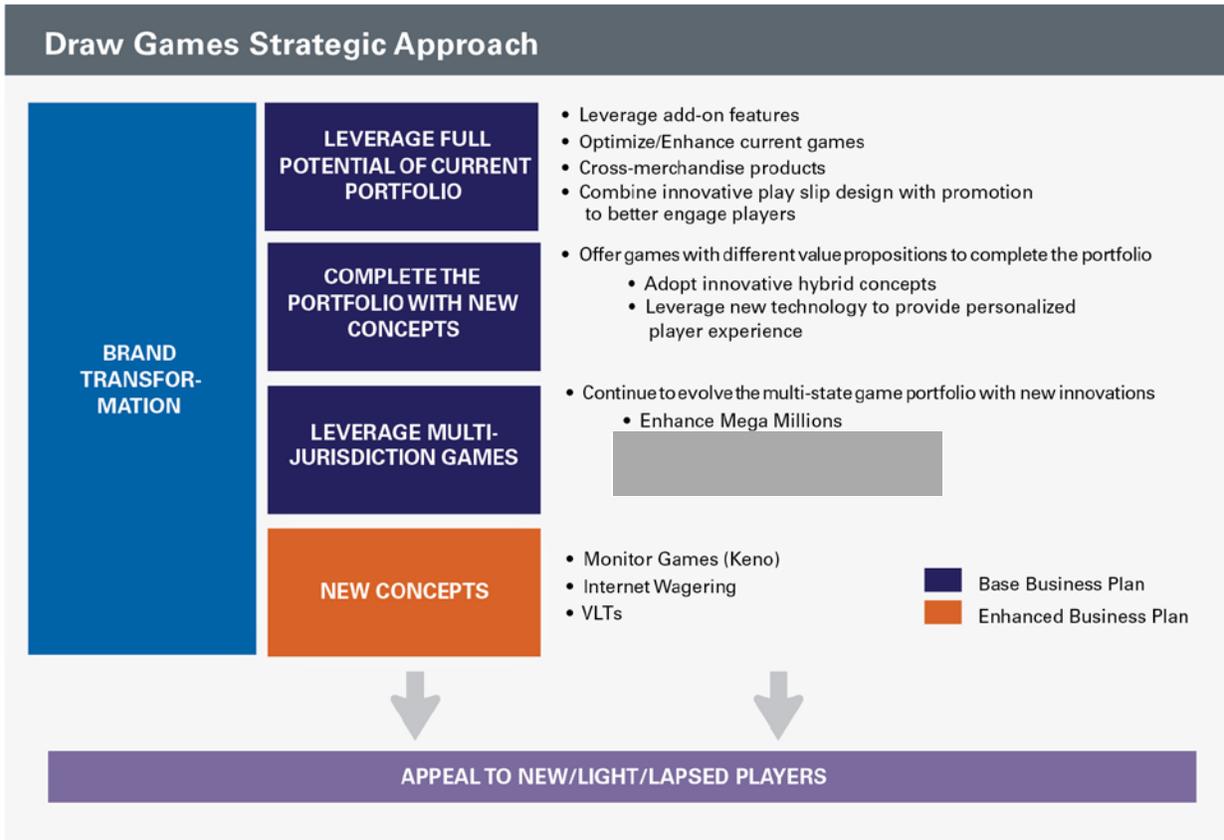
- Leverage the most appealing characteristics of the current draw games.
- Increase win-frequency.
- Introduce instant-win features to the draw games where indicated by market research.
- Introduce optional add-on games that give players more choice in the play style of draw games.
- Attract new players, who previously have not been attracted by the traditional online draw game experience.

We propose to implement the following major improvements to the draw game portfolio:

- Leverage the full potential of the current portfolio.
- Complete the portfolio with new innovative concepts.
- Leverage multi-jurisdiction game innovations.

Additional possible innovations are described in the Enhanced Business Plan section.

Figure 3.0 – 5:

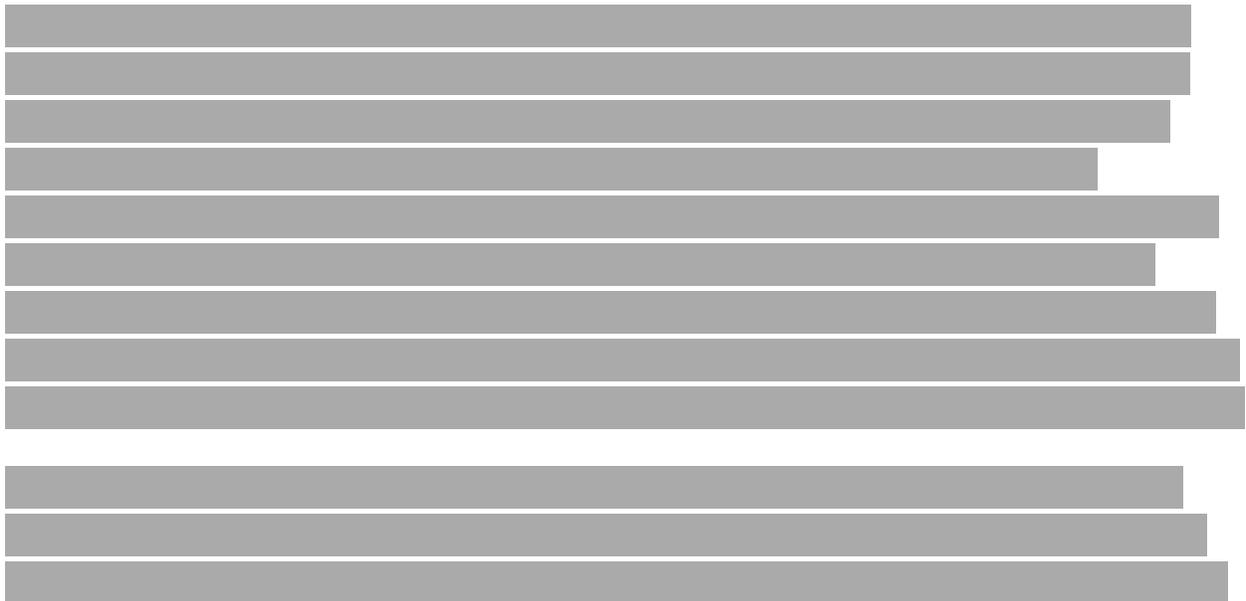


These improvements will be supported by:

- Transforming the overall brand of the Hoosier Lottery (presented in the Brand Transformation and Marketing Plan section of the Business Plan), which will reinforce the Lottery as part of Hoosier community life by modernizing and increasing awareness of the brand.
- Enhancing the visibility of draw games at retail to create buzz in the stores and galvanize ticket purchases where it most matters – at the point of purchase.
- Creating a comprehensive draw game Lottery Retailer incentive strategy to achieve high levels of store manager and clerk engagement in order to encourage light, lapsed, and new players in fun, dynamic ways.

This plan is based on our day-to-day operator expertise in places such as Illinois, Texas, Italy, and Spain, where we have demonstrated tangible success:

- One of our first draw game innovations in Illinois was Lucky Day Lotto, a rebranding of Little Lotto that included an EZMatch add-on and launched in the spring of 2012. As of August 11, 2012, Lucky Day Lotto is selling 37% more than the old Little Lotto game.
- Our 10eLotto enhancement in Italy increased Lotto sales from €5.8B in 2009 to €6.8B in 2011 (a 21% sales increase) and increased the player base from 13 million to 15 million.
- Our Baloto enhancement in Colombia produced an 81% increase in sales from 2010 to 2011 and increased the player base by 21%.



LEVERAGE FULL POTENTIAL OF CURRENT PORTFOLIO

Leverage Add-On Features

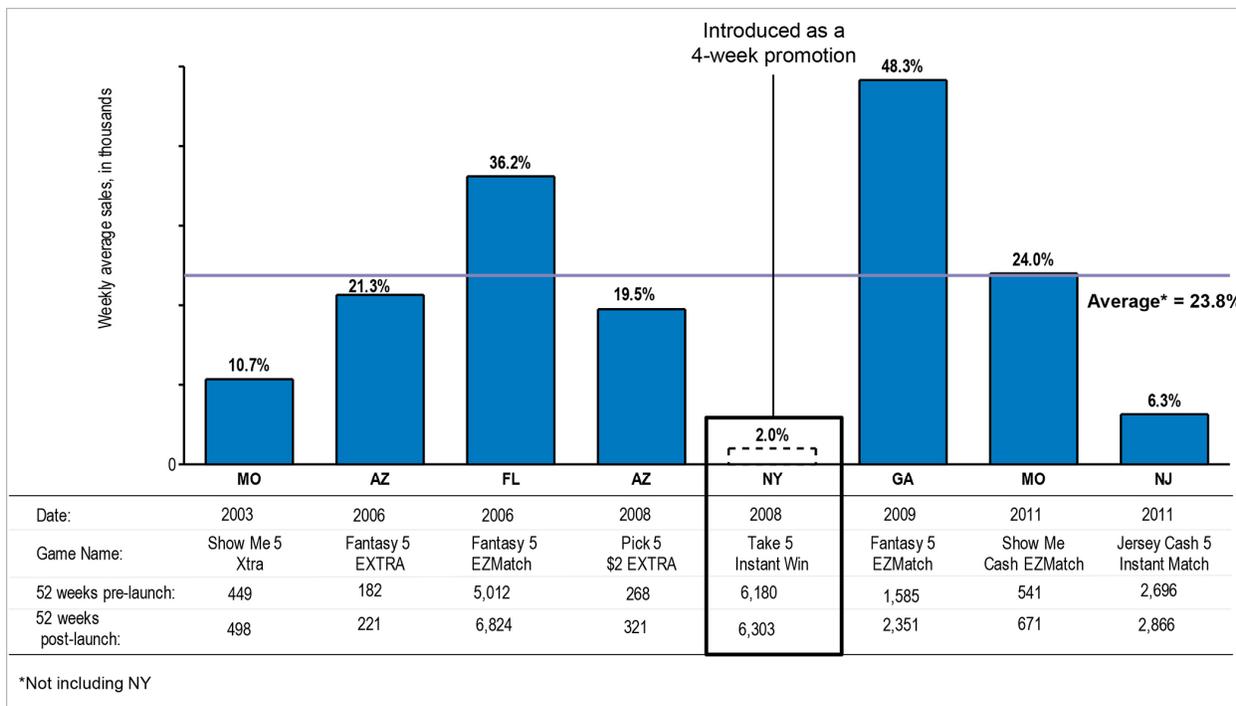
Add-on games are very effective for enhancing a draw game portfolio because they:

- Provide additional player entertainment.
- Increase a game's average ticket price without altering the base game's design and creating player confusion.
- Add play value in a socially responsible way, given the voluntary nature of the purchase.
- Offer a "news" opportunity to stimulate retail buzz and sustain player excitement.
- Do not cannibalize the base game or other games.
- Are a proven mechanism for driving profit, especially on cash lotto and lotto.
- Generate more in-store traffic because players are visibly winning more frequently and instantly.

The Hoosier Lottery already offers the Tag 6 add-on game with Hoosier Lotto, which generates 7.5% of base game sales. The Lottery is planning to extend Tag 6 to Daily 3, Daily 4, and Quick Draw in March 2013.



Figure 3.0 – 6: Impact of EZMatch Add-On to Cash Games in the U.S.



We recognize that EZMatch is more effective on games such as Fantasy 5. However, even on numbers games where EZMatch contributes smaller, shorter-lived growth, this enhancement still energizes players interested in covering their wagers by offering better odds than the base game, as clearly proven by the experience of the New York Lottery on Numbers and Win 4.

Optimize/Enhance Current Games

The Hoosier Lottery currently offers multiple games that, while attractive to some players, could be further optimized to meet the needs of an expanded player base. [REDACTED]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]



INNOVATIVE PLAY SLIP DESIGN

Compared to instant ticket games, draw games lack the visual appeal and dynamic graphics that leverage impulsive purchases from new players in retail stores. [REDACTED]

[REDACTED]

Numbers games, in particular, suffer from the fact that new players find them too complex and difficult to play. Many prospective players are discouraged by their perception of these games as not being “for people like them,” or in other words, their grandfather’s game. Numbers games are simply “not cool” and lack the appeal of more universally translatable long-odds jackpot games. This inability to attract a constant influx of new players has reduced the revenue potential of these games in recent years.

[REDACTED]



Figure 3.0 – 8:



[REDACTED]

CROSS-MERCHANDISING

[REDACTED]

- [REDACTED]

- [REDACTED]

- [REDACTED]

PROMOTIONAL OFFERINGS

Promotions are essential to calling players and retailers’ attention to draw games and encouraging game trial. These offers would come in and out of the market at different times throughout the year to create newsworthy events and a sense of urgency among players that the special offer is only available for a limited time. The promotions should be planned to keep the category continually appealing, secure a steady influx of new players, and encourage re-play by infrequent players. In addition, promotions and cross-merchandising offer players an increased value proposition for their money.



Figure 3.0 – 9:



Examples of other promotions we will consider include:

- | [Redacted]

COMPLETE THE PORTFOLIO WITH NEW CONCEPTS

We have selected a suite of new draw games for introduction in Indiana based on their likely appeal to both infrequent and regular players. These new games offer Hoosiers a different value proposition than the existing portfolio in either prize structure, win experience, or play style; the value proposition is designed to appeal to the widest variety of players. These key differentiators will be dramatized in 360 marketing-communications campaigns designed to stimulate trial and to drive traffic into the retail stores. The appeal of these new games has been proven through comprehensive, independent market research conducted by KS&R on a sample of [REDACTED] Indiana consumers in July 2012.

New games proposed for introduction include:

- | [REDACTED]
- | [REDACTED]
- | [REDACTED]
- | [REDACTED]

As we become more acclimated to Indiana consumer behavior and as we work closely with the Lottery team and the Commission, we will gain a deeper understanding of the optimal branding approaches and key triggers that will allow these concepts to create an emotional connection with prospective players. The launch marketing campaigns will reflect this enhanced local consumer knowledge and be dramatized in publicity, promotion, mass-advertising, social media, and, most important, obsessive retail execution.

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Figure 3.0 – 10:



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Figure 3.0 – 11:



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Figure 3.0 – 12:



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Figure 3.0 – 13:



Future Game Innovation

In addition to the concepts already tested in Indiana, we have also brainstormed for future opportunities beyond the games presented in this plan. [REDACTED]

We will continue to develop and market test ideas like this one to ensure we are constantly bringing unique and innovative game ideas to Hoosier Lottery players.

LEVERAGE MULTI-JURISDICTION GAMES

Empirical evidence, supported by well-documented sales experience, demonstrates that multi-jurisdiction jackpot games, supported by effective media and jackpot trigger campaigns and underpinned with effective retail jackpot destination signage, have the strongest track record nationally of increasing participation among infrequent, casual, and non-players. [REDACTED]

[REDACTED] Our Marketing Insights and Global Analytics Team is proactively engaged in collaborative efforts with the Multi-State Lottery Association (MUSL), the Powerball Game Group, as well as the Mega Millions Game Group to bring innovation to this critical category.

We have invested in a comprehensive innovation process and have dedicated multi-disciplinary resources to design, develop, research, and validate potential enhancements and innovations that are specifically geared to sustain the appeal of these mass-market lottery games wherever these games are offered, while generating excitement and energy to drive performance at the national and local levels. [REDACTED]

[REDACTED] Our commitment to the State of Indiana is to continue to heavily invest in these innovations to increase local revenues.

GTECH is privileged to support and proactively partner with the Mega Millions/Powerball Collaborative Committee as well as the National Premium Game Committee, the Game Development Group, and MUSL. While externally controlled, our Indiana business plan for these games is informed by the current status of the innovation initiatives currently under consideration as of this writing. We pledge to keep our Hoosier Lottery colleagues fully informed of all developments on a consistent basis affecting this multi-jurisdiction game growth plan.

Enhance Mega Millions

When the Mega Millions jackpot rolled up this year to a record \$656 million, more than 90% of adult Americans were aware of the jackpot amount, and 44% bought at least one ticket. Media coverage and long lines in stores demonstrated the salability of the Mega Millions brand and its power to galvanize the public and deliver much-needed government revenues.

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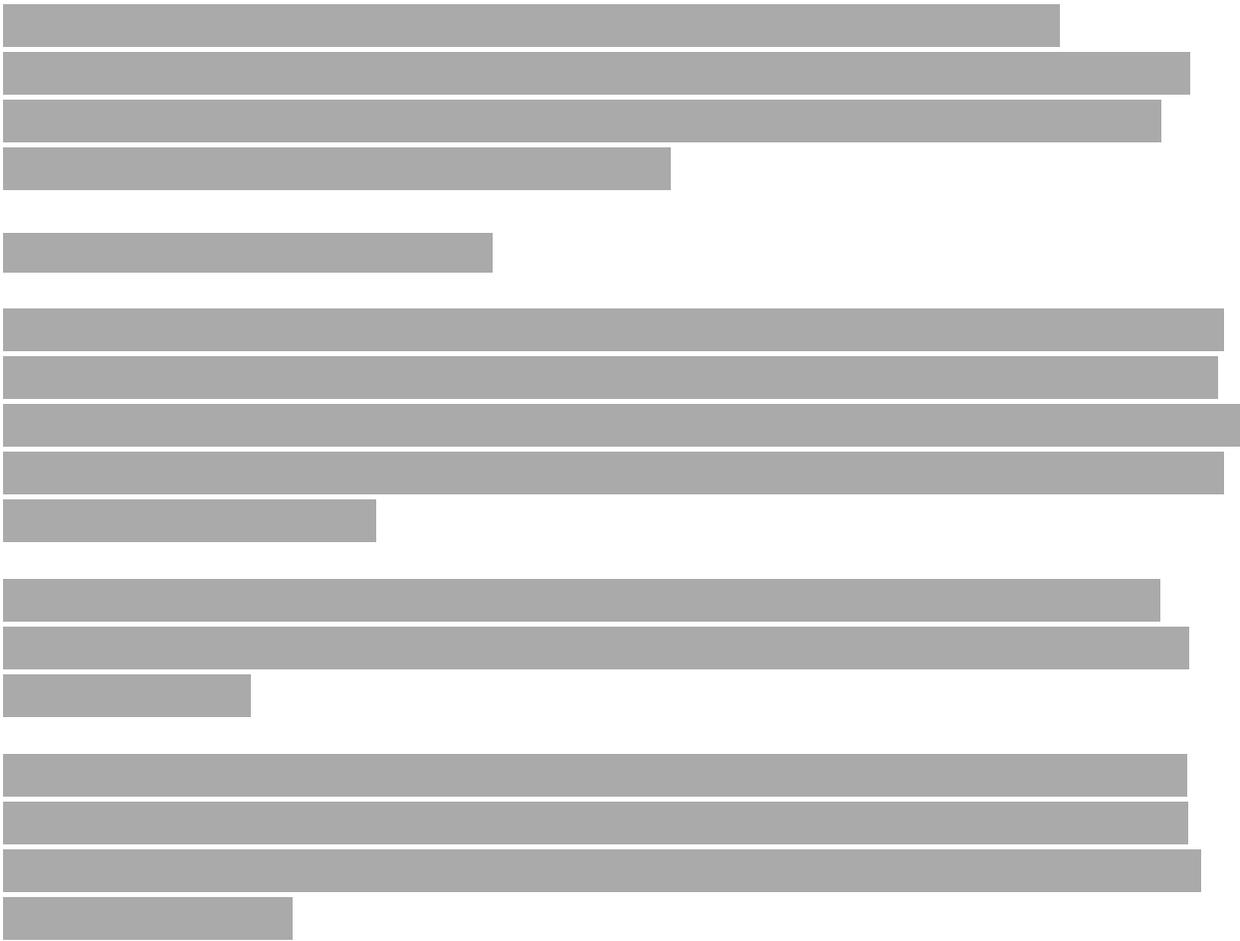
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Draw-Based Game Plan

Sales forecast for the first five years of the Integrated Service Agreement are included in Section 3.0, Financial Plan.

The next figure illustrates the time line we propose for the draw game innovations in our plan.

Figure 3.0 – 14:



Assumptions

Our Business Plan is based upon the following assumptions, which are central to driving the market development we forecast:

- The provider will assume its responsibilities for design of new games and management of the Lottery Game portfolio on [REDACTED], the beginning of the Ramp-up Period.
- The Hoosier Lottery will proceed with rollout of future new national and international multi-jurisdictional games approved by MUSL and the Mega Millions/Powerball Collaborative Committee when they are approved for introduction.

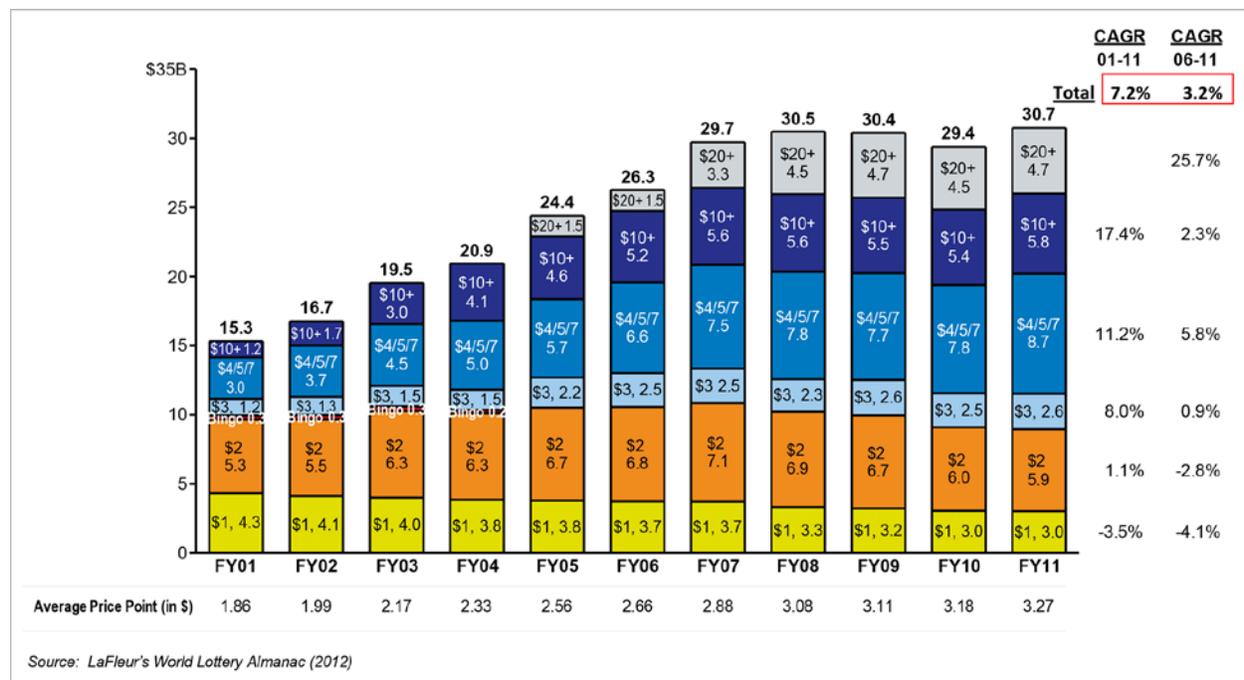
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

Instant Game Innovation

Situational Assessment

From FY01 to FY07, U.S. instant sales doubled; after FY07 the pace of the improvement significantly slowed. In FY12, the growth rate increased again, driven by the improved economic situation and the implementation of effective improvement programs across the nation, including in New York, Georgia, Massachusetts, California (which is still benefiting from the payout increase enabled by AB142), Texas, and Illinois.

Figure 3.0 – 1: Historical U.S. Instant Sales



The growth momentum is continuing in 2012, as the result of many factors, including new players, multiple game offerings, increased payouts, and an increased number of higher-priced games offered, all of which has resulted in a higher average selling price.

The next figure shows the annual instant sales per capita ranking of all U.S. lotteries in FY11, complemented by information about the payout, annual gross profit per capita, and the average ticket price sold.

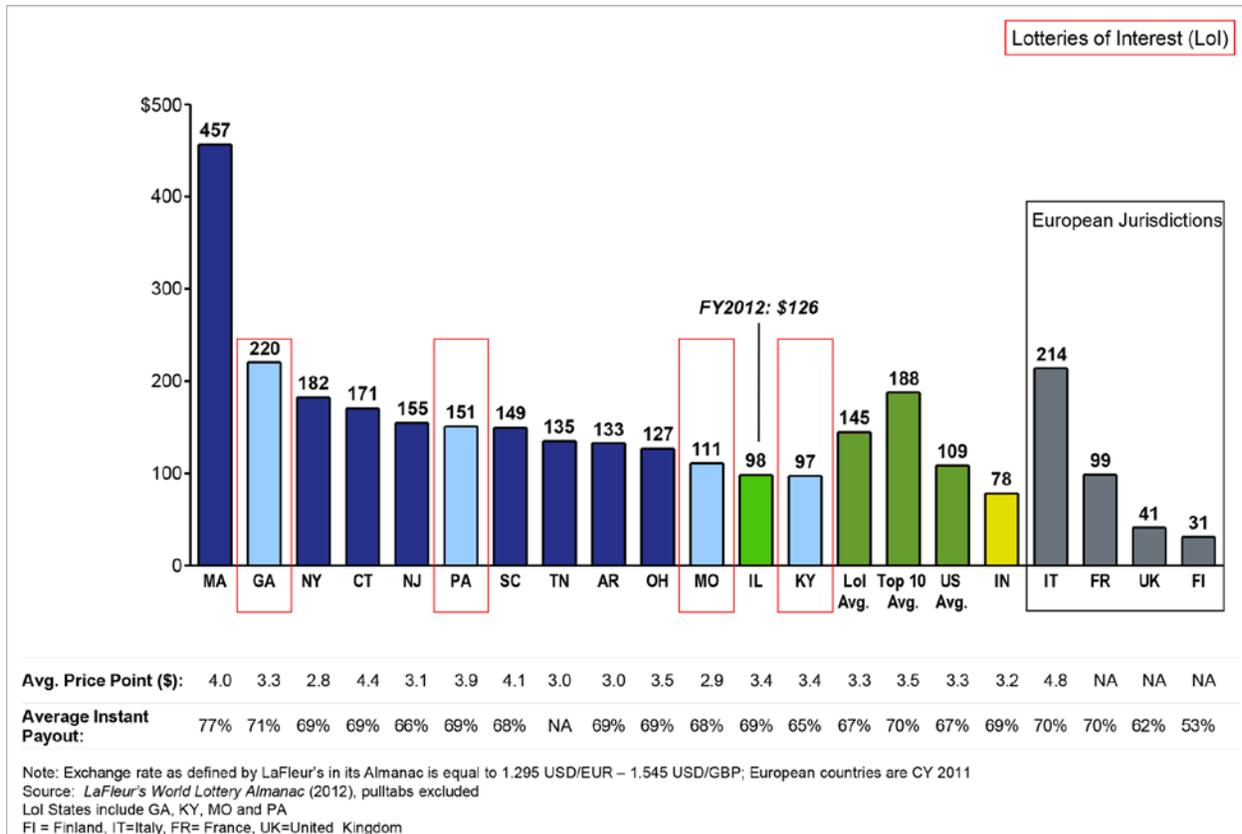
Figure 3.0 – 2:

FY11 Average Payout per Cap Profit and Average Selling Price

Per Cap Rank	Jurisdiction	Average Prize Payout	Instant Sales (\$M)	Profit (\$M)	Per Cap Profit	Avg. Selling Price
1	Massachusetts	76.9%	\$ 3,008	\$ 694.9	\$ 105.5	\$ 4.0
2	Georgia	71.2%	\$ 2,161	\$ 622.5	\$ 63.4	\$ 3.3
3	New York	68.5%	\$ 3,546	\$1,117.1	\$ 57.4	\$ 2.8
4	Connecticut	69.0%	\$ 611	\$ 189.4	\$ 52.9	\$ 4.4
5	New Jersey	66.2%	\$ 1,365	\$ 460.7	\$ 52.2	\$ 3.1
6	Pennsylvania	69.3%	\$ 1,922	\$ 589.3	\$ 46.2	\$ 3.9
7	South Carolina	67.7%	\$ 698	\$ 225.9	\$ 48.3	\$ 4.1
8	Tennessee*		\$ 865	\$ 864.7	\$ 135.1	\$ 3.0
9	Arkansas	69.0%	\$ 390	\$ 124.8	\$ 42.5	\$ 3.0
10	Ohio	68.5%	\$ 1,463	\$ 460.8	\$ 39.9	\$ 3.5
Average Top 10		69.6%	\$ 1,603	\$ 535.0	\$ 64.3	\$ 3.5
11	New Hampshire	66.1%	\$ 161	\$ 54.7	\$ 41.5	\$ 3.3
12	Maine	65.4%	\$ 157	\$ 54.4	\$ 40.9	\$ 2.9
13	Florida	68.7%	\$ 2,226	\$ 697.5	\$ 36.6	\$ 4.0
14	Vermont	67.5%	\$ 71	\$ 23.2	\$ 37.0	\$ 3.0
15	Missouri	68.1%	\$ 666	\$ 212.6	\$ 35.4	\$ 2.9
16	Texas	68.5%	\$ 2,842	\$ 896.7	\$ 34.9	\$ 3.6
17	Illinois	69.0%	\$ 1,264	\$ 404.4	\$ 31.4	\$ 3.2
18	Kentucky	64.5%	\$ 425	\$ 150.8	\$ 34.5	\$ 3.4
19	Virginia	68.0%	\$ 757	\$ 242.2	\$ 29.9	\$ 3.3
20	D.C.*	67.0%	\$ 56	\$ 18.5	\$ 30.0	—
21	North Carolina	67.3%	\$ 862	\$ 281.9	\$ 29.2	\$ 3.6
22	Maryland	67.0%	\$ 494	\$ 163.1	\$ 28.0	\$ 3.8
23	Indiana	68.7%	\$ 508	\$ 159.3	\$ 24.4	\$ 3.2
24	Michigan	65.4%	\$ 739	\$ 255.8	\$ 25.9	\$ 2.6
25	Rhode Island	67.5%	\$ 77	\$ 25.1	\$ 23.9	\$ 2.6
26	Colorado	67.0%	\$ 345	\$ 113.8	\$ 22.2	\$ 3.5
27	Minnesota	68.0%	\$ 355	\$ 113.5	\$ 21.2	\$ 3.5
28	West Virginia	68.5%	\$ 116	\$ 36.5	\$ 19.7	\$ 1.9
29	Arizona	69.0%	\$ 373	\$ 115.8	\$ 17.9	\$ 3.6
30	Idaho	65.1%	\$ 91	\$ 31.6	\$ 20.0	\$ 3.3
31	Iowa*		\$ 165	—	—	—
32	California	60.9%	\$ 2,002	\$ 783.8	\$ 20.8	\$ 2.3
33	Wisconsin	64.9%	\$ 299	\$ 105.0	\$ 18.4	\$ 3.2
34	Washington	65.1%	\$ 309	\$ 107.9	\$ 15.8	\$ 3.5
35	Delaware	65.8%	\$ 41	\$ 14.0	\$ 15.4	
36	Kansas*		\$ 119	—	—	—
37	Nebraska	67.0%	\$ 72	\$ 23.7	\$ 12.9	\$ 2.6
38	New Mexico		\$ 76	\$ 75.8	\$ 36.4	\$ 2.4
39	Louisiana	59.9%	\$ 148	\$ 59.4	\$ 13.0	\$ 2.1
40	Oregon	67.5%	\$ 116	\$ 37.7	\$ 9.7	\$ 2.3
41	Oklahoma*		\$ 103	\$ 103.0	\$ 27.2	\$ 2.0
42	South Dakota*	64.0%	\$ 22	\$ 8.0	\$ 9.7	—
43	Montana	62.2%	\$ 15	\$ 5.7	\$ 5.7	\$ 2.2
Average 11-43		66.3%	\$ 487.0	\$ 173.4	\$ 24.8	\$ 3.0
Average All Jurisdictions		67.1%	\$ 746.5	\$ 261.6	\$ 34.5	\$ 3.3

*Limited data for TN, D.C., IA, KS, OK, and SD
 Source: *La Fleur's 2012 Almanac*

Figure 3.0 – 4: Instant Sales per Capita Benchmark



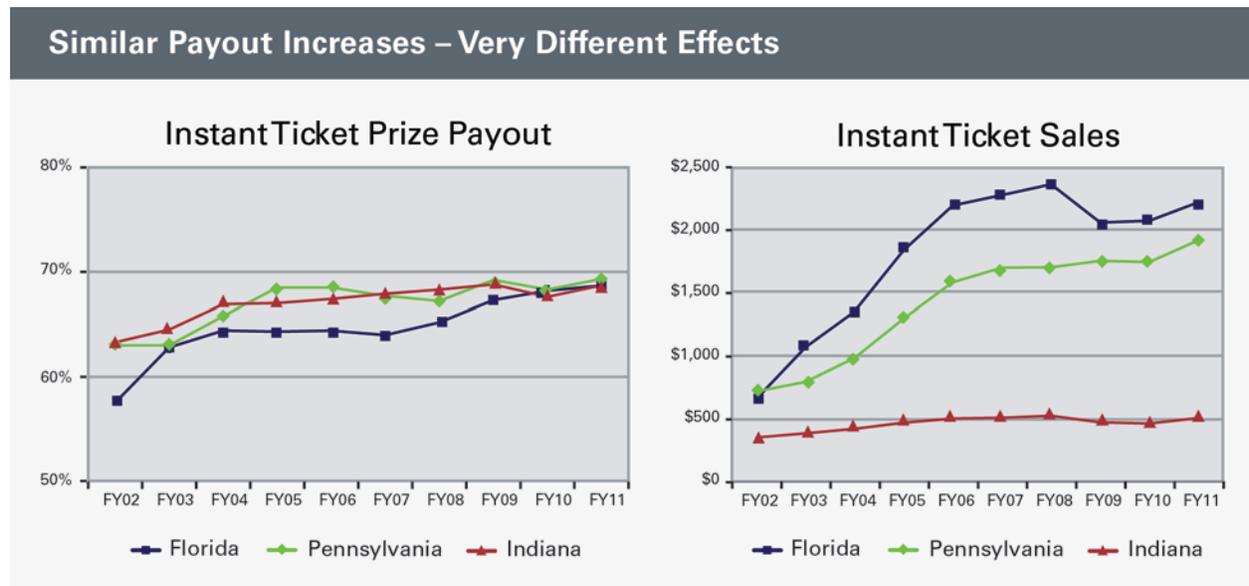
Based on our industry experience and assessment of the Lottery’s current instant program, the data in the previous figures supports our belief that there is still great potential for growing instant sales in Indiana; instant tickets represent our key focus for expanding the player base and increasing play among light and lapsed players.

PAYOUT IS NOT SIGNIFICANTLY DIFFERENT FROM TOP 10 US JURISDICTIONS

In particular, the figure entitled “FY11 Average Payout per Capita Profit and Average Selling Price” shows that payout difference does not explain the difference between Hoosier Lottery instant sales and those of the top 10 U.S. lotteries: Indiana has a reported payout of 68.7% vs. an average of 69.6% for the top 10 lotteries. but hasn’t been able to translate this competitive parameter of its portfolio into the level of sales that one would expect.

Between FY02 and FY05, the Lottery increased its prize payouts from approximately 63% to 69%, an increase similar to that executed in Florida and Pennsylvania. However, as illustrated in the figure below, the impact of the payout increase on sales has been dramatically different in the three states, with the Hoosier Lottery not being able to fully leverage the potential benefit that the payout increase offered.

Figure 3.0 – 5:



With a comparable change in payout, Pennsylvania was able to increase sales about 300% between FY02 and FY11, while Indiana achieved an increase of only about 20–25%. As we shall discuss later in this section, one reason for this is that the current prize structures are not fully optimized and do not deliver the maximum potential excitement and entertainment to players, thus failing to appeal to the widest base of potential players.

We will show that there is an opportunity to improve the entertainment (prizes) that the prize structures of the Hoosier Lottery’s instant games provide without further increasing the payout.

\$3 AND \$10 SALES ARE AMONG THE WEAKEST IN THE PORTFOLIO

Another interesting fact can be drawn from the next figure, which shows U.S. instant sales per capita by price point for FY11.

Figure 3.0 – 6:

FY11 per Capita Sales by Price Point								
Per Cap Rank	Jurisdiction	Overall Per Cap	\$1 Per Cap	\$2 Per Cap	\$3 Per Cap	\$5 Per Cap	\$10 Per Cap	\$20+ Per Cap
1	Massachusetts	\$ 456.6	\$19.9	\$104.0		\$ 142.1	\$ 100.8	\$ 89.8
2	Georgia	\$ 246.9	\$24.0	\$ 49.1	\$ 18.6	\$ 54.0	\$ 64.2	\$ 37.0
3	New York	\$ 182.2	\$23.8	\$ 51.8		\$ 51.1	\$ 42.5	\$ 12.9
4	Connecticut	\$ 170.5	\$ 9.6	\$ 14.0	\$ 22.0	\$ 38.9	\$ 60.0	\$ 26.0
5	New Jersey	\$ 154.7	\$ 4.6	\$ 51.0	\$ 35.6	\$ 43.3	\$ 18.6	\$ 1.5
6	Pennsylvania	\$ 150.8	\$10.6	\$ 20.3	\$ 10.0	\$ 48.2	\$ 29.9	\$ 31.8
7	South Carolina	\$ 149.2	\$10.5	\$ 18.5	\$ 6.8	\$ 29.1	\$ 84.4	
8	Tennessee	\$ 148.2	\$15.9	\$ 39.2	\$ 7.5	\$ 40.6	\$ 15.9	\$ 29.1
9	Arkansas	\$ 132.8	\$16.4	\$ 26.5	\$ 10.6	\$ 30.6	\$ 40.4	\$ 8.1
10	Ohio	\$ 126.7	\$15.8	\$ 15.6	\$ 3.8	\$ 35.5	\$ 25.9	\$ 30.0
Average Top 10		\$ 188.5	\$16.4	\$ 40.5	\$ 9.8	\$ 51.7	\$ 43.8	\$ 26.3
11	New Hampshire	\$ 122.4	\$ 9.7	\$ 21.8	\$ 16.3	\$ 36.8	\$ 25.9	\$ 12.0
12	Maine	\$ 118.2	\$14.6	\$ 23.9	\$ 18.3	\$ 28.2	\$ 16.3	\$ 16.8
13	Florida	\$ 116.8	\$ 8.7	\$ 16.8	\$ 9.1	\$ 25.3	\$ 17.5	\$ 39.5
14	Vermont	\$ 113.9	\$13.7	\$ 19.4	\$ 9.7	\$ 43.0	\$ 15.3	\$ 12.9
15	Missouri	\$ 110.8	\$13.6	\$ 23.6	\$ 15.3	\$ 27.7	\$ 15.4	\$ 15.2
16	Texas	\$ 110.7	\$ 8.1	\$ 15.4	\$ 13.3	\$ 39.5	\$ 15.1	\$ 19.4
17	Illinois	\$ 99.4	\$11.4	\$ 12.6	\$ 9.9	\$ 31.0	\$ 15.7	\$ 18.9
18	Kentucky*	\$ 97.2						
19	Virginia	\$ 93.5	\$10.6	\$ 13.6	\$ 4.7	\$ 34.8	\$ 16.4	\$ 13.4
20	D.C.*	\$ 90.8						
21	North Carolina	\$ 89.3	\$ 8.1	\$ 14.3	\$ 6.2	\$ 23.5	\$ 21.2	\$ 16.0
22	Maryland	\$ 84.7	\$ 6.6	\$ 8.9	\$ 7.7	\$ 32.9	\$ 17.3	\$ 11.3
23	Indiana	\$ 78.0	\$ 8.1	\$ 16.7	\$ 2.8	\$ 25.9	\$ 12.6	\$ 12.0
24	Michigan	\$ 74.8	\$ 7.0	\$ 34.1	\$ -	\$ 18.2	\$ 10.3	\$ 5.2
25	Rhode Island	\$ 73.5	\$11.5	\$ 19.3	\$ 5.3	\$ 23.3	\$ 9.8	\$ 4.3
26	Colorado	\$ 67.4	\$ 7.8	\$ 6.0	\$ 9.1	\$ 17.1	\$ 12.8	\$ 14.6
27	Minnesota	\$ 66.4	\$ 5.3	\$ 7.8	\$ 13.6	\$ 17.4	\$ 9.1	\$ 13.1
28	West Virginia	\$ 62.4	\$13.5	\$ 29.6	\$ 5.0	\$ 10.0	\$ (0.1)	\$ 4.3
29	Arizona	\$ 57.6	\$ 3.2	\$ 14.0	\$ 2.3	\$ 16.6	\$ 16.4	\$ 5.1
30	Idaho	\$ 57.2	\$ 5.7	\$ 5.1	\$ 12.3	\$ 18.8	\$ 6.1	\$ 9.1
31	Iowa*	\$ 54.0	—	—	—	—	—	—
32	California	\$ 53.1	\$ 8.8	\$ 10.8	\$ 19.5	\$ 14.1	—	—
33	Wisconsin	\$ 52.3	\$ 4.8	\$ 11.0	\$ 7.4	\$ 13.1	\$ 7.9	\$ 8.2
34	Washington	\$ 45.2	\$ 2.7	\$ 10.4	\$ 3.7	\$ 14.5	\$ 6.2	\$ 7.7
35	Delaware*	\$ 45.0	—	—	—	—	—	—
36	Kansas*	\$ 41.3	—	—	—	—	—	—
37	Nebraska	\$ 39.0	\$ 6.6	\$ 4.5	\$ 11.7	\$ 7.8	\$ 8.3	
38	New Mexico	\$ 36.4	\$ 7.0	\$ 5.9	\$ 8.2	\$ 8.6	\$ 2.6	\$ 4.1
39	Louisiana	\$ 32.4	\$ 8.7	\$ 7.9	\$ 3.2	\$ 7.9	\$ 4.7	—
40	Oregon	\$ 29.9	\$ 4.1	\$ 11.1	\$ 5.4	\$ 6.6	\$ 2.9	—
41	Oklahoma	\$ 27.2	\$ 7.0	\$ 6.2	\$ 5.4	\$ 8.6	—	—
42	South Dakota*	\$ 27.0	—	—	—	—	—	—
43	Montana	\$ 15.1	\$ 2.7	\$ 5.5	\$ 2.0	\$ 2.1	\$ 1.5	\$ 1.2
Average 11-43		\$ 69.2	\$ 8.1	\$ 13.9	\$ 8.4	\$ 20.5	\$ 11.5	\$ 12.0
Average All Jurisdictions		\$ 110.7	\$10.9	\$ 21.4	\$ 9.3	\$ 31.2	\$ 20.9	\$ 17.1

*Data not reported for DC, DE, IA, KS, KY, or SD

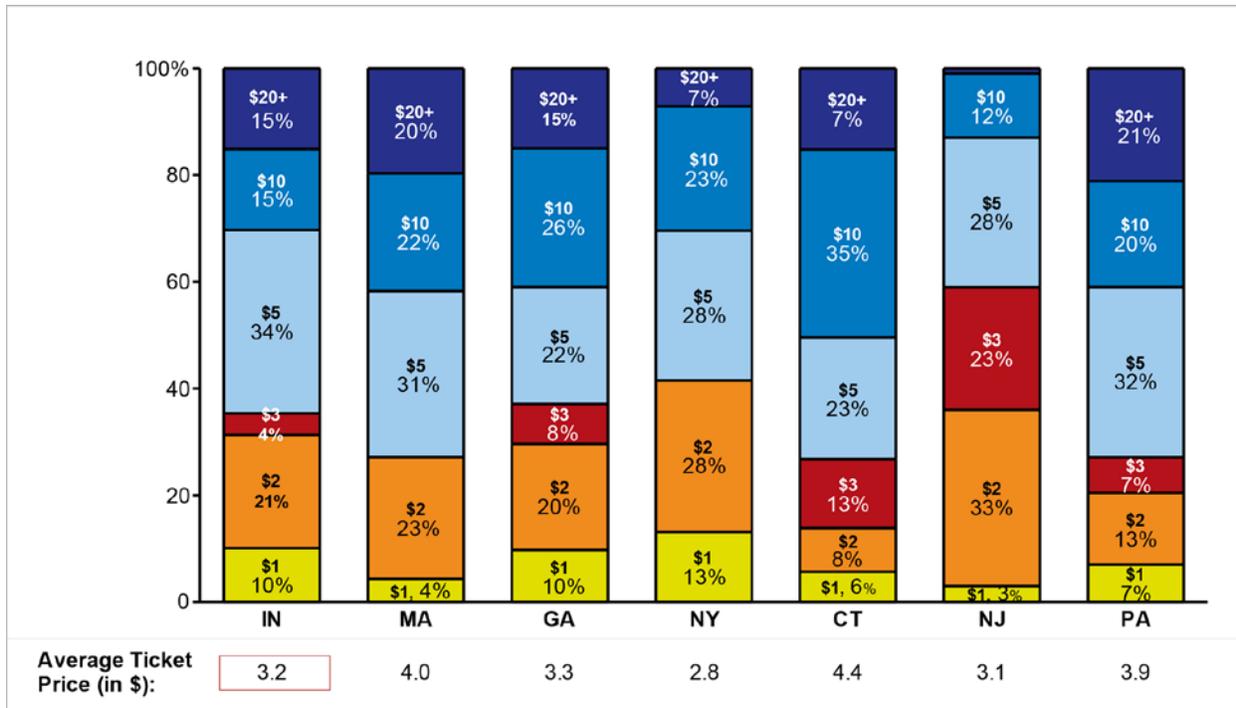
In comparing sales per capita across the portfolio with those of the top 10 U.S. instant ticket programs, it appears that, relatively speaking, the Hoosier Lottery is particularly weak in sales at the \$3 and \$10 price points:

- The Hoosier Lottery's overall sales per capita is 41% of the average of the top 10 U.S. instant ticket programs, with per capita sales at the \$1, \$2, \$5 and \$20 price points being 49%, 41%, 50% and 46% respectively compared to the top 10.
- Per capita sales of the \$3 ticket in Indiana is only 29% of that of the top 10 U.S. instant ticket programs; given that this price point is most often reserved for extended play games (bingo, crossword, etc.), this is an area that should be a focus for improvement.
- Per capita sales of the \$10 ticket in Indiana is also only 29% of that of the top 10 U.S. instant ticket programs; the opportunity to introduce strong \$10 tickets, possibly belonging to a "family of games" that would enable *upselling* players from lower price points should therefore be consistently explored.

These conclusions are confirmed when comparing the sales mix per price point for the Hoosier Lottery to the top 6 U.S. instant jurisdiction, as depicted in the next figure. Hoosier Lottery has a greater concentration of sales at the \$1, \$2 and \$5 price points than do five of the six best U.S. instant ticket programs.

Massachusetts and New York, while not carrying \$3 games, leverage the extended play games across the rest of their portfolio.

Figure 3.0 – 7: Percentage of Sales by Price Point

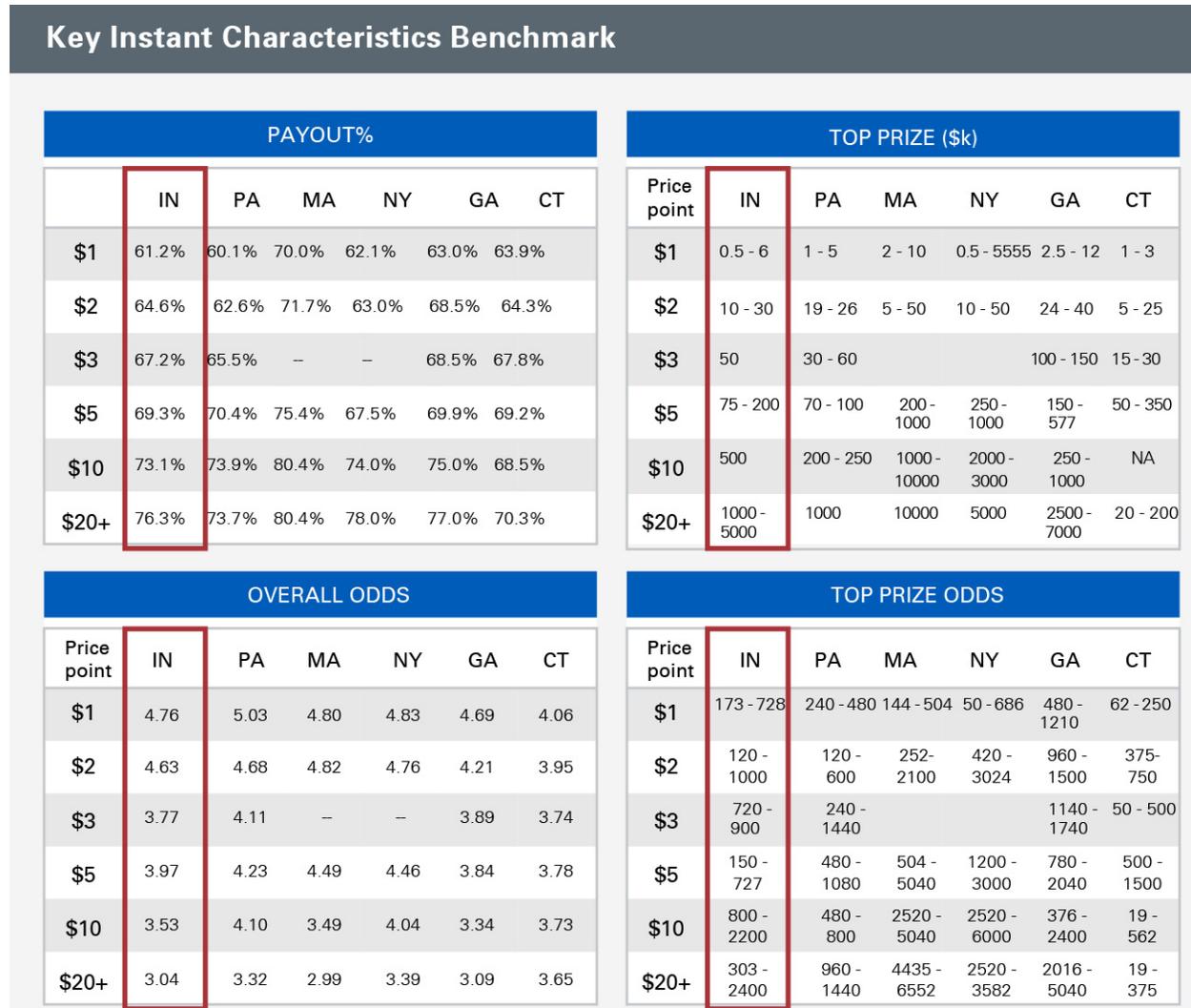


CONSISTENT LAUNCH CYCLE AND SATISFACTORY KEY PRODUCT ELEMENTS

Supported by our experience managing the world’s largest instant game program in Italy and increasing instant sales by 28% in our first year as private manager in Illinois, we have executed an extensive audit of the instant ticket program in Indiana to examine several characteristics.

For example, besides payouts, other key elements of the portfolio appear to be aligned with those of the best-performing instant ticket programs, as illustrated in the following figure.

Figure 3.0 – 8:



In particular, the instant game portfolio in Indiana offers a good mix of top prizes and a fairly good modulation of overall odds across all price points. Another element that we found to be well-engineered is the introduction cycle for new games, which is benchmarked in the next figure.

Figure 3.0 – 9:

Game Mix and Game Launches by State by Price Point – FY11

	\$1	\$2	\$3+	\$5	\$7	\$10	\$15	\$20+	Total	Avg. # of Games Available at One Time	Frequency of Launches	
											\$1	NON \$1
Arizona	14	15	1	12		5			47	24-30	Once/mo.	Once/mo.
Arkansas	13	15	6	7		5		1	47	35	Once/mo.	Once/mo.
California	15	13	13	7					48	74	4 wks.	4 wks.
Colorado	17	8	6	14		6		2	53	35	4-6 wks.	4-6 wks.
Connecticut	8	11	5	9		10		1	44	46	7-9 wks.	4 wks.
D.C.	22	11	2	15		4		1	55	28	Monthly	Monthly
Delaware	8	17	4	9		4		2	44	24	6 wks.	Monthly
Florida	12	12	5	15		3		2	49	65	4 wks.	4 wks.
Georgia	19	13	8	9		3		2	54	60	2-3 wks.	2-3 wks.
Idaho	15	9	12	12	0	3		2	53	28	3-4 wks.	1-2 wks.
Illinois	14	22	6	20		5		3	70	35-40	2-3 wks.	2-3 wks.
Indiana	16	21	1	12	0	2		1	53	55	4 wks.	Monthly
Kentucky	17	20	4	17		6		4	68	40	3-4 wks.	2 wks.
Louisiana	22	23	4	10		3			62	30-40	3-4 wks.	3-4 wks.
Maine	14	15	4	12		5	0	1	51	52	4 wks.	4 wks.
Maryland	13	14	7	15		6		3	57	62	4 wks.	2 wks.
Massachusetts	5	12		8		4		1	29	48-50	8 wks.	8 wks.
Michigan	12	37		15		8		4	76	32-36	3 wks.	3 wks.
Minnesota	9	10	12	16		9		9	65	35	3-9 wks.	2-3 wks.
Missouri	11	14	7	11		2		1	46	35	4-5 wks.	4-5 wks.
Montana	13	16	4	4		2			39	39	Varies	Varies
Nebraska	13	10	8	8		4	2		45	33	2-3 wks.	1-2 wks.
New Hampshire	8	14	8	13		8		2	53	26	Monthly	Monthly
New Jersey	6	19	6	20		2			53	24-32	3-4 months	2 wks.
New Mexico	24	14	10	13		2		2	65	40	3-4 wks.	3-4 wks.
New York	5	15		19		4			43	47-52	1-2 mos.	2-3 mos.
North Carolina	12	13	5	11		4		1	46	48	3-4 wks.	4 wks.
Ohio	13	14	2	13		4		2	48	47	4 wks.	4 wks.
Oregon	9	24	9	12		6		0	60	56	7 wks.	Weekly
Pennsylvania	11	11	5	17		4		5	53	58-65	6 wks.	4 wks.
Rhode Island	9	10	2	12		3			36	32	5.7 wks.	1.9 wks.
South Carolina	16	18	5	14		13			66	40	3 wks.	3 wks.
South Dakota	7	6	7	6		1		1	28	20	1/8 wks.	1/3 wks.
Tennessee	12	13	2	12		4		1	44	60	Monthly	Monthly
Texas	21	17	9	24	4	7		2	84	124	3-4 wks.	Weekly
Vermont	11	12	4	20		4		2	53	22	4 wks.	2 wks.
Virginia	21	18	1	17		3		0	60	65	Once/mo.	Once/mo.
Washington	9	16	6	16	0	5		3	55	36	Monthly	Monthly
West Virginia	16	14	3	5				1	40	28	Monthly	Monthly
Wisconsin	15	14	13	15		6		3	67	26	4 wks.	2 wks.
AVERAGE	13	15	6	13	1	5	1	2	53	44		

Source: *La Fleurs World Lottery Almanac* (2012)

The Lottery has a very consistent launch schedule: it introduces new games on a monthly basis, usually the first week of each month.

In our retailer visits, as we discussed in the Retailer Expansion and Optimization section of the Business Plan, we also observed that:

- The selection of games available at the Lottery Retailer is generally good thanks to an effective enforcement of monthly renewed plan-o-grams and a strong focus on game management by the sales force.
- Ticket dispensers are, typically, effectively positioned in retail locations.

Identified Opportunities

The following figure summarizes the opportunities for improvement that we have identified based upon our extensive experience as a lottery operator:

- In Illinois, where we grew instant sales by 28% in the first year of the operator contract.
- In Italy, where Lottomatica has grown the instant ticket program sales less than €300 million in 2003 to €10.2 billion for 2012.
- In Spain, where as the operator for ONCE, we grew the instant ticket program by 68% from 2009 to 2011 despite a very deep economic crisis highlighted by unemployment at 20% or more.

Figure 3.0 – 10:



We will now focus our discussion on the following areas of opportunity:

- Fine-tune prize structures.
- Expand game portfolio.
- Manage game introductions.
- Reduce barriers for new retailers.
- Modernize the ordering process.
- Improve effectiveness of the advertising investment.

Expansion of the retailer network is discussed separately in the Retailer Expansion and Optimization section of this Business Plan.

FINE-TUNE PRIZE STRUCTURES

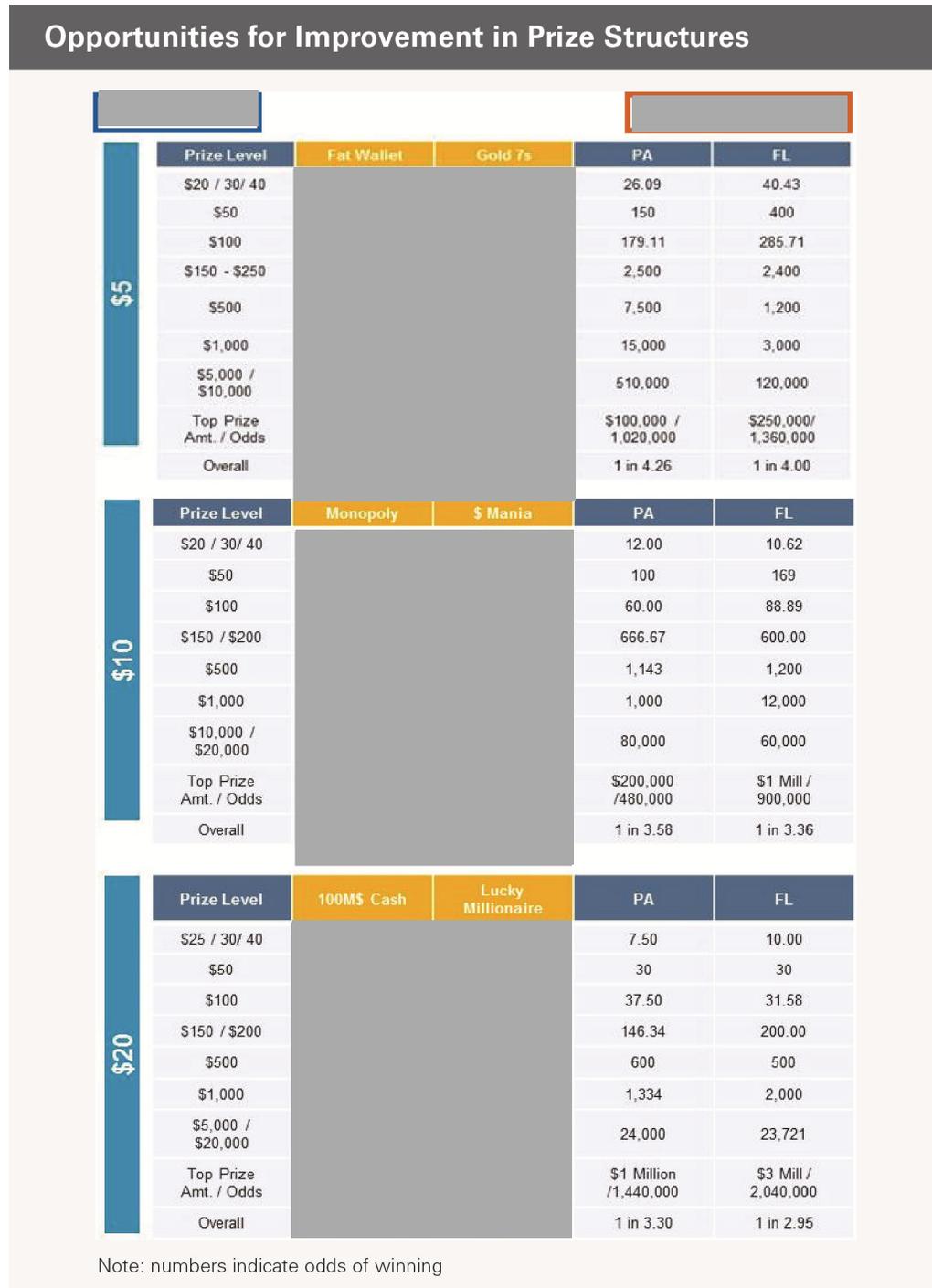
The Lottery's current instant ticket program offers good overall odds of winning at each price point. It also offers a good mix of top prizes at most price points. While the blended payout of the instant ticket program is strong, we believe that prize structures for certain price points can be optimized by increasing the focus on mid-tier prizes; such a reallocation of the prize fund will be well received by both frequent and infrequent players.

We will look for opportunities to:

- Enhance programming parameters to add player excitement, anticipation, and credibility.
- Ensure extra elements have a credible frequency of occurrence.
- Consistently include meaningful callouts in ticket designs.

As an example, the following figure highlights areas in a few existing prize structures that we would like to improve.

Figure 3.0 – 11:



[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]

Hoosier Lottery’s most expensive price points have a larger portion of their prize funds allocated to top prize categories than those in the best-performing instant ticket programs. [REDACTED]

[REDACTED]

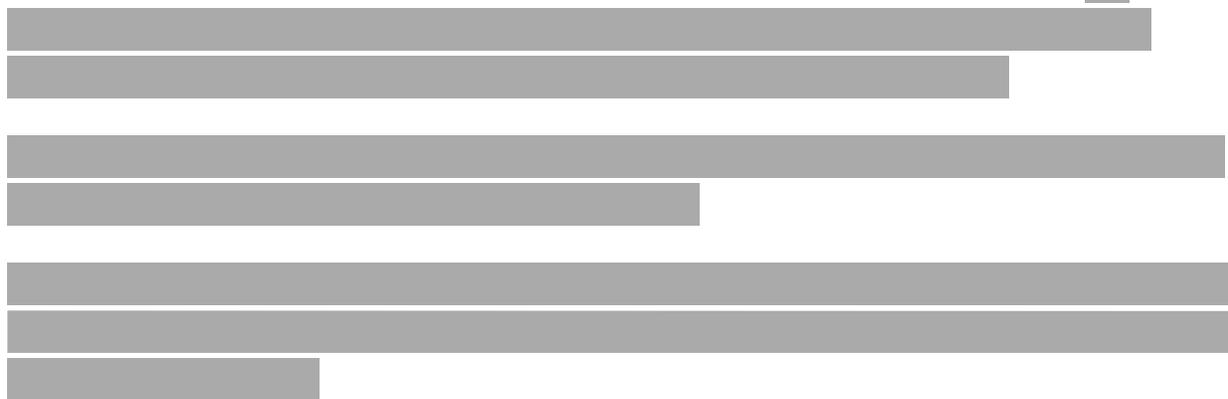
[REDACTED] We will assess the overall product mix and ensure that each and every game at these price points has a unique value proposition for the consumer using a combination of prize amounts, prize types (cash and annuity) and themes. In addition, we will review the performance of games in these categories with regard to play mechanics to ensure that we offer the best value proposition for both regular and infrequent players at these price points.

\$1 Price Point

Figure 3.0 – 12:

\$1 Prize Structure Analysis									
	IN	KY	MA	OH	GA	FL	NY	MO	TN
Top Prize Value	\$2,000	\$900	\$5,000	\$1,800	\$7,500	\$3,000	\$3,000	\$2,500	\$4,500
Quantity of Top Prizes	6	40	163	318	9	105	296	67	11
Total Value of Top Prizes	\$12,000	\$36,000	\$815,000	\$572,400	\$67,500	\$315,000	\$888,000	\$167,500	\$49,500
Chance of Winning \$2 & up	1: 9.94	1: 8.33	1: 8.39	1: 8.32	1: 8.97	1: 9.85	1: 8.86	1: 10.81	1: 9.29
Chance of Winning \$10 & up	1: 81.77	1: 116.93	1: 62.97	1: 90.77	1: 75.79	1: 76.95	1: 108.59	1: 68.43	1: 134.61
Chance of Winning \$20 & up	1: 211.44	1: 272.30	1: 170.04	1: 191.00	1: 281.27	1: 215.96	1: 527.61	1: 190.50	1: 279.52
Chance of Winning \$40 & up	1: 448.68	1: 1,556.87	1: 392.61	1: 1,809.33	1: 2,777.28	1: 1,272.26	1: 2,092.74	1: 1,571.25	1: 1,328.96
Chance of Winning \$100 & up	1: 2,822.76	1: 100,888.96	1: 1,167.43	1: 24,719.79	1: 12,657.22	1: 6,917.25	1: 14,162.76	1: 30,489.26	1: 33,218.82
Overall Chance of Winning	1: 4.99	1: 4.77	1: 4.86	1: 4.77	1: 4.54	1: 4.67	1: 4.67	1: 4.77	1: 4.77
Payout Stated	60.94%	59.03%	69.89%	60.83%	62.44%	60.66%	64.76%	62.55%	57.13%
Effective Payout	60.94%	63.13%	69.89%	60.83%	66.49%	62.23%	64.76%	66.94%	61.45%
Game Size	4,118,400	1,845,510	31,500,000	11,889,789	11,692,607	13,129,915	27,865,714	12,831,355	7,512,415
Per Cap	\$8.11	\$10.69	\$23.64	\$16.67	\$27.92	\$8.46	\$23.03	\$15.01	\$17.51

The \$1 price point provides an introduction to a lottery’s instant ticket program. The Hoosier Lottery’s \$1 prize fund is lower than 4 of the 6 leading U.S. instant ticket programs.



\$2 Price Point

Figure 3.0 – 13:

\$2 Prize Structure Analysis									
	IN	KY	MA	OH	GA	FL	NY	MO	TN
Top Prize Value	\$25,000	\$10,000	\$25,000	\$15,000	\$35,000	\$20,000	\$20,000	\$25,000	\$20,000
Quantity of Top Prizes	6	5	32	33	11	15	16	8	4
Total Value of Top Prizes	\$150,000	\$50,000	\$800,000	\$495,000	\$385,000	\$300,000	\$320,000	\$200,000	\$80,000
Chance of Winning \$10 & up	1: 39.98	1: 40.66	1: 30.41	1: 34.27	1: 27.52	1: 28.79	1: 25.65	1: 30.70	1: 37.76
Chance of Winning \$20 & up	1: 79.97	1: 78.40	1: 71.28	1: 66.26	1: 75.38	1: 84.64	1: 132.91	1: 87.00	1: 126.39
Chance of Winning \$40 & up	1: 399.19	1: 384.07	1: 201.46	1: 294.18	1: 310.76	1: 340.07	1: 835.12	1: 233.03	1: 262.10
Chance of Winning \$100 & up	1: 1,187.65	1: 7,960.50	1: 526.58	1: 1,635.96	1: 3,163.54	1: 2,376.78	1: 4,736.41	1: 739.31	1: 5,524.74
Chance of Winning \$1,000 & up	1: 23,296.15	1: 329,295.42	1: 110,222.41	1: 69,148.48	1: 1,218,285.68	1: 123,811.65	1: 670,004.69	1: 86,924.79	1: 767,173.54
Chance of Winning \$10,000 & up	1: 605,700.00	1: N/A	1: 542,181.82	1: 210,939.00	1: 1,274,461.54	1: 811,173.24	1: 1,325,905.62	1: 643,984.70	1: 1,385,980.32
Overall Chance of Winning	1: 4.49	1: 4.22	1: 4.73	1: 4.45	1: 4.07	1: 4.22	1: 4.99	1: 4.45	1: 4.27
Payout Stated	64.56%	60.13%	73.06%	66.06%	66.67%	67.41%	64.69%	66.49%	60.91%
Effective Payout	64.56%	64.73%	73.06%	66.06%	71.23%	68.02%	64.69%	66.49%	64.66%
Game Size	3,634,200	1,603,511	21,252,000	7,081,636	13,415,215	10,899,950	16,698,154	6,247,339	4,954,041
Per Cap	\$16.69	\$25.21	\$113.60	\$18.66	\$58.55	\$19.18	\$54.70	\$26.97	\$48.29

The current \$2 prize structures also have a greater portion of their prize funds allocated to the larger prize levels, including the top prize level. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

\$3 Price Point

Figure 3.0 – 14:

\$3 Prize Structure Analysis									
	IN	KY	MA	OH	GA	FL	NY	MO	TN
Top Prize Value	\$50,000	No \$3	No \$3	Prize Structure	\$107,156	\$50,000	No \$3	\$50,000	\$50,000
Quantity of Top Prizes	4			Unavailable	6	19		9	4
Total Value of Top Prizes	\$200,000				\$642,936	\$950,000		\$450,000	\$200,000
Chance of Winning \$10 & up	1: 17.18				1: 21.60	1: 19.14		1: 20.33	1: 14.66
Chance of Winning \$20 & up	1: 63.68				1: 48.49	1: 47.35		1: 77.46	1: 121.94
Chance of Winning \$40 & up	1: 312.23				1: 207.89	1: 170.94		1: 268.88	1: 305.52
Chance of Winning \$100 & up	1: 7,182.71				1: 1,316.10	1: 490.40		1: 690.20	1: 834.68
Chance of Winning \$1,000 & up	1: 90,000.00				1: 262,489.26	1: 23,682.66		1: 55,390.24	1: 356,825.00
Chance of Winning \$10,000 & up	1: 514,285.71				1: 1,181,453.33	1: 761,862.06		1: 383,917.74	1: 1,070,475.00
Overall Chance of Winning	1: 3.73				1: 3.74	1: 4.15		1: 3.92	1: 3.73
Payout Stated	67.00%				68.22%	69.59%		66.42%	60.46%
Effective Payout	67.00%				71.40%				64.41%
Game Size	3,600,000				7,224,733	15,640,000		6,017,780	4,281,900
Per Cap	\$2.81			\$1.88	\$18.80	\$2.84		\$10.56	\$1.39

Currently, the \$3 price point focuses on extended play games. As with the \$1 and \$2 price points, the current \$3 games allocate a larger portion of their prize funds to the highest prize levels, including the top prize level.

\$5 Price Point

Figure 3.0 – 15:

\$5 Prize Structure Analysis									
	IN	KY	MA	OH	GA	FL	NY	MO	TN
Top Prize Value	\$100,000	\$38,000	\$800,000	\$150,000	\$400,000	\$200,000	\$800,000	\$100,000	\$100,000
Quantity of Top Prizes	6	6	11	5	7	7	4	8	3
Total Value of Top Prizes	\$600,000	\$228,000	\$8,800,000	\$750,000	\$2,800,000	\$1,400,000	\$3,200,000	\$800,000	\$300,000
Chance of Winning \$10 & up	1: 6.57	1: 7.02	1: 8.54	1: 7.59	1: 7.96	1: 6.77	1: 6.62	1: 7.60	1: 8.52
Chance of Winning \$20 & up	1: 23.68	1: 26.90	1: 28.41	1: 21.24	1: 21.48	1: 27.55	1: 21.01	1: 31.78	1: 27.46
Chance of Winning \$40 & up	1: 81.74	1: 72.93	1: 73.49	1: 123.81	1: 115.62	1: 106.66	1: 140.94	1: 70.78	1: 98.44
Chance of Winning \$100 & up	1: 382.01	1: 434.47	1: 174.03	1: 424.02	1: 691.28	1: 362.90	1: 895.38	1: 286.03	1: 562.75
Chance of Winning \$1,000 & up	1: 9,893.62	1: 317,716.71	1: 6,328.14	1: 52,299.75	1: 54,878.00	1: 52,683.79	1: 465,946.18	1: 7,522.70	1: 53,489.21
Chance of Winning \$10,000 & up	1: 116,250.00	1: 403,566.00	1: 472,125.33	1: 709,220.23	1: 654,385.34	1: 259,481.05	1: 2,781,238.22	1: 235,375.16	1: 312,936.67
Chance of Winning \$50,000 & up	1: 310,000.00	1: N/A	1: 1,681,388.43	1: 1,687,296.35	1: 1,351,345.15	1: 870,127.64	1: 2,781,238.22	1: 648,873.73	1: 1,024,045.45
Overall Chance of Winning	1: 3.96	1: 3.36	1: 4.72	1: 4.15	1: 3.71	1: 3.9	1: 4.72	1: 4.03	1: 3.95
Payout Stated	69.66%	68.63%	76.30%	67.75%	69.11%	68.94%	65.95%	68.42%	63.17%
Effective Payout	69.66%	73.06%	76.30%	67.75%	72.46%	68.94%	65.95%	68.42%	66.93%
Game Size	3,263,900	1,463,631	23,000,000	7,143,000	9,034,250	8,366,677	11,529,669	4,869,288	3,299,708
Per Cap	\$25.90	\$39.47	\$130.29	\$36.63	\$45.66	\$23.66	\$49.19	\$24.75	\$35.32

The current prize fund at the \$5 price point compares favorable to that offered by the best instant ticket programs. There are a variety of top prizes available, which makes the offering more interesting for players.

The odds of winning the top prize at this price point are significantly better than those found in the best instant ticket program.

\$10 Price Point

Figure 3.0 – 16:

\$10 Prize Structure Analysis									
	IN	KY	MA	OH	GA	FL	NY	MO	TN
Top Prize Value	\$500,000	\$100,000	\$2,000,000	\$525,000	\$900,000	\$600,000	\$2,000,000	\$500,000	\$250,000
Quantity of Top Prizes	2	3	10	10	8	7	4	3	2
Total Value of Top Prizes	\$1,000,000	\$300,000	\$20,000,000	\$5,250,000	\$7,200,000	\$4,200,000	\$8,000,000	\$1,500,000	\$500,000
Chance of Winning \$20 & up	1: 8.06	1: 10.10	1: 8.61	1: 7.36	1: 6.97	1: 8.32	1: 6.70	1: 9.98	1: 12.05
Chance of Winning \$40 & up	1: 29.32	1: 23.89	1: 38.24	1: 38.52	1: 47.89	1: 30.79	1: 26.27	1: 29.81	1: 32.60
Chance of Winning \$100 & up	1: 63.41	1: 127.07	1: 61.92	1: 74.26	1: 142.30	1: 80.26	1: 697.42	1: 73.89	1: 134.54
Chance of Winning \$1,000 & up	1: 3,501.00	1: 107,979.04	1: 2,168.32	1: 3,936.33	1: 27,270.27	1: 12,701.22	1: 126,208.18	1: 2,789.90	1: 67,264.55
Chance of Winning \$10,000 & up	1: 171,529.17	1: 372,677.50	1: 59,733.33	1: 118,485.90	1: 245,798.63	1: 141,868.41	1: 1,235,970.93	1: 95,130.28	1: 171,793.64
Chance of Winning \$50,000 & up	1: 1,029,175.00	1: 374,583.33	1: 1,152,000.00	1: 1,200,856.65	1: 440,436.07	1: 1,378,069.03	1: 2,701,868.33	1: 806,370.00	1: 944,865.00
Chance of Winning \$100,000 & up	1: 1,029,175.00	1: 374,583.33	1: 1,152,000.00	1: 2,022,362.50	1: 1,542,027.00	1: 1,378,069.03	1: 2,701,868.33	1: 806,370.00	1: 944,865.00
Overall Chance of Winning	1: 3.52	1: 2.87	1: 3.62	1: 3.64	1: 3.22	1: 3.39	1: 3.86	1: 3.33	1: 3.16
Payout Stated	71.39%	70.91%	80.26%	70.96%	75.05%	74.10%	71.10%	75.70%	64.34%
Effective Payout	71.39%	74.53%	80.26%	70.96%	77.54%	74.10%	71.10%	75.70%	66.72%
Game Size	2,058,350	990,000	40,320,000	15,118,050	11,910,135	8,171,445	10,913,700	2,419,110	1,800,000
Per Cap	\$12.56	\$22.34	\$100.95	\$23.38	\$57.71	\$16.56	\$35.59	\$15.04	\$14.82

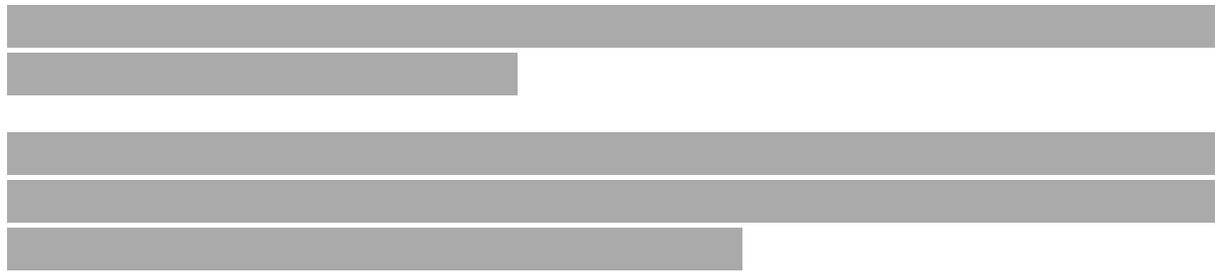
The current prize fund at the \$10 price point is essentially the same as that offered at the \$5 price point. Of the top six instant ticket programs, only the Connecticut Lottery allocates a similar prize fund to this price point.

The odds of winning the top prize at this price point are better than some of those in the best instant ticket programs.

\$20 Price Point

Figure 3.0 – 17:

\$20 Prize Structure Analysis									
	IN	KY	MA	OH	GA	FL	NY	MO	TN
Top Prize Value	\$1,000,000	\$150,000	\$10,000,000	\$2,500,000	\$4,000,000	\$3,750,000	\$5,000,000	\$3,218,000	\$675,000
Quantity of Top Prizes	12	3	10	9	4	7	5	3	11
Total Value of Top Prizes	\$12,000,000	\$450,000	\$100,000,000	\$22,500,000	\$16,000,000	\$26,250,000	\$25,000,000	\$9,648,000	\$7,425,000
Chance of Winning \$40 & up	1: 16.44	1: 12.77	1: 10.60	1: 9.38	1: 10.39	1: 10.20	1: 6.61	1: 14.93	1: 12.00
Chance of Winning \$100 & up	1: 40.38	1: 35.37	1: 29.09	1: 22.67	1: 38.57	1: 27.11	1: 37.06	1: 28.33	1: 33.36
Chance of Winning \$1,000 & up	1: 1,735.32	1: 154,829.29	1: 1,806.47	1: 1,539.49	1: 1,286.09	1: 3,323.76	1: 7,694.86	1: 1,806.59	1: 2,321.01
Chance of Winning \$10,000 & up	1: 51,204.23	1: 274,600.00	1: 39,589.12	1: 37,811.01	1: 78,268.86	1: 42,635.94	1: 75,243.24	1: 26,575.57	1: 25,744.87
Chance of Winning \$50,000 & up	1: 302,958.33	1: 363,370.00	1: 225,931.03	1: 1,736,111.11	1: 661,096.36	1: 708,856.73	1: 201,739.13	1: 211,449.13	1: 529,872.24
Chance of Winning \$100,000 & up	1: 302,958.33	1: 360,000.00	1: 409,500.00	1: 1,736,111.11	1: 794,046.55	1: 708,856.73	1: 201,739.13	1: 211,449.13	1: 529,872.24
Chance of Winning \$1,000,000 & up	1: 302,958.33	1: N/A	1: 409,500.00	1: 1,736,111.11	1: 2,382,139.67	1: 2,982,882.86	1: 1,265,454.55	1: 1,621,110.00	1: 555,789.47
Overall Chance of Winning	1: 3.08	1: 2.25	1: 2.99	1: 3.26	1: 3.01	1: 2.97	1: 3.48	1: 3.00	1: 3.14
Payout Stated	71.19%	63.66%	80.45%	75.06%	77.75%	77.48%	78.00%	76.71%	70.64%
Effective Payout	71.19%	72.92%	80.45%	75.06%	80.09%	77.48%	78.00%	76.71%	70.64%
Game Size	3,635,500.00	600,000	65,520,000	15,000,000	8,517,265	20,880,180	13,920,000	4,900,000	5,783,955
Per Cap	\$11.93	\$20.20	\$102.99	\$19.94	\$50.65	\$36.80	\$14.28	\$15.35	\$18.04



GAME PORTFOLIO



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Of course, our advertising and marketing material will comply with the Marketing Restrictions specified in the Operating Standards for the State Lottery Commission of Indiana.

Expand Extend Play Offering

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Identify and Establish Core Games

Many lotteries have identified particular instant ticket games that their players have requested to be returned to the market after they have sold out. Other lotteries elected to reprint games that enjoyed strong sales and continued to reprint them as long as sales remain strong. These games are often referred to as “core” games. Both retailers and players expect these games to be available at all times. They offer a consistent value proposition in terms of prizes and payouts. Core games represent more than 33% of the instant business in best-performing instant lotteries, reinforcing the credibility and “win-ability” of the category for consumers and retailers alike. They also provide a highly effective insurance policy against the potential underperformance of a new game, make sense from an operational efficiency perspective for the labor-intensive instant ticket category and, most important, contribute significantly to the long-term sustainability and player loyalty towards the instant category.

Currently, the Hoosier Lottery's crossword and bingo games could be considered core games.

During the Transition Period, we will work with members of the Lottery's instant team to identify games that might be considered core game candidates.

Examples of Successful Core Games

New York Lottery

- Lucky 7s, Instant Take 5, Loose Change and Win for Life.
- Except for Instant Take 5, each of these games has been on sale for 16 years or more. Instant Take 5 is a relative newcomer in its 12th year on sale.

Georgia Lottery

- Lucky 7s and Jumbo Bucks.
- These games have been on sale for 18 years.
- The Jumbo Bucks game initiated an extensive family of games at the \$1, \$5 and \$10 price points in addition to the incredibly successful original \$2 price point.

New Jersey Lottery

- Big Money Spectacular, Win for Life, Classic Bingo, and Crossword.
- These games have been on sale for 15 years.

Connecticut Lottery

- Aces High, Mega Money, Win for Life, Super Cashword, and Pinball Wizard.
- All of these games have had more than 15 editions produced. The current Aces High and Mega Money games both represent their 22nd edition.

Lottomatica

- Miliardario (€5), Mega Miliardario (€10), and Maxi Miliardario (€20).
- A strong family theme with the first game introduced in 2005, the second in 2007 and the third in 2011.
- These three games represent 60% of Lottomatica's instant sales.

Manage Game Introductions

NUMBER OF GAMES AND NEW GAME INTRODUCTIONS

The Lottery currently introduces multiple new games simultaneously on a fixed, predictable schedule, as do the best instant ticket programs nationally. During the period from early May 2011 until early May 2012, the Lottery introduced 57 new games in 13 waves as shown in the following figure.

Figure 3.0 – 24:

Hoosier Lottery Instant Game Launch Program – May 2011 to May 2012								
Launch	Game ID	Name	Price	Top Prize	Play Style	Plays	On Sale	Tickets
1	282	Hot \$50	\$1.00	\$5,550	Key Number Match	5	5/5/2011	4,080,000
	280	The Numbers Game	\$1.00	\$1,000	Key Number Match	5	5/5/2011	4,080,000
	281	Hit \$100	\$2.00	\$20,000	Match 3	2	5/5/2011	4,080,000
	288	Hit The Jackpot	\$5.00	\$100,000	Key Number Match	22	5/5/2011	3,000,000
	274	\$500,000 Money Match	\$10.00	\$500,000	Multiple Games	22	5/5/2011	2,400,000
2	300	Super Duper Bingo	\$2.00	\$20,000	Bingo	4	5/26/2011	3,000,000
3	284	Lucky Coins	\$1.00	\$3,000	Find Symbol	6	6/2/2011	4,080,000
	291	Double Take	\$2.00	\$10,000	Key Number Match + Match 3	10	6/2/2011	3,600,000
	286	Red White & Blue 7s	\$2.00	\$17,777	Find Symbol	10	6/2/2011	4,080,000
	283	Casino Cash	\$5.00	\$150,000	Key Symbol Match	18	6/2/2011	3,000,000
4	298	Cash Wow Tripler	\$1.00	\$3,000	Match 3	1	8/4/2011	4,080,000
	293	Hot Cash	\$2.00	\$10,000	Key Number Match	10	8/4/2011	4,080,000
	294	White Ice 8s	\$2.00	\$18,000	Find Symbol	10	8/4/2011	4,080,000
	276	Lucky 7s Bingo	\$3.00	\$50,000	Bingo	4	8/4/2011	3,600,000
	292	20X The Money	\$5.00	\$120,000	Key Number Match	20	8/4/2011	3,240,000
5	302	\$5,000 Payday	\$1.00	\$5,000	Key Number Match	5	9/1/2011	4,320,000
	303	Money Bags	\$1.00	\$2,000	Find Symbol	6	9/1/2011	3,600,000
	297	Double Dough	\$2.00	\$30,000	Key Number Match	10	9/1/2011	3,360,000
	301	\$124K Gold Rush	\$5.00	\$124,000	Key Number Match	20	9/1/2011	3,240,000
	307	Money Mania	\$10.00	\$500,000	Key Number Match	20	9/1/2011	2,040,000
6	304	Lucky Cherries	\$1.00	\$3,000	Match 3/Line-up	4	10/6/2011	5,040,000
	305	24 Karat Cash	\$2.00	\$24,000	Find Symbol	10	10/6/2011	3,240,000
	309	Blackjack Tripler	\$2.00	\$21,000	Your Score vs. Their Score	8	10/6/2011	3,240,000
	296	Wheel of Fortune	\$5.00	\$75,000	Key Number Match	20	10/6/2011	3,000,000
7	311	Holiday \$50s	\$1.00	\$500	Key Number Match	5	11/3/2011	4,080,000
	308	\$Apphire 6s	\$1.00	\$6,000	Find Symbol	6	11/3/2011	4,320,000
	306	Triple Winning 7s	\$2.00	\$17,000	Find Symbol	12	11/3/2011	3,120,000
	312	Merry Money	\$2.00	\$12,000	Find Symbol	10	11/3/2011	3,120,000
	313	Jingle Bens	\$5.00	\$150,000	Key Number Match	20	11/3/2011	2,520,000
	310	Break The Bank	\$5.00	\$200,000	Key Number Match	20	11/3/2011	3,000,000
8	315	I Love Lucy	\$2.00	\$10,000	Key Number Match	10	12/1/2011	3,600,000
	316	\$30,000 Payday	\$2.00	\$30,000	Key Number Match	10	12/1/2011	3,360,000
	317	Money Bag Multiplier	\$5.00	\$100,000	Key Number Match	20	12/1/2011	3,240,000
9	318	Beat the Dealer	\$1.00	\$1,500	Your Score vs. Their Score	4	1/5/2012	4,316,400
	319	Sizzlin' 7s	\$1.00	\$777	Find Symbol	6	1/5/2012	4,360,800
	320	Lucky Loot	\$2.00	\$21,000	Key Number Match	10	1/5/2012	3,630,000
	326	Wild Cherry Slots	\$5.00	\$100,000	Match 3/Line-up	16	1/5/2012	3,269,700
10	322	Quick Cash	\$1.00	\$1,000	Key Number Match	5	2/2/2012	4,360,500
	323	Hoosier Hundreds	\$2.00	\$10,000	Find Symbol	10	2/2/2012	3,629,200
	324	Fantastic 5s	\$2.00	\$15,555	Key Number Match	10	2/2/2012	3,271,000
	321	Metal 7s Series	\$5.00	\$77,777	Find Symbol	20	2/2/2012	5,088,100
	325	Hit \$1,000	\$5.00	\$1,000	Key Number Match	20	2/2/2012	3,147,300
	346	Lucky Millionaire	\$20.00	\$1,000,000	Key Number Match	25	2/2/2012	3,635,500
11	328	Wild Doubler	\$1.00	\$2,000	Key Number Match	5	3/1/2012	4,353,300
	333	Quick Bucks	\$1.00	\$2,500	Find Symbol	6	3/1/2012	4,342,500
	330	10X The Money	\$2.00	\$10,000	Key Number Match	10	3/1/2012	3,550,000
	331	Bejeweled Diamond Doubler	\$2.00	\$20,000	Match 3/Line-up	6	3/1/2012	4,066,800
	332	\$150,000 Fortune	\$5.00	\$150,000	Key Number Match	20	3/1/2012	3,493,600
12	338	Fire 'N Dice	\$1.00	\$2,000	Find Symbol	5	4/5/2012	4,118,400
	334	Money Roll	\$2.00	\$25,000	Key Number Match	10	4/5/2012	3,634,200
	336	Lucky Lines	\$3.00	\$50,000	Extended Play	9	4/5/2012	3,028,400
	337	Cash Bonus	\$5.00	\$100,000	Match 3	18	4/5/2012	3,263,900
	327	\$500 Grand	\$10.00	\$500,000	Multiple Play Areas	20	4/5/2012	2,058,350
13	345	Super 7's	\$1.00	\$1,700	Find Symbol	7	5/3/2012	4,118,400
	335	Electric 8's	\$2.00	\$28,000	Find Symbol	10	5/3/2012	3,255,400
	340	Double Match	\$2.00	\$12,000	Key Number Match	10	5/3/2012	3,431,200
	341	Fat Wallet	\$5.00	\$125,000	Key Number Match	20	5/3/2012	3,148,800

Note: Highlighting indicates multiple game launches at the same price point.

Introduction usually occurs the first week of each month.

Of the 13 waves, 11 include at least one set of 2 games at the same price point:

- In total, 30 of the 57 games in the plan were introduced with a “competing” game at the same price point.
- In one case, the “duplication” was related to the holiday season when the Lottery elected to introduce three pairs of new games at the same price point in early November.
- On two other occasions, it introduced two pairs of new games at the same price point at the same time.

The best-performing instant lotteries avoid launching competing games at the same price point in order to allow each new game the opportunity to establish itself.



GAME SIZES



Reduce Barriers for Displaying More Games/New Retailers

PACK SIZES

Currently, the Lottery varies the number of tickets per instant ticket pack and the value of each pack at each price point.

Figure 3.0 – 25: Current and Planned Pack Sizes and Value

Price Point	Tickets per Pack (current)	Value per Pack (current)	Planned Tickets per Pack	Planned Value per Pack
\$1	300	\$300	■	■
\$2	200	\$400	■	■
\$3	100	\$300	■	■
\$5	100	\$500	■	■
\$10	50	\$500	■	■
\$20	50	\$1,000	■	■

MINIMUM NUMBER OF GAMES FOR NEW RETAILERS

Today, the Hoosier Lottery mandates that all Lottery Retailers, including new retailers, offer a minimum of 18 games for sale. Given the number of tickets per pack today, as shown in the previous table, the value of the tickets that a new Lottery Retailer must put on sale is a significant \$9,100 initial investment for carrying the Lottery.



Figure 3.0 – 26: Draw Game Insert Cards in Use Today



This will enable greater economic development in local communities and generate additional revenue for the State of Indiana.

SETTLEMENT TERMS

Today, Lottery Retailers' bank accounts are charged for instant tickets 27 to 33 days after the tickets have been shipped to the retailer based on a well-defined schedule. [REDACTED]

[REDACTED]

- | [REDACTED]

- | [REDACTED]

- | [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- | [REDACTED]

- | [REDACTED]

- | [REDACTED]

Manual settlement upon activation will still be available (this is often the preferred choice for corporate chains).

Figure 3.0 – 27: Comparison of Settlement Terms

Lottery	LSR Visit Schedule	Days After Shipment	Days After Activation	% of Low-tier Validations	Maximum # Active Packs (Single Game)	Actual Settlement Experience (Days to Settle)
Hoosier Lottery	Weekly	27 to 33 Days after Shipment	–	–	–	27 to 33 Days after Shipment
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Massachusetts		–	180	85%	–	Not Available
Georgia	Biweekly	–	21	–	–	21
New York	Biweekly	–	45	–	–	Not Available
Pennsylvania	Biweekly	–	120	90%	–	Not Available
New Jersey	Biweekly	–	60	90%	3	13
Illinois	Biweekly	–	90	90%	–	23
Ohio	Biweekly	–	45	75%	3	Not Available
Michigan	Biweekly	–	45	90%	–	29 ⁶
Kentucky	Biweekly	–	30	75%	–	Not Available



[REDACTED]

MODERNIZE THE ORDERING PROCESS

Today, the LSRs manage the instant ticket inventory program for most Lottery Retailers. Using their Cole Order Pads, the LSRs review each retailer’s inventory and sales and then enter the order using the retailer’s lottery terminal.

LSRs visit most Lottery Retailers weekly to perform this labor-intensive process, which was common practice when instant tickets first entered the market 20+ years ago. There is also a small inside team at the Lottery’s headquarters who will enter orders if a retailer calls the Lottery. [REDACTED]

[REDACTED]

The Lottery has announced plans to eliminate weekly visits by LSRs to approximately 860 Lottery Retailers (~22% of the retailer base) and switch to using the inside sales team to manage the restocking process for these retailers.

The best-performing national instant ticket programs use a centralized team to create orders to resupply retailers. This frees up LSRs to focus on actionable initiatives to help retailers grow sales and revenues rather than being simply inventory managers, order takers and couriers.

With the implementation of our Enterprise Series Instant Processing System (ES IPS), the Hoosier Lottery’s retailers will benefit from the leading instant ticket management system in the world. With more than 45% of the installed instant ticket management systems globally, we have included all of the features required to operate and manage a modern instant ticket program *with the flexibility to support changing retail conditions in a dynamic, ongoing program.*

ES IPS includes a full-function ordering module that supports both traditional telemarketing operations (inbound and outbound) and automated ordering. It uses sophisticated predictive ordering formulae to analyze each retailer's inventory and sales history and generate suggested orders. Once generated, the suggested orders can be automatically transferred to the warehouse for packing or reviewed with the retailer. The process takes into account the sales strength of each game at the retailer and within the state as a whole. The system allows automatic alignment and a heightened ability to execute our business plan at retail, where it matters most.

In addition, the system automatically reviews each retailer's inventory each day to see if any retailer might run out of tickets before their next scheduled order date. This enables us to proactively resupply retailers whose sales are stronger than expected without waiting for them to call for additional tickets.

From the retailer's perspective, the current instant ticket replenishment process is effectively "automatic" (performed by the LSR). Our vision is to modernize and centralize the process evolving to a more efficient biweekly resupply schedule. The centralized process, combined with the rebalanced settlement terms, will:

- Improve the consistency of the resupply process.
- Reduce stock-outs, which severely impede current sales, particularly on popular products, and emergency orders.
- Reduce the need for LSRs to carry inventory.
- Reduce returns based upon more inventory at retail.
- Level the workload in the warehouse.
- Fundamentally professionalize the LSR's role to focus on professional, proven sales-building strategies.

Lotteries using our instant ticket management systems include:

- New York and New Jersey, two of the top-performing instant programs in the country, where we provide telemarketing services in addition to predictive software. The performance of these lotteries is even more impressive given the regulatory payout constraints that both face.
- California, where our predictive ordering software supported the lottery during the great growth in sales that's been executed since July 2010, driven by the increase in prize payouts allowed by the new legislation.

Such a major change to an important process in the Lottery's operations cannot be done with the "flip of a switch." It will take time for retailers and the sales team to embrace the fundamental value chain modernization. Sharing the vision in a succinct and collaborative way will help both retailers and LSRs to embrace the transformation and successfully transition to the new business model.

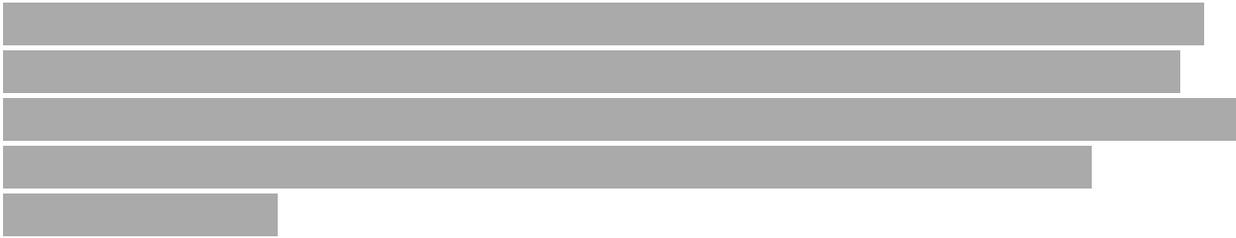
More information regarding re-tasking the energy of the sales team can be found in the Focusing Sales Staff on Value Added Activities section within the Retailer Expansion and Optimization portion of the Business Plan.

IMPROVE EFFECTIVENESS OF ADVERTISING INVESTMENT

From a specific study we commissioned with OMD, we understand that the Lottery makes a significant effort to promote instant games. According to this study, as reported by Advview, the Lottery invested \$2.1 million in 2010 and \$2.7 million in Spot TV in 2011. This represented 47.5% and 44% of the Lottery's total TV spend in 2010 and 2011 respectively. The following figure illustrates the different instant campaigns that were launched:

Figure 3.0 – 28:



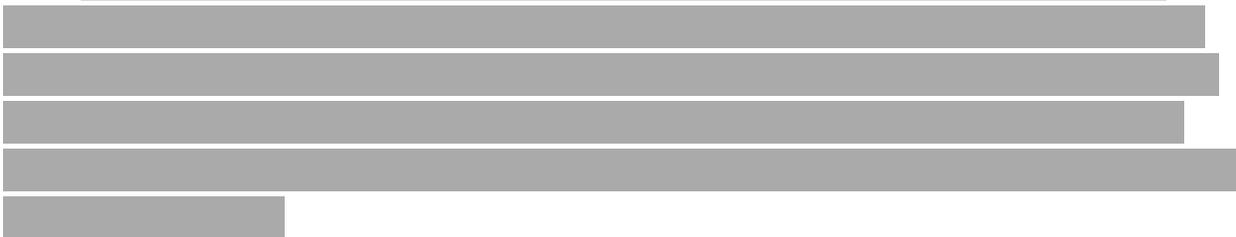


Recommended Game Plan

PLAN SUMMARY AND GUIDELINES

Sales forecast for the first five years of the Integrated Service Agreement are included in Section 3.0, Financial Plan.

The schedule summary figure below shows that projected total growth for your program over the first five years of the contract period is more than [redacted] million when compared to FY12 reported sales. [redacted]



Throughout the 10-year term of the ISA, we expect to grow the Lottery's player base by at least 25%.

Figure 3.0 – 29:

Game Launch Schedule Summary					
	FY2014	FY2015	FY2016	FY2017	FY2018
Value of Tickets Printed					
\$1 Games					
\$2 Games					
\$3 Games					
\$5 Games					
\$10 Games					
\$20 Games					
Total Value of Tickets					
Number of Tickets Printed					
\$1 Games					
\$2 Games					
\$3 Games					
\$5 Games					
\$10 Games					
\$20 Games					
Total					
Summary					
Games Per Year					
Weekly Per Capita					
Estimated Aggregate Payout*	69.34%	69.49%	69.58%	69.66%	69.74%
Sales Forecast	\$754.3	\$974.6	\$1,134.9	\$1,243.7	\$1,330.7

* Planned payout not adjusted for Unclaimed Prizes

[REDACTED]

[REDACTED]

Assuming we are privileged to become the Provider, we will immediately undertake an exhaustive brand audit taking into account every aspect of the value chain; we will show the Lottery how to review the performance of each and every component of the current program so that we are respectful of local market differences and nuances affecting pricing, merchandising, launch cycle, accounting, packaging, prize structures, graphics, themes and play styles. We will conduct a physical review of hundreds of retail stores across the 92 counties to better understand local execution logistics and concerns as well as the merchandising reality at retail.

This analysis will be conducted by Stefano Monterosso, Senior Vice President of Marketing Operations, Nick Fazzano, Product Marketing Manager and senior level staff experienced in similar instant operations.

Stefano Monterosso was deeply involved in the preparation of the Illinois bid for the Northstar Lottery Group, and has supported Northstar during its first year of operations. He also has several years of experience working with Lottomatica's instant ticket operator teams in Italy and Spain. Stefano has acquired a deep knowledge of the US market having worked with the California, New Jersey, New York and Texas Lotteries and their local GTECH account teams.

Nick Fazzano has more than 20 years of experience working with instant ticket programs in the US and around the world. He was seconded to Camelot from 1994 until early 1997 to ensure the on time start-up of its instant ticket program and to establish solid product and operational procedures during those formative years. Nick has provided marketing and operational support to a number of lotteries in addition to Camelot including those in North Carolina, Rhode Island, New Zealand, Spain, Taiwan, the Caribbean and Beijing among others in recent years.

It is anticipated that the audit/discovery process will take approximately 2 months and official recommendations will be delivered to the Lottery by January 1, 2013.

Consumer research will be taken into account as we work through this exploration to make certain that we do not overlook specific consumer concerns and barriers to playership. The advertising and media plan along with the instant game plan will be finalized based upon these deep, local market findings. This instant brand audit process was tremendously helpful with our most recent Northstar Illinois experience to make certain that our business plan was finely tuned and optimized based upon 100% accurate local information and understanding. The instant business more than any other aspect of lottery operations is fundamentally dependent upon obsessive retail execution and “on the counter” product visibility.

DETAILED PLAN FOR FIRST YEAR

On the following pages, we outline our recommended Game Plan for the transition period and Year 1 of the agreement, subject to revisions following our Brand audit. It is difficult to predict how market changes and player preferences will dictate the specifics of the plan beyond the first year. Through ongoing monitoring and analysis, we would monitor the effectiveness of the strategy weekly and recommend any changes that we feel would positively affect the business.

GAME DESIGN ELEMENTS AND THE USE OF A DESIGN TEMPLATE

Player research suggests that a design template that results in a consistent display of key information makes it much easier for players. The Lottery today makes use of some the elements of the “template” approach particularly in the positioning of the ticket price and Lottery name.



While there may be various options on the specific elements used in the template, key information placement will be standardized across.

GAME DESIGN ELEMENTS

Font Styles

Historically, gradients and drop shadows have been popular font styles in game names and call-outs. These features add depth to simple designs;



Color Palettes

As instant tickets have increased in size, designers have taken advantage of the larger formats by using more colors. More colors can result in a busy ticket that makes it difficult for the player to focus on a game's primary selling points. For example, top prize call-outs can sometimes be hard to find.



Background Patterns



Lottery Branding

One primary consideration for a design template is consistent placement of the Hoosier Lottery brand. When we placed a set of another lottery's tickets in front of a group of non-players, it was not clear to everyone that the games were all products offered by that state's lottery – even with the name spelled out!

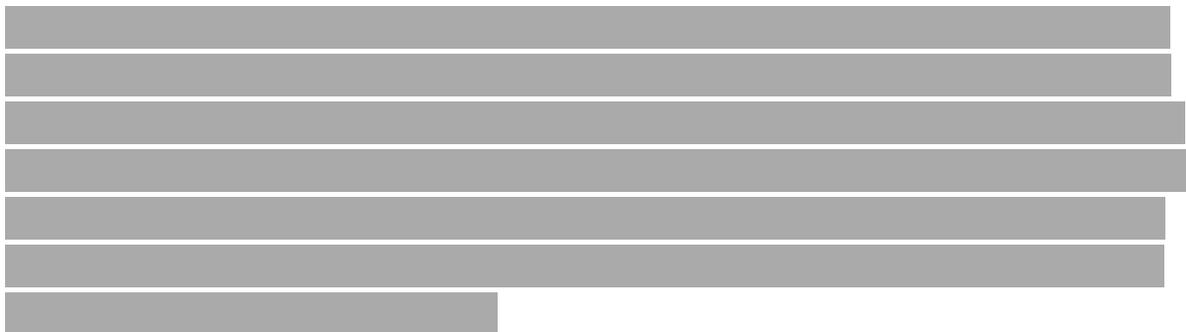


Figure 3.0 – 30: Alternative Branding Styles



Lottomatica (Italy)



Lottomatica (Italy)



Pronóstico (Mexico)



Caribbean Lottery



O.N.C.E. (Spain)



LotteryWest (Australia)

Layout of the Games for the First Year

On the following pages, you will see the games that we propose to launch beginning in April 2013 and continuing through June 2014, the end of Year 1.

This mix of games has been designed to appeal to current players, lapsed players and new players. It includes:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

In preparing our game plan, we have not taken into account the games that the Lottery will launch between today and March 30, 2013. We have also not taken into account the inventory of games that will be in the warehouse on that date. As part of the brand audit described earlier, we expect to gather this information. With it, we will be able to refine our plan in order to best grow instant ticket sales and Net Income.

As explained in other sections of the Business Plan, we plan to leverage all current instant ticket primary sources, not only GTECH Printing Corporation. [REDACTED]

[REDACTED]

We have also included some additional games that we believe could be strong performers in Indiana. Through our regular program of research, we will refine these designs and themes to appeal to the appropriate market segments.

Please see the inserts immediately following the section:

- **Instant Games for Ramp-up Period and Year 1** which is the proposed game plan for April 2013 through June 2014.
- **The Proposed Instant Ticket Product Profile.**

Prize Structures

As attractive as an instant ticket design may be, it is the prize structure working in unison with the play mechanics of the game that determines the long-term success of a game. A great design with a poor prize structure will sell few tickets. On the other hand, a good prize structure can salvage a poor design.

As an example of our approach towards prize structures, we have included our proposed prize structures for the key games planned for the transition period and Year 1 along with those games that will offer a tie-in to an associated draw game. The games include:

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

[Redacted]

All

special play symbols will follow the Hoosier Lottery's recent practice.

Assumptions

Our plan is based on the following assumptions that are keys to driving the market development we forecast:

- Provider will assume responsibility for the design of new games and management of the Lottery's game portfolio on [REDACTED], the beginning of the Ramp-up period.
- Advertising, in-store merchandising, and communications initiatives planned for the ramp-up period will be implemented to enable a quick start once Contract Year One begins.
- New instant games planned for the ramp-up period will be launched.
- The Business Plan included in GTECH's bid will become part of the Initial Annual Plan, and will be implemented.
- Unclaimed prizes will remain part of Profit Net Income.
- Average instant portfolio payout over the year is a function of game planning and consumer demand. Provider and the Lottery will collaborate and be flexible to respond to market conditions.
- The Lottery will approve payout levels as proposed in the Annual Business Plan.

Instant Games Ramp-Up Period and Year 1

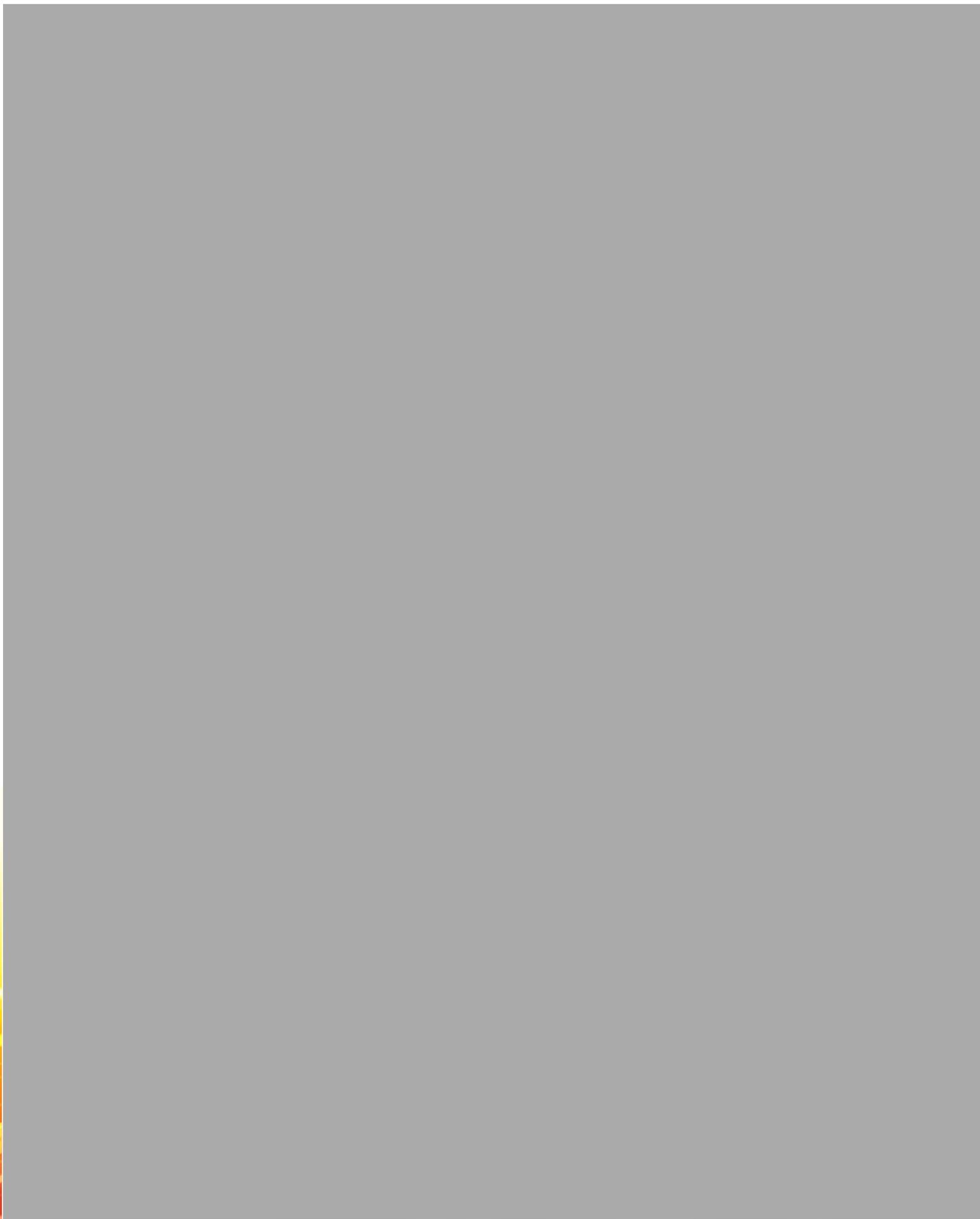
HOOSIER LOTTERY

Instant Ticket Game Plan

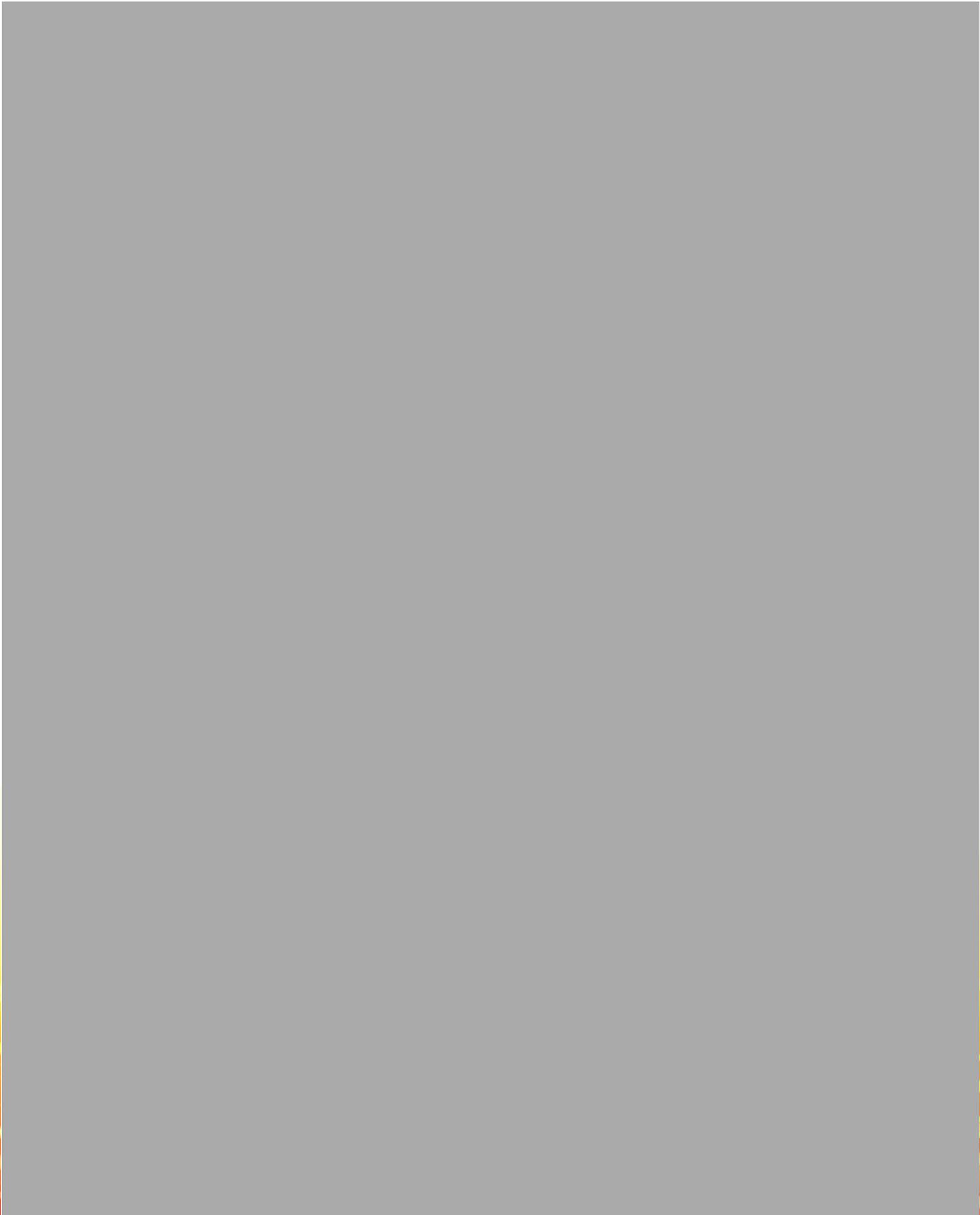
April 2013 – June 2014



APRIL 2013 New Games



MAY 2013 New Games



JUNE 2013 New Games



JULY 2013 New Games



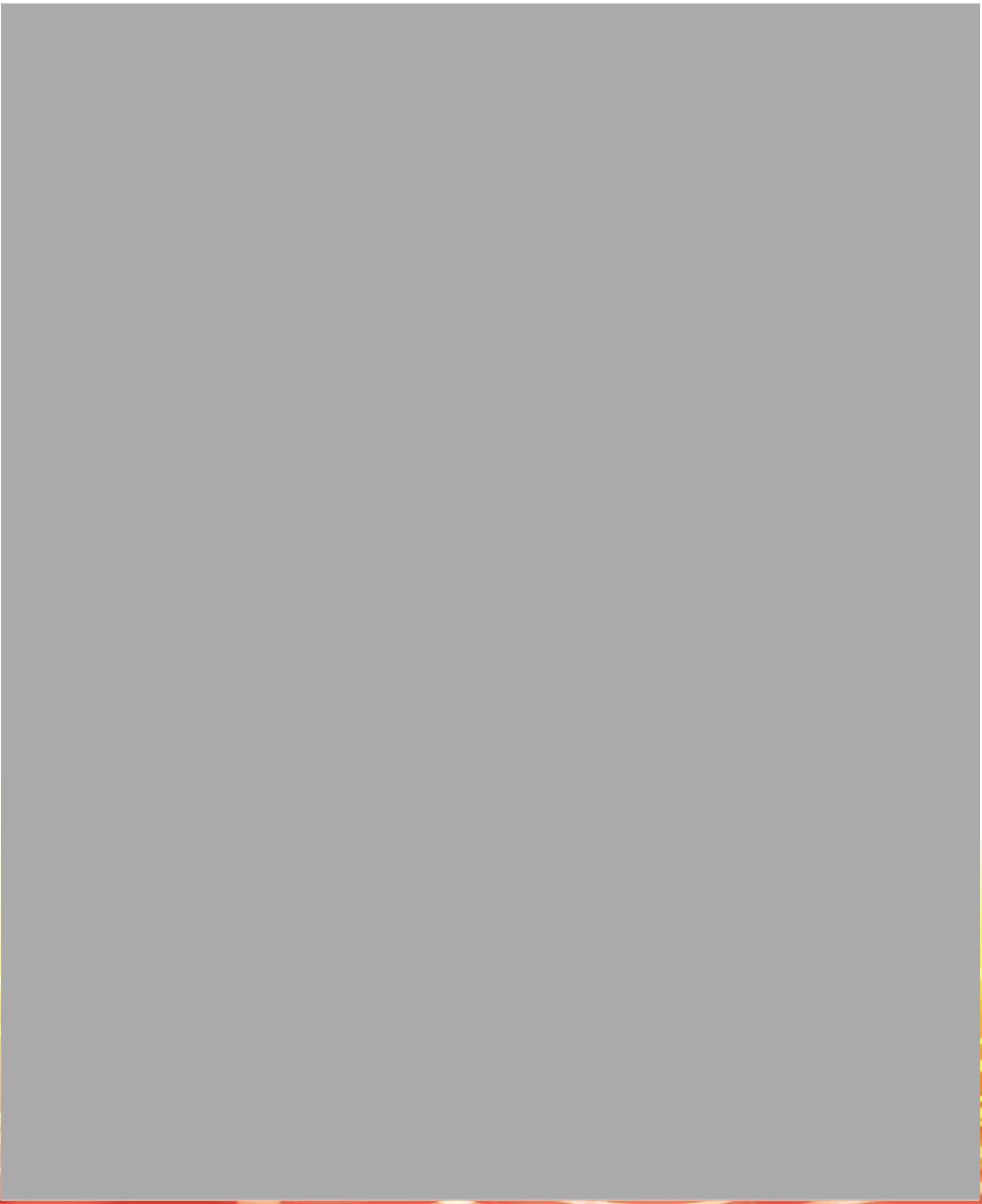
AUGUST 2013 New Games



SEPTEMBER 2013 New Games



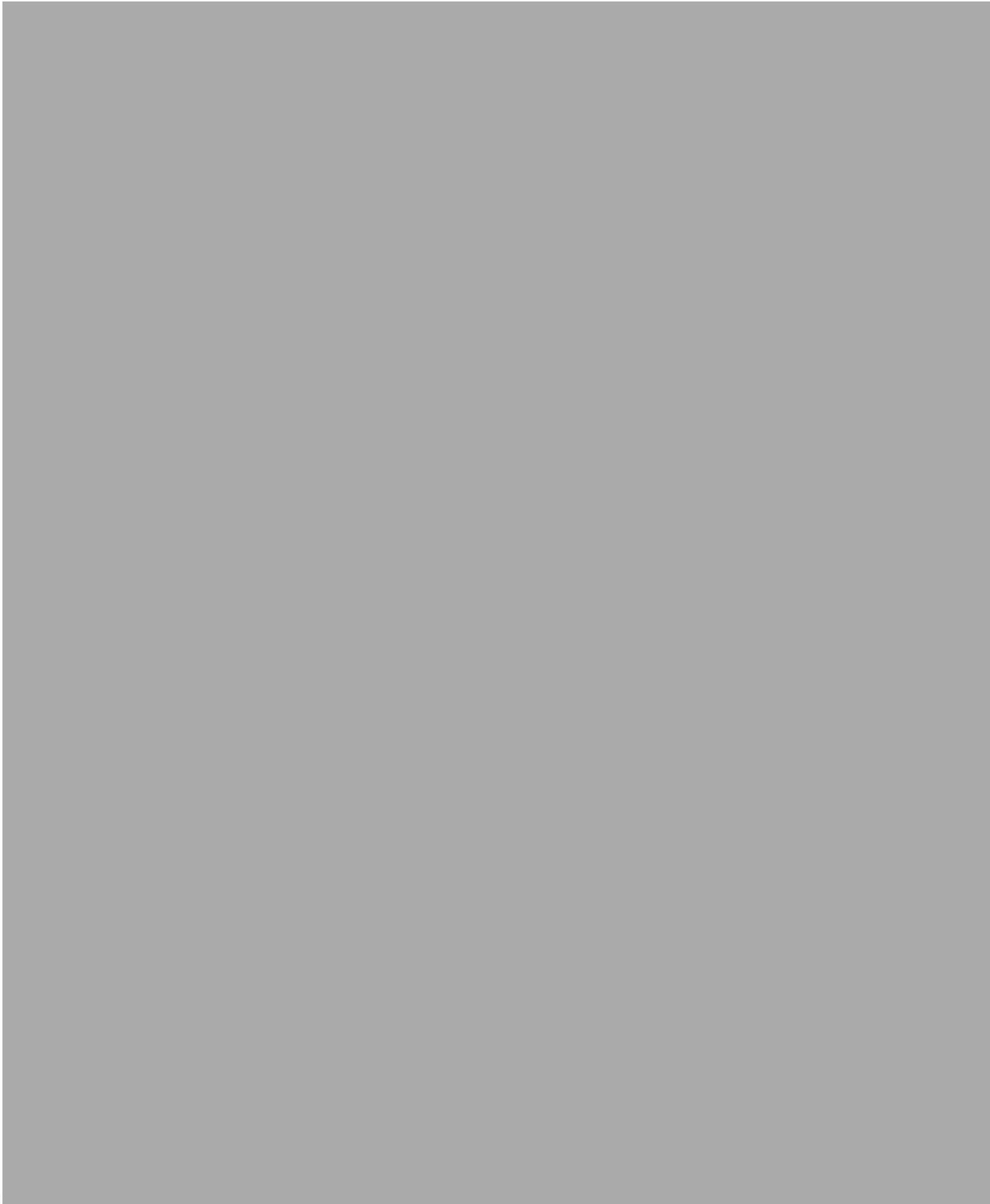
OCTOBER 2013 New Games



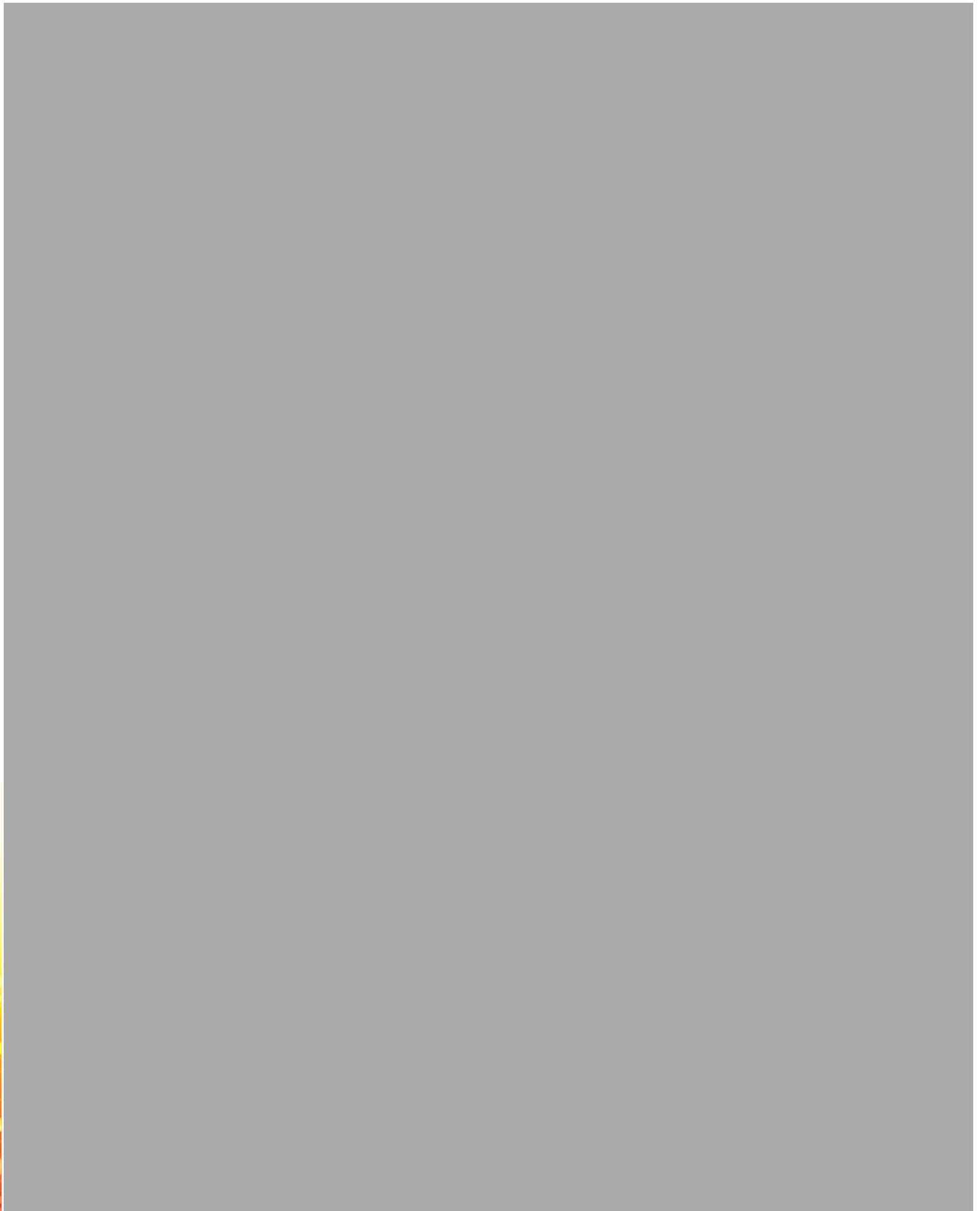
NOVEMBER 2013 New Games



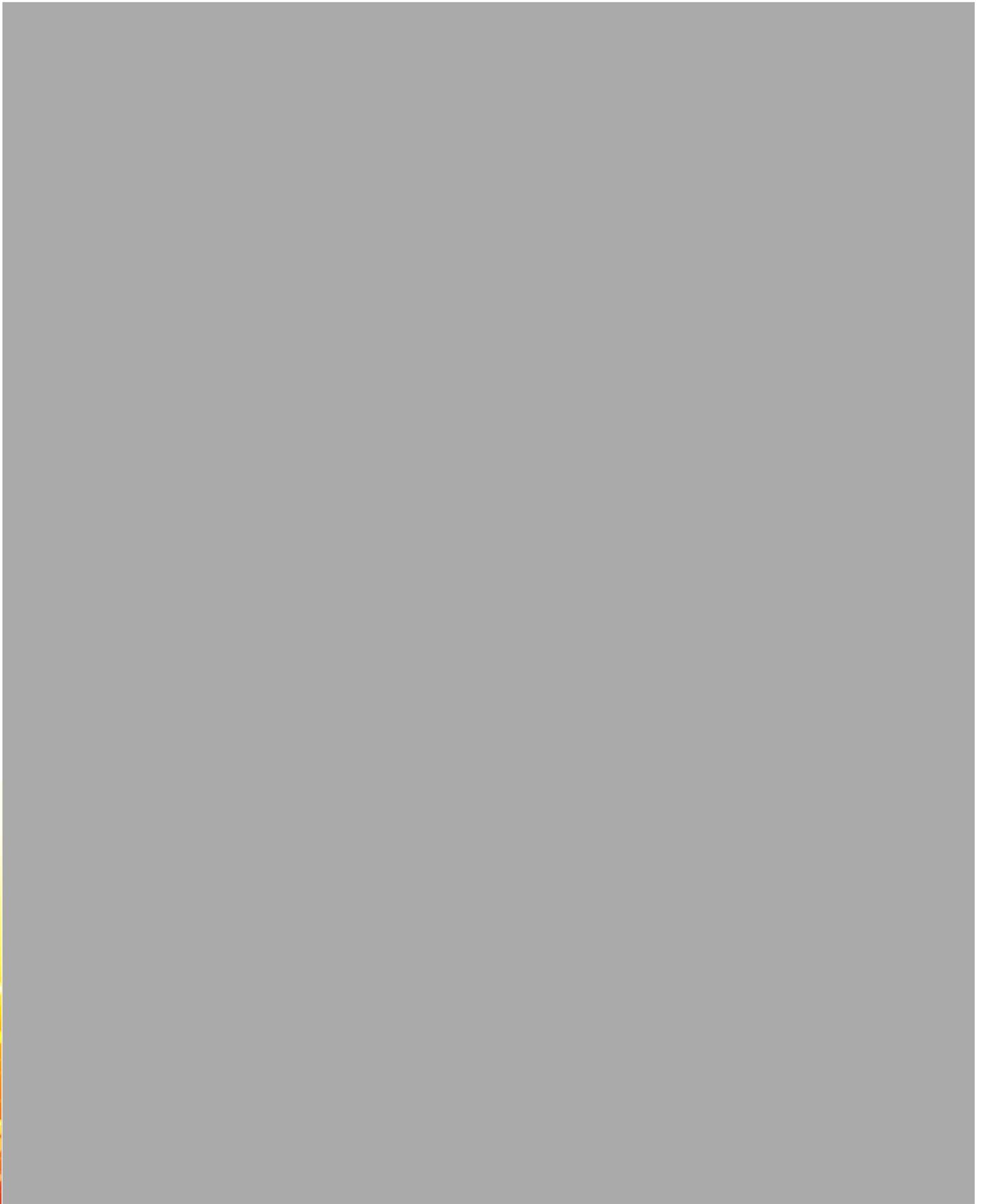
DECEMBER 2013 New Games



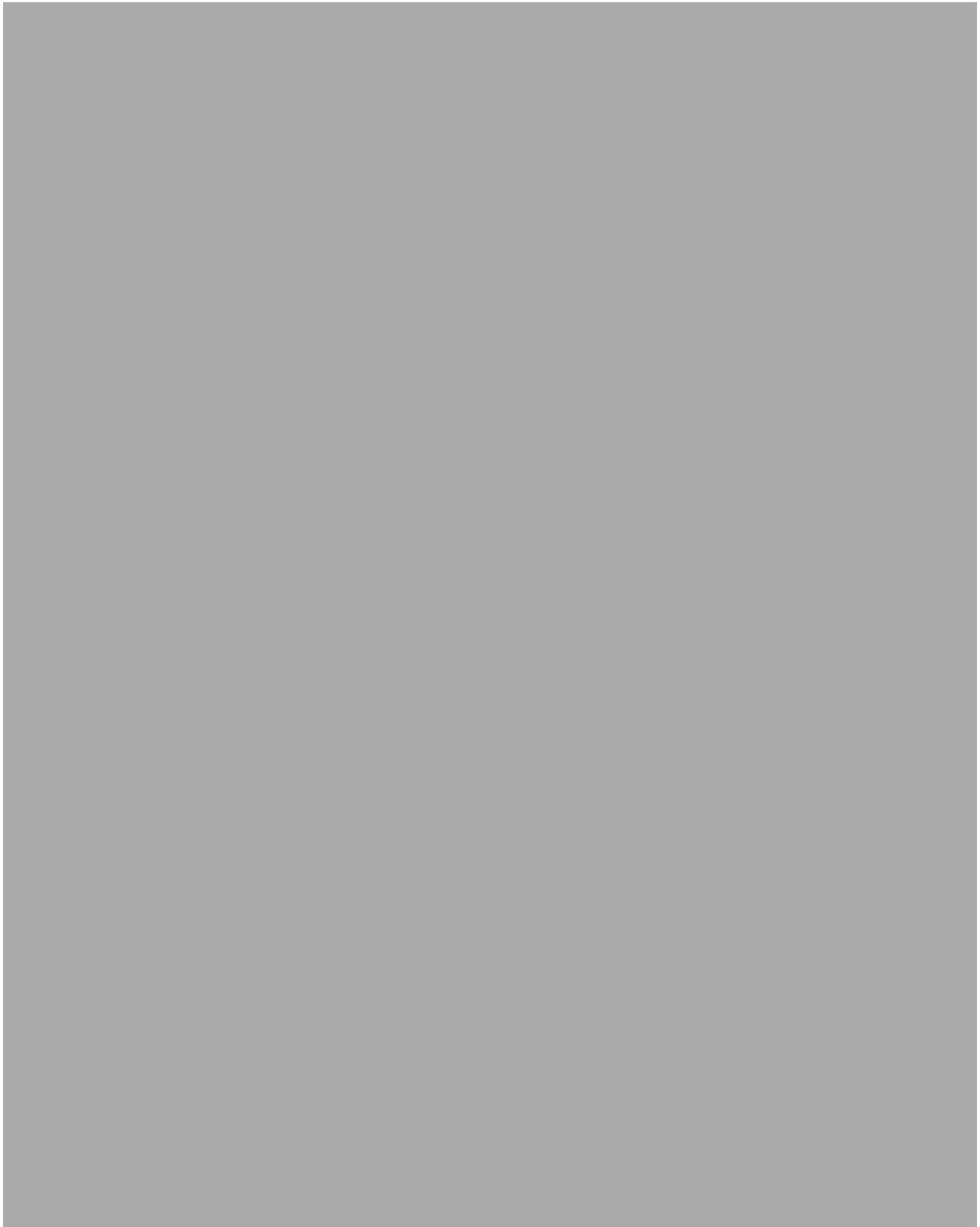
JANUARY 2014 New Games



FEBRUARY 2014 New Games



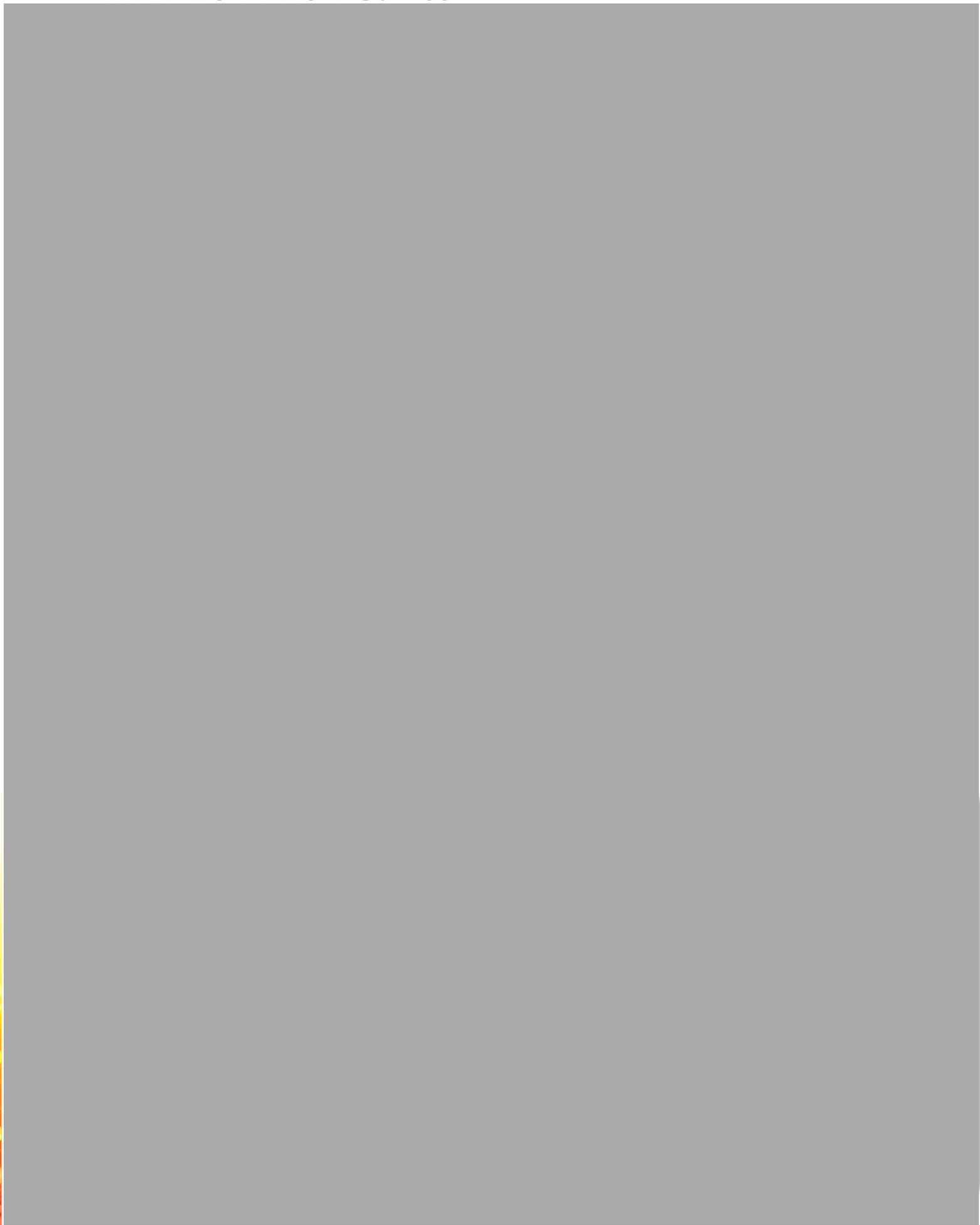
MARCH 2014 New Games



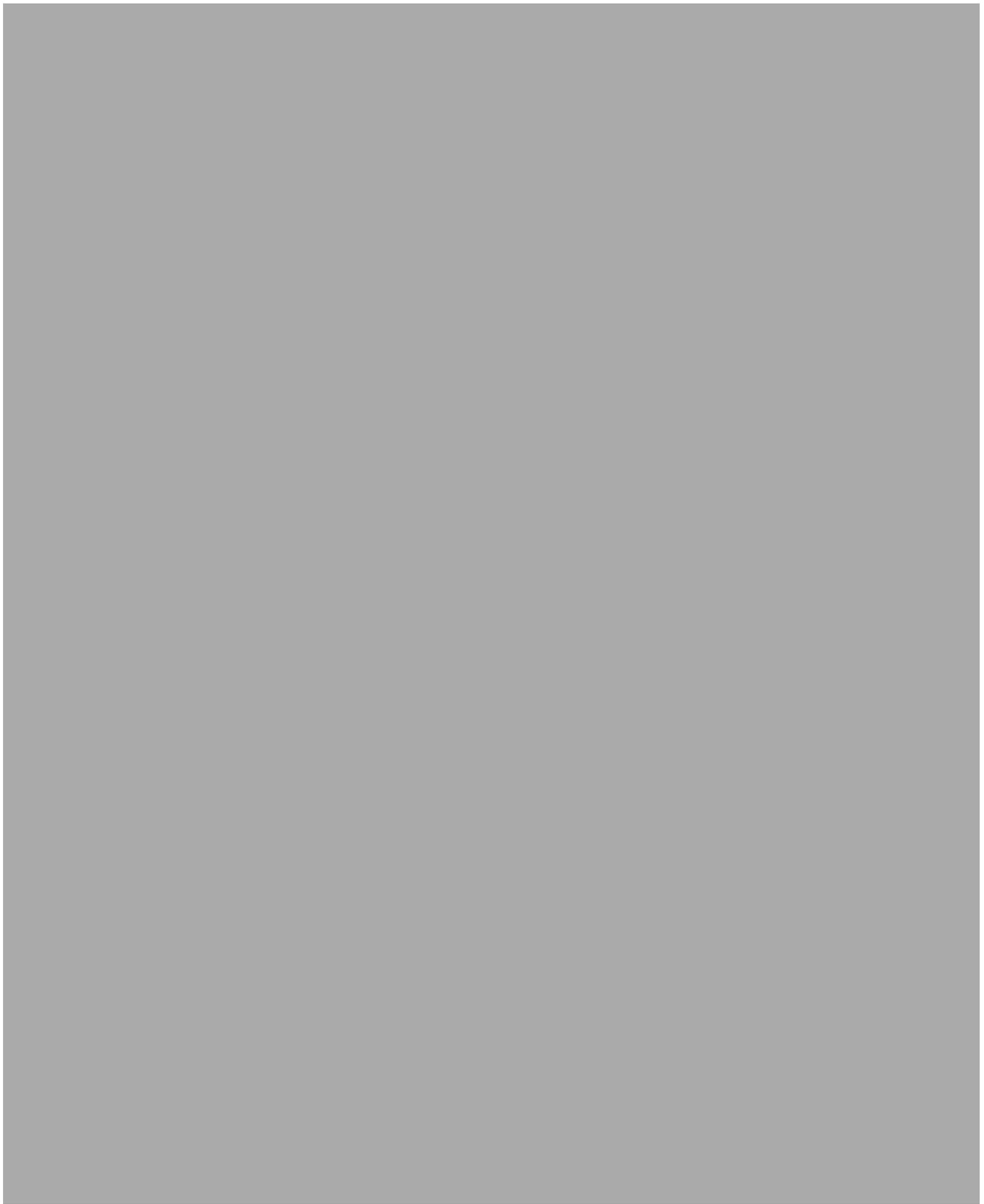
APRIL 2014 New Games



MAY 2014 New Games



JUNE 2014 New Games



RESERVE GAMES



Proposed Instant Ticket Product Profiles

GTECH

Proposed Instant Ticket Product Profiles

	\$1 Games	\$2 Games	\$3 Games	\$5 Games	\$10 Games	\$20 Games
Top Prize	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
Overall Odds	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
Size of Ticket	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
# of Wins	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
Product Philosophy	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
Payout	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]

Note: These Product Profiles are provided as a general guideline, which allows for the flexibility to respond to changing marketplace conditions. Certain game types (i.e. Holiday Games, Promotional Games, Niche Games, etc. may fall outside of these parameters). GTECH will always exercise a balanced approach to optimizing revenues in a socially responsible way.

* Licensed property promotions may consider special dispensers as attractors for new players.

Retailer Expansion and Optimization

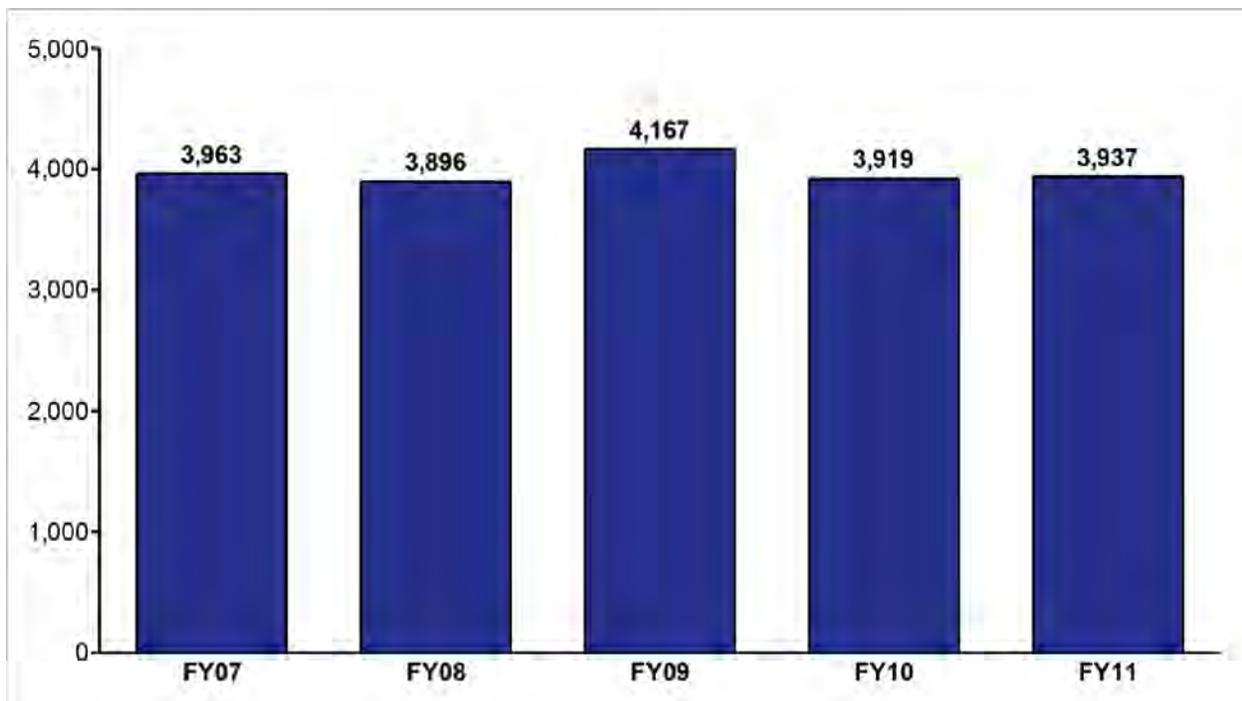
Situational Analysis and Strategy

RETAIL PENETRATION

Optimal distribution is a primary driver of lottery sales. An optimized and properly sized network enables lotteries to maintain a large player base, attract light and lapsed players, and foster responsible growth. This edict has gained even more importance in recent years due to the development of new trade styles that are gradually pulling a share of wallet from consumers. Recognizing that the Hoosier Lottery has done an excellent job recruiting corporate chains, we still see a significant opportunity to further expand the Lottery Retailer network.

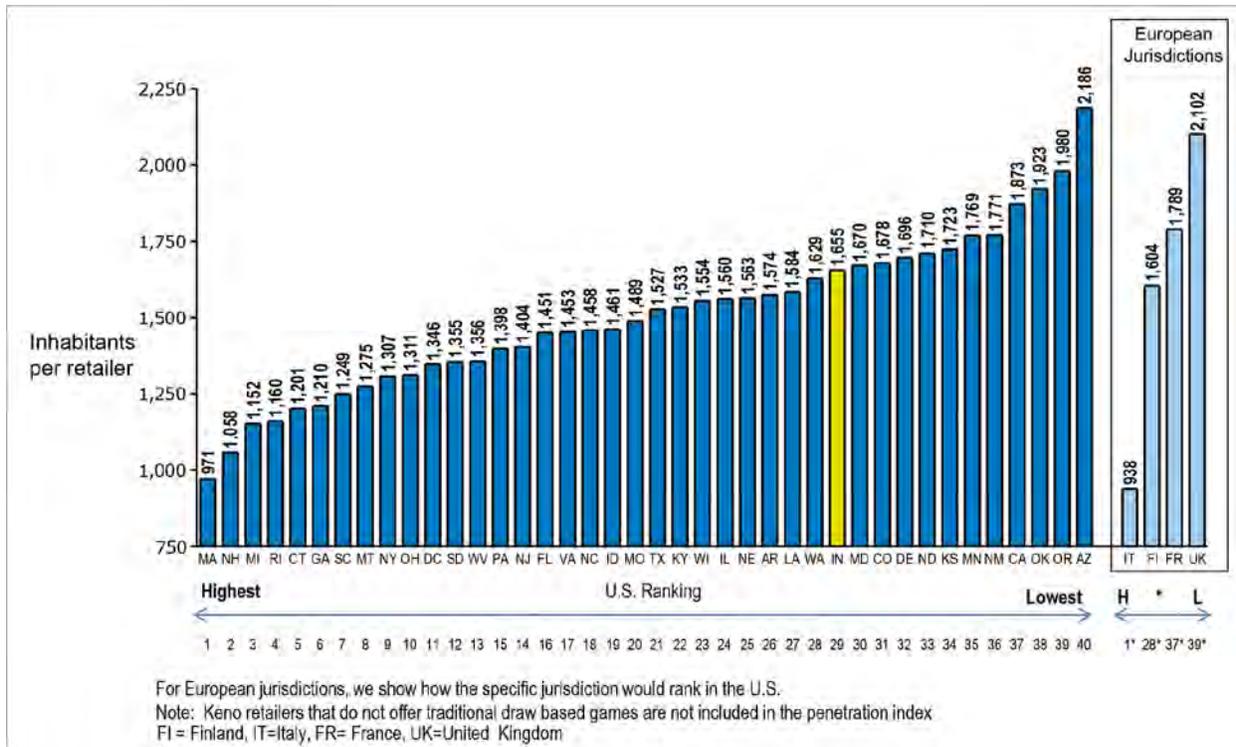
At the end of FY11, the Hoosier Lottery's retail network consisted of 3,937 locations. As the following figure shows, the number of Lottery Retailers in Indiana has not significantly changed in the past five years:

Figure 3.0 – 1: Hoosier Lottery Retailer Count Evolution



Currently, the Hoosier Lottery has a retailer penetration of one Lottery Retailer per 1,655 inhabitants, below the U.S. average and significantly below U.S. best practices.

Figure 3.0 – 2: Indiana Lottery Retailer Penetration Benchmark



Lottery is often a spontaneous purchase. The Indiana consumer Attitude & Usage (A&U) research reported that 46% of lottery tickets are bought impulsively. From the same research, among top barriers for non-players is inconvenience to play (40%). Making the Hoosier Lottery more accessible to existing and new player groups will increase sales.

To achieve this target, we will adopt a multi-channel approach based on:

- Increasing penetration among independent retailers and expanding into trade styles and locations that:
 - Match the player demographics we are interested in capturing.
 - Have the highest-potential sales.
 - Show adequate potential for increasing penetration with a diverse and representative mix of retailer trade styles.
- Defining agreements with the largest retail chains in Indiana.

To identify the optimal number of retailers, we segmented Indiana ZIP codes based on their urbanity as defined by the U.S. Census Bureau:

- **Urban:** A population density of greater than 1,000 persons per square mile.
- **Suburban:** A population density of 500 to 1,000 persons per square mile.
- **Rural:** A population density of fewer than 500 persons per square mile.

Each ZIP code in Indiana was then benchmarked against best practice penetration of the respective urbanity cluster, as illustrated in the following figure:

Figure 3.0 – 3: Retailer Penetration Targets by ZIP Code



The analysis shows potential for an additional [REDACTED] independent retailers, which will bring the average penetration to [REDACTED] inhabitants per Lottery Retailer by the end of Year Three.

Figure 3.0 – 4:

Target Penetration by Urbanicity					
	Current Retailers	Current Penetration*	Best Practice Penetration	Retailers to Add (# Retailers)	Target Retailer Penetration
URBAN	1,340	1,653	[REDACTED]	[REDACTED]	[REDACTED]
SUBURBAN	490	1,723			
RURAL	2,066	1,671			
TOTAL	3,937	1,655			

* Number of inhabitants per retailer

With the planned corporate retailer expansion, the target penetration will further improve to [REDACTED] (described later in this section). This target is credible and comparable to what GTECH has been accomplishing in other operator contracts. For example, GTECH Northstar’s recruitment efforts in Illinois, which are only in the first year of operations, netted more than 3,000 applications. This resulted in 1,466 new retailer installations and nearly \$72 million in new sales.

In our plan, based on industry experience, we forecast that new Lottery Retailers will sell between [REDACTED] and [REDACTED] of the current retailer network’s average weekly sales. The ramp-up of average sales of new retailers in the first 45 weeks is illustrated in the following figure and is derived from actual performance experienced by GTECH’s sales force and lotteries in New Jersey, Texas, Illinois, and New York.

Figure 3.0 – 5: New Retailer Performance by Week



RETAIL TRADE STYLE MIX

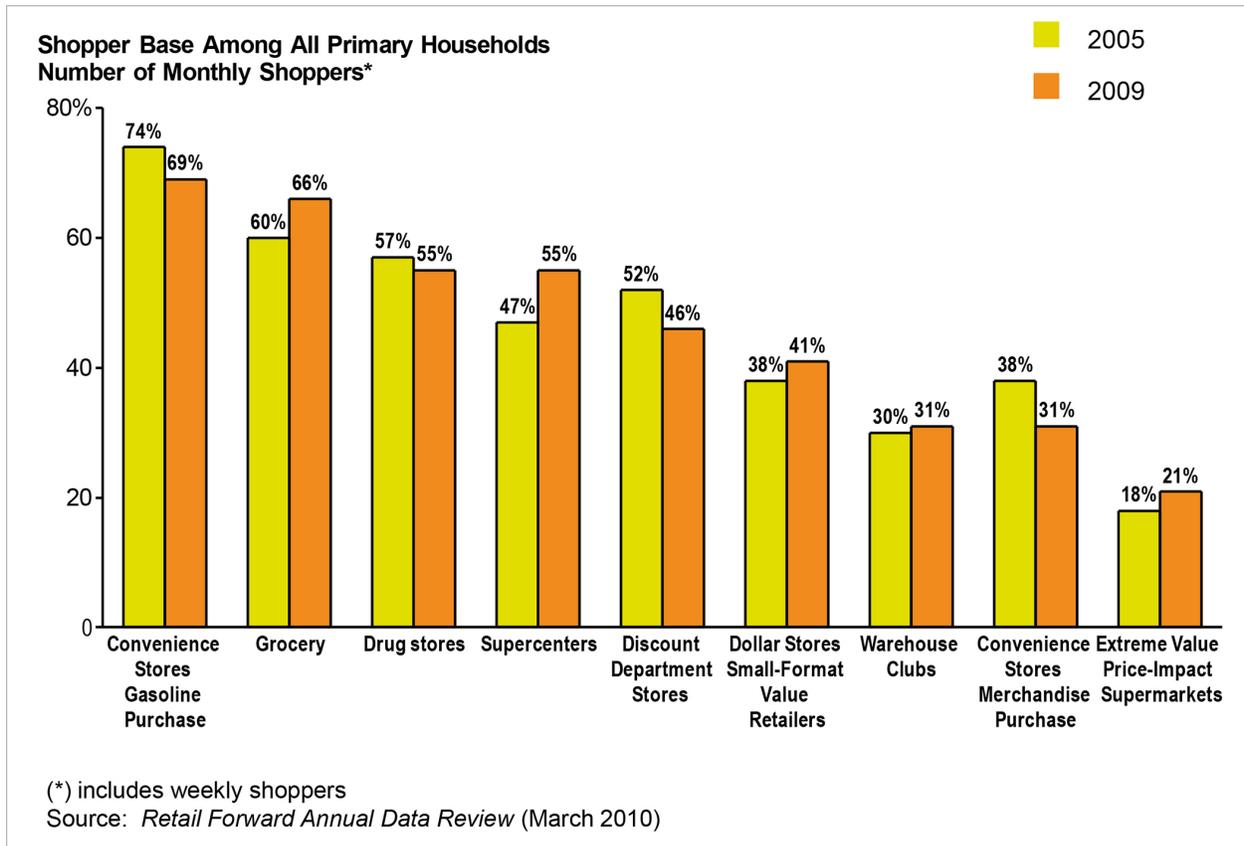
In addition to retail penetration, another characteristic GTECH has considered when developing its Business Plan is trade style mix. Relevant differences exist among U.S. lotteries in terms of different retail mixes that exist in various jurisdictions. For example:

- The New York Lottery has high penetration in supermarkets.
- California, Massachusetts, and Michigan leverage a higher share of liquor stores.
- Texas and Florida are more focused on gas stations.
- The Washington’s Lottery retailer network is mainly based on convenience stores.
- In Oregon, with 30% of sales coming from keno, restaurants and bars are the greatest component of the network.

Indiana is strongly focused on corporate chains, which represent more than 54% of the retailer base. Traditional lottery stores, such as convenience stores and grocery stores, account for approximately 79% of total Lottery Retailers and are currently the most productive.

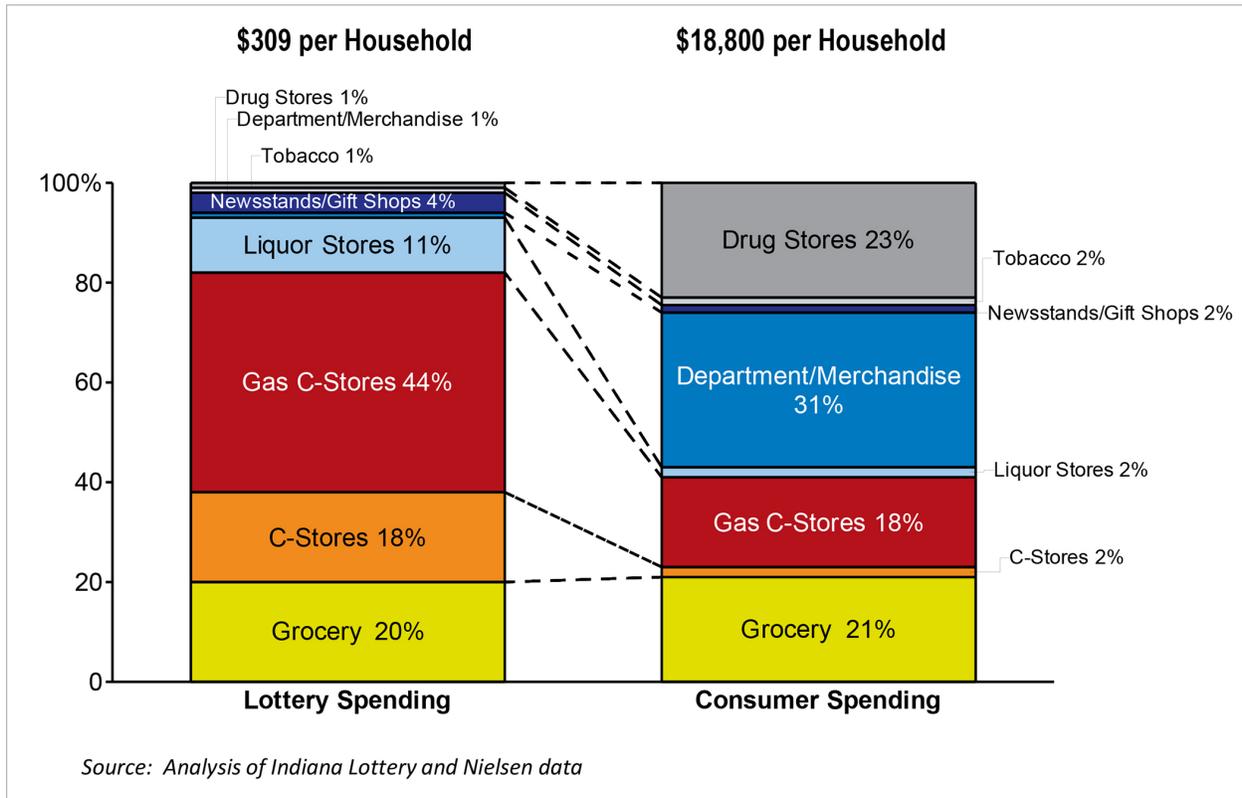
We believe there is significant room to better optimize the Lottery Retailer mix in Indiana, especially considering that convenience stores are facing a relative decline in consumer visits, as highlighted in the following figure.

Figure 3.0 – 6: Evolution of Consumers' Purchasing Patterns



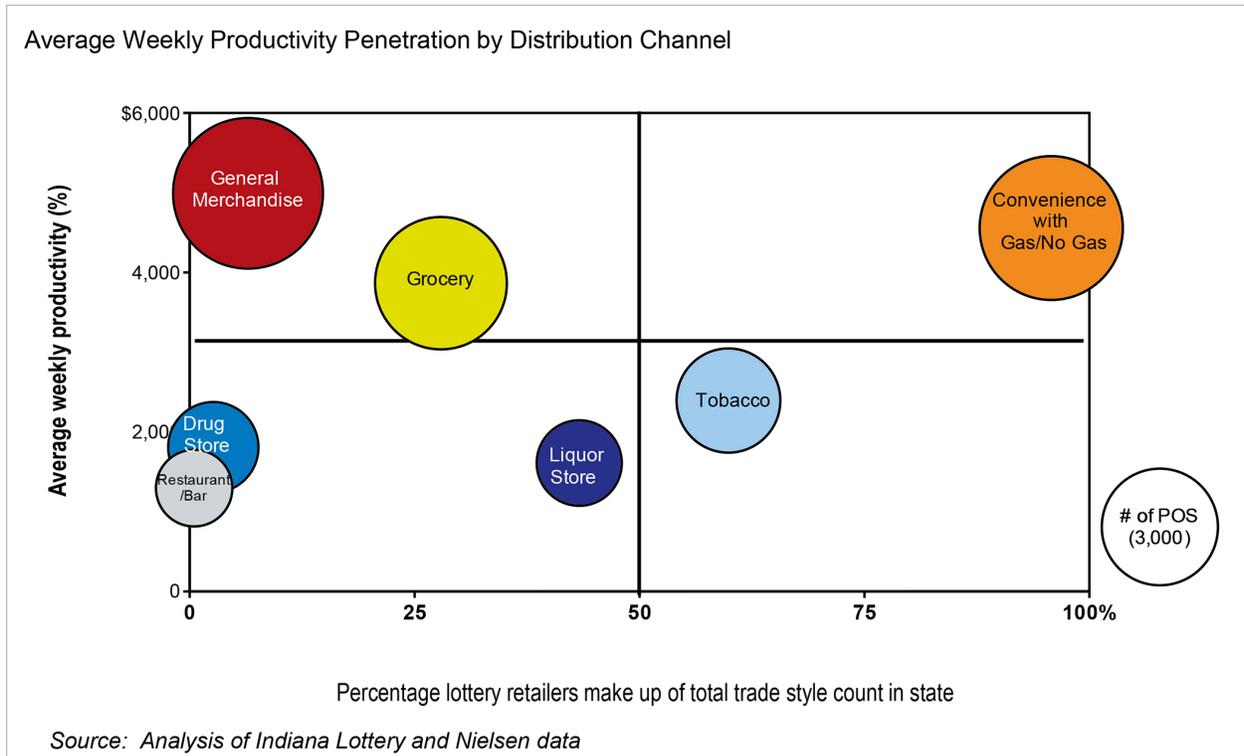
Spending in convenience and grocery stores represents less than half of household spending. Lottery spending is under-penetrated in other non-grocery channels (e.g., drugstores, department stores, and merchandising stores), when compared to the large share of overall consumer spending they command, as shown in the following figure:

Figure 3.0 – 7: Lottery Spending vs. Total Household Spending



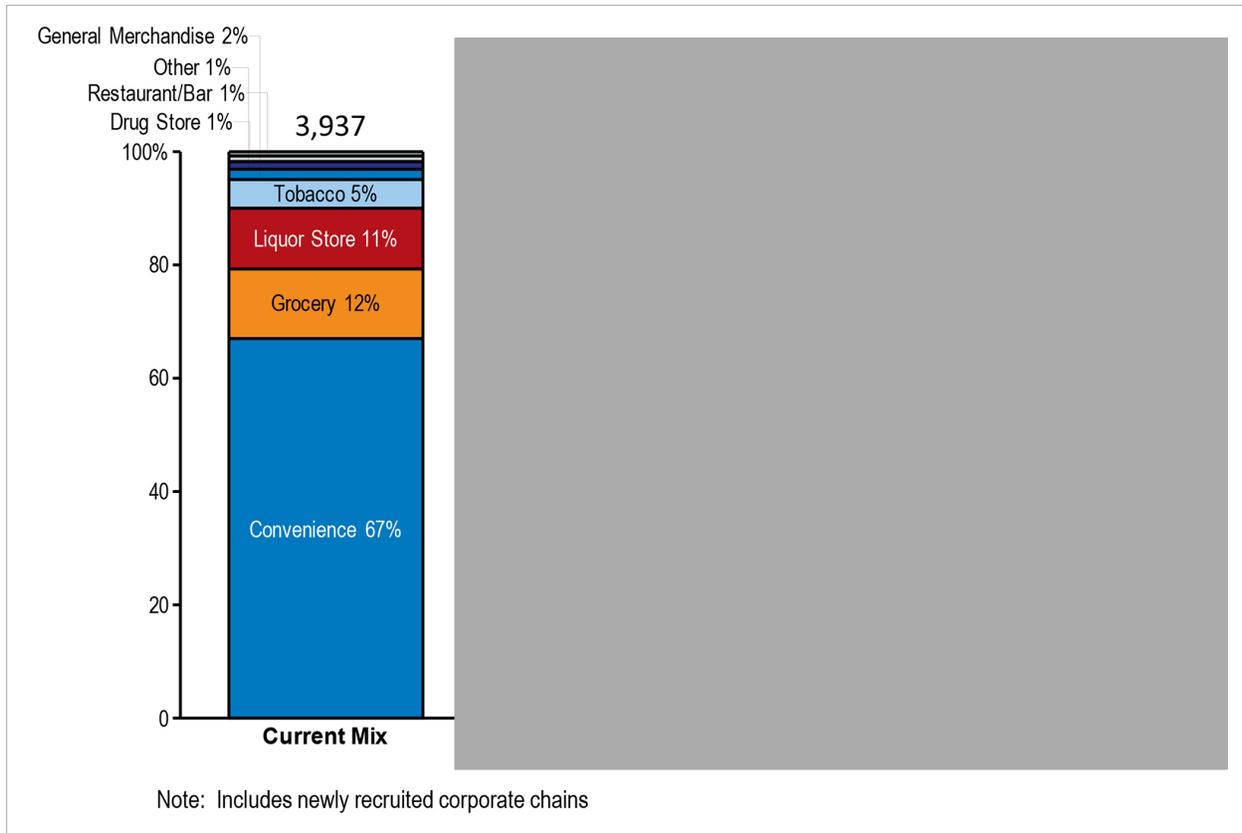
Specific trade styles, such as dollar stores, newsstands, and drug stores, are performing well in terms of Lottery sales. Trade styles in which the Lottery is underpenetrated in relation to the total retailer base, represent lower productivity levels, as illustrated in the following figure:

Figure 3.0 – 8: Correlation Between Productivity and Penetration of Retailers



The following figure shows our target mix of Lottery Retailer trade styles. Convenience stores will have a reduced share of the Lottery Retailer network while new, less-penetrated trade styles will have an increased share of the trade style mix.

Figure 3.0 – 9: Rebalancing Trade Style Mix



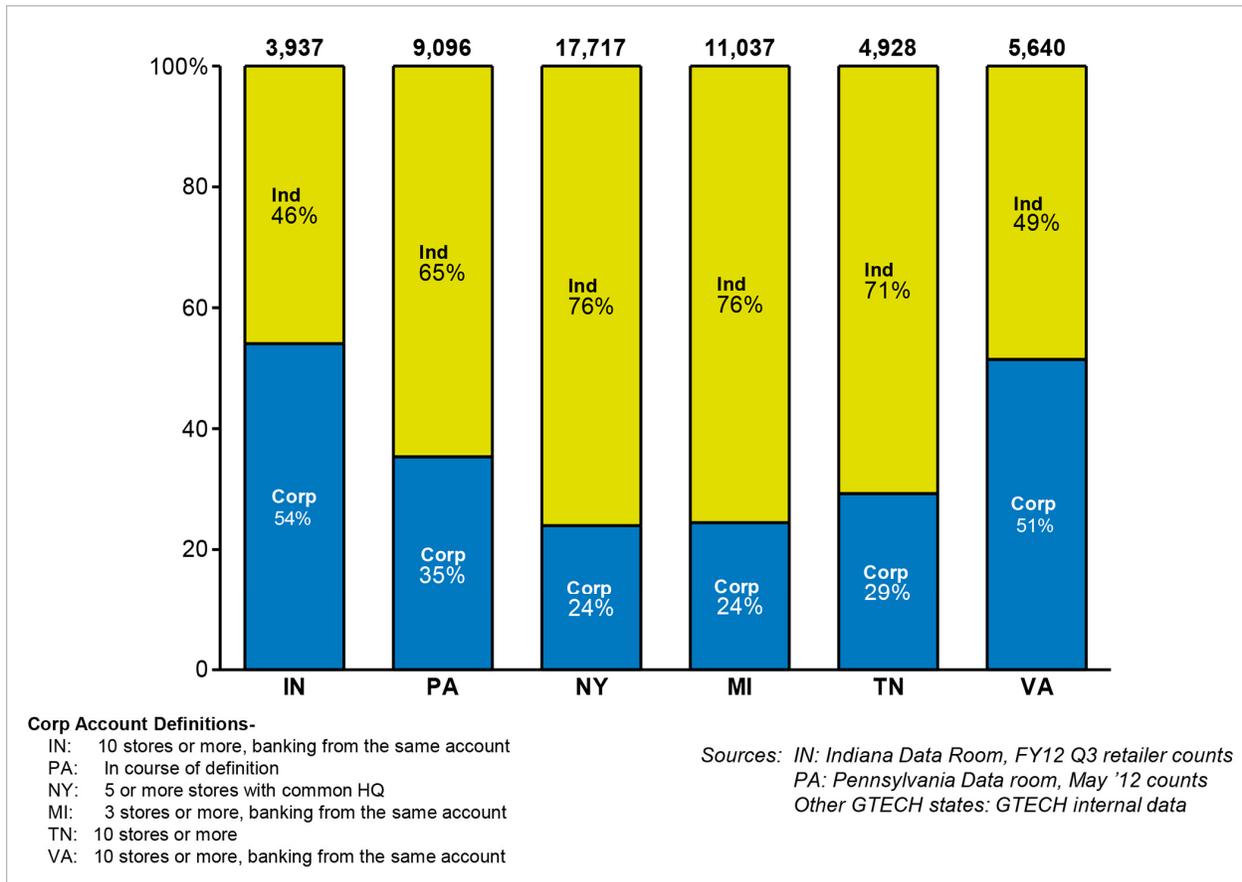
One of the major trends in U.S. consumer purchasing habits is a shift away from independent stores toward big-box corporate chains such as Wal-Mart and discount stores like Dollar General. This shift has impacted lotteries across the U.S. as big-box stores generally do not sell lottery because of:

- The difficulty large chains have in training their labor force to sell lottery, as these chains often have high employee turnover.
- The fact that instant tickets represent monetary value, so stores must implement additional security and accounting procedures to sell these tickets.
- The strong competition for shelf space that any product faces in a big-box retailer setting.
- The difficulty lotteries have in getting large corporate chains to understand that, while lottery products seem to have a low margin (typically around 5 or 6%), this can almost all be transferred immediately to the bottom line with almost no additional direct costs or overhead.

- The cash management issue that exists, as additional cash must be kept on-hand to pay prizes in a timely fashion.
- The fact that, while lotteries are managed at the state level, many chains have a multistate or national scope and are reluctant to introduce new products on a small scale.

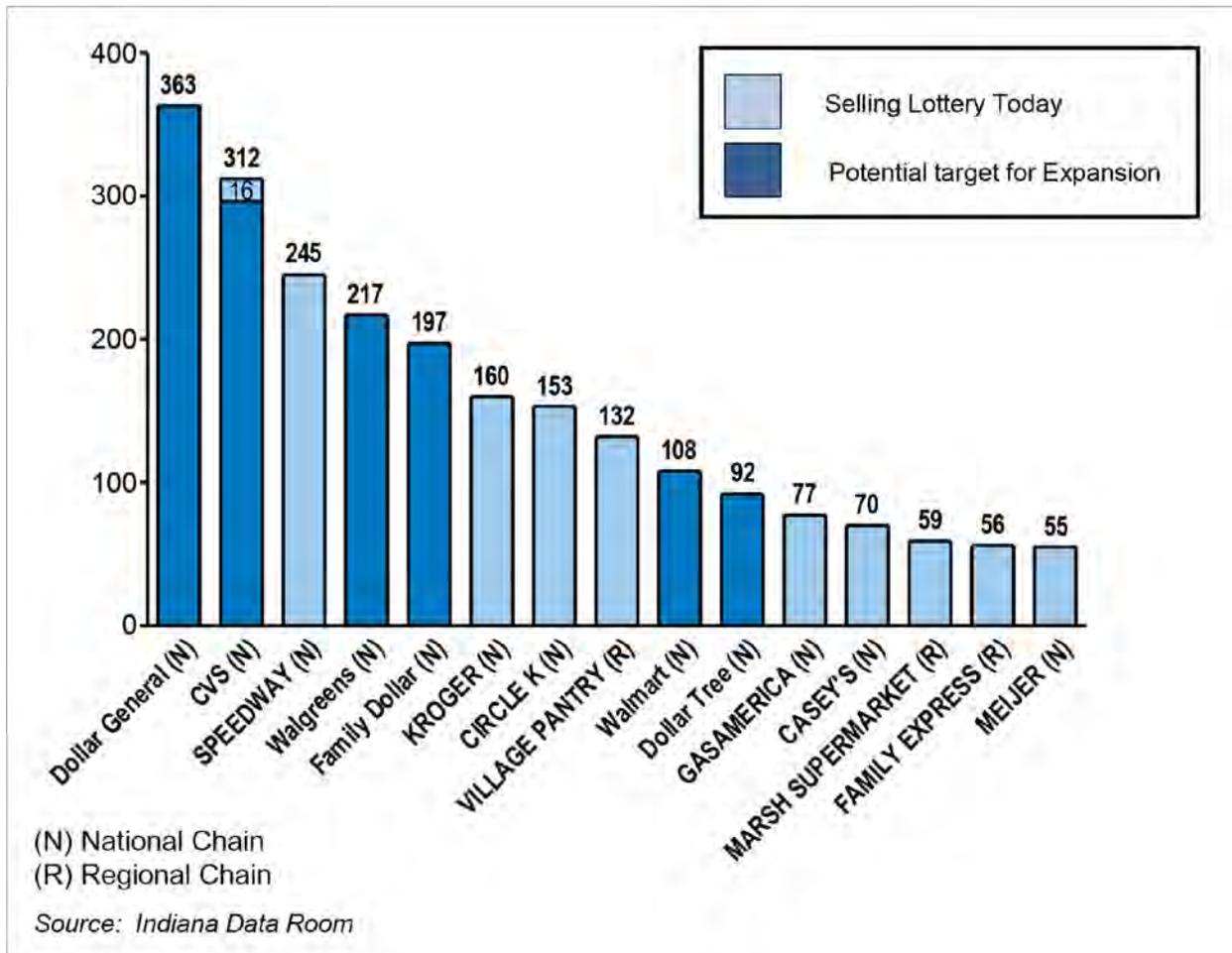
The Hoosier Lottery has a very good track record in recruiting corporate chains, which account for approximately 54% of the total Lottery Retailer base. This places them among the highest-performing U.S. lotteries in this area, as illustrated in the following figure:

Figure 3.0 – 10: Hoosier Lottery Independent and Corporate Retailer Mix



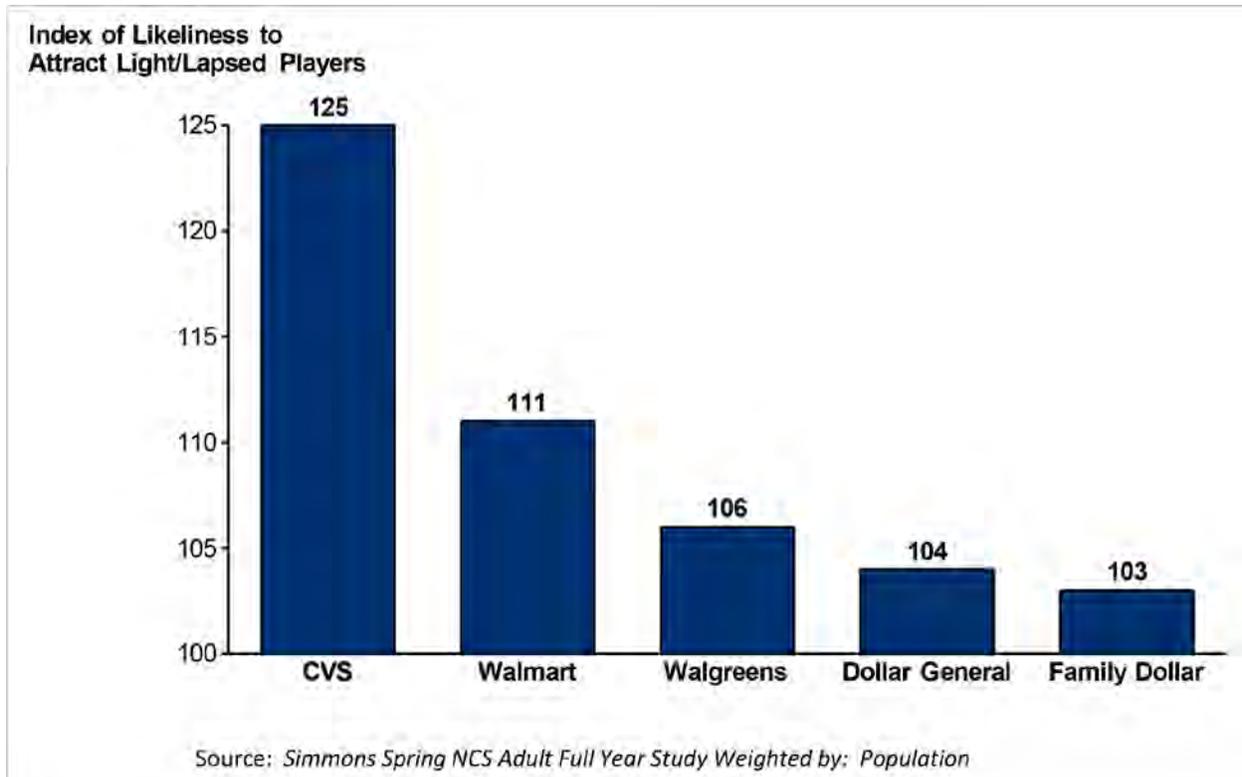
Considering the potential to increase the size of the overall network, there is still significant potential in multiple channels. The following figure highlights corporate chains in Indiana with the strongest presence and identifies the ones that are not yet selling Hoosier Lottery products.

Figure 3.0 – 11: Indiana’s Top 15 Corporate Chains



In addition to the sales potential of these major chains, there is also a very strong correlation between their shoppers’ base characteristics and the traits of the light/lapsed Lottery player. All but two of the top 11 chain retailers index at higher than 100 for the light/lapsed Lottery player, meaning they are more likely than average to attract light/lapsed players. For example, Wal-Mart’s index of 111 means they are 11% more likely than the average retailer to attract light/lapsed Lottery players.

Figure 3.0 – 12: Indexing Top Chain Retailers for Attracting Light/Lapsed Players



In recent years, the U.S. lottery industry has generally made significant progress convincing leading U.S. national chains to adopt lottery products (and GTECH is a key driver of this process). Among the most significant chains that are considering adoption of lottery products are:

- █ [Redacted]
- **Walgreens:** Launched a six-month lottery pilot in Illinois on April 17, 2012, with 20 stores.
- █ [Redacted]

In our plan, we are including the recruitment of specific retailer chains. [Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

Regarding current corporate chains, given their relevance in Indiana, we executed in-field extensive analysis, supported by local consultants. A preliminary assessment of some of the key corporate chains is shown in the figure below.

Figure 3.0 – 13: Account Preliminary Analysis

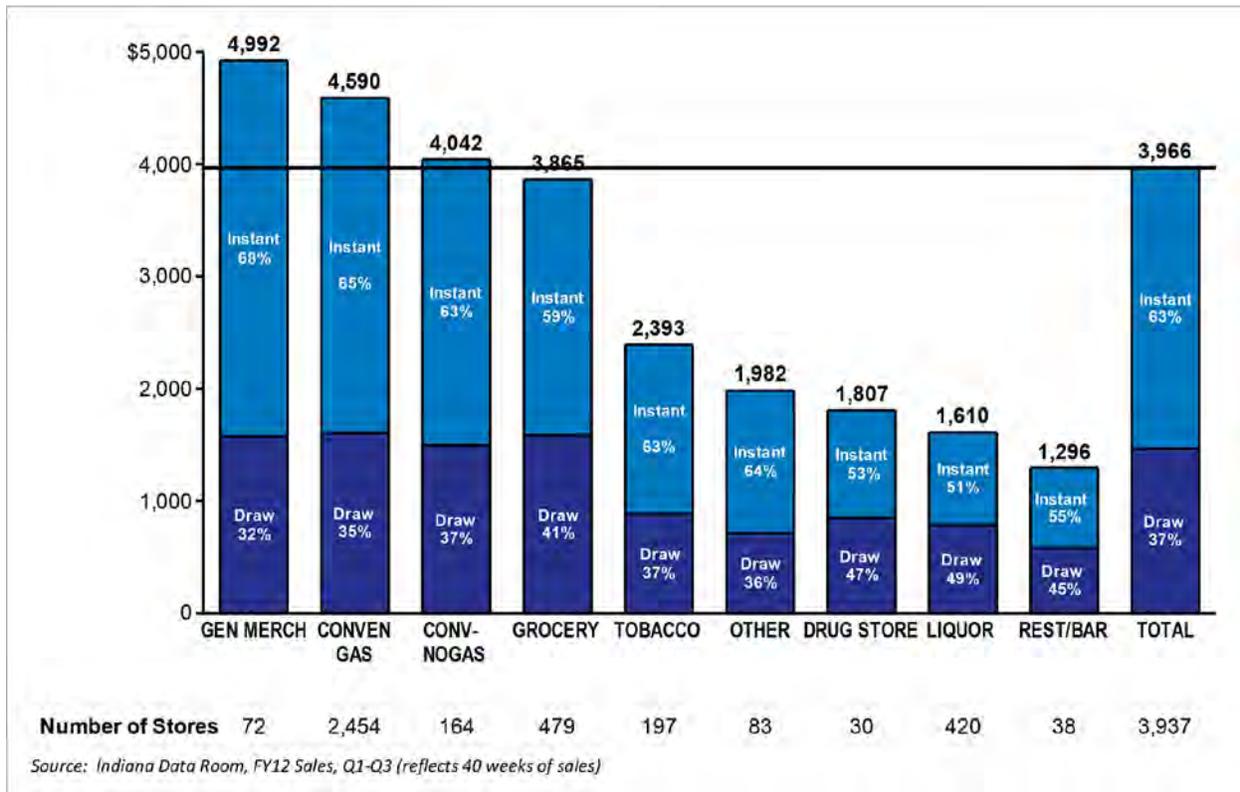
Hoosier Lottery Existing Retailer Base			
Account	Store Count	Assessment	Opportunities to Explore
Speedway	314	ITVMs in about 1/3 of locations. In some cases may be below sales threshold. Consistent 32-facing in all retailers.	[REDACTED]
Kroger	162	Average of 18 facings at counter. 2/3 of the locations have ITVMs. Some have 2 ITVMs. Recognized lottery as vendor of the year a few years ago.	[REDACTED]
Circle K	149	24 - 30 dispensers on average. Some retailers carrying Black Boxes.	[REDACTED]
Village Pantry	131	ITVMs in every visited location. On average 26-28 facings.	[REDACTED]
Marsh	83	Average counter display has 15 facings. Some locations testing new menu displays with a display on rear wall.	[REDACTED]
Caseys	69	All retailers have 18 bin standardized counter displays.	[REDACTED]
Family Express	57	Standard 24-game back wall displays at all locations. ITVMs not placed optimally.	[REDACTED]
Meijer	55	All displays are 24 game, split between two 12-game blocks with a PAD in-between. All stores have 2 ITVMs.	[REDACTED]
Rickers	49	18 dispensers on average at the counter. Instant ticket displays are not optimized.	[REDACTED]
Kmart	37	A few locations currently have ITVMs.	[REDACTED]
McClure	35	25 dispenser average at the counter. Displays are less than optimal.	[REDACTED]
Murphy USA	32	24 dispenser average along with outside Merchandisor.	[REDACTED]
Pak-A-Sak	30	24-bin display at 90% of visited locations.	[REDACTED]
Pilot	30	14 dispenser average at counter.	[REDACTED]
Luke	29	18 dispenser average at visited locations. Some locations have ITVMs.	[REDACTED]
Belmont Beverage	27	30 dispensers on average at the counter.	[REDACTED]
Thorntons	26	21 dispenser average on back counter. Adding bins at select locations.	[REDACTED]

Hoosier Lottery Existing Retailer Base			
Account	Store Count	Assessment	Opportunities to Explore
Circle S	26	20-24 dispenser average.	[REDACTED]
Lassus	25	22-26 facing average at the counter.	[REDACTED]
Kocolene	25	Average of 20-24 dispensers per location.	[REDACTED]
Hucks	24	Average of 20-24 dispensers per location.	[REDACTED]
C.E. Taylor	24	Average of 12-16 dispensers per location.	[REDACTED]
Payless Liquor	22	16-20 dispensers on average at the counter.	[REDACTED]
UPL	20	24-28 dispenser on average at the counter.	[REDACTED]
Herdrich	20	20-24 dispensers on average at the counter.	[REDACTED]
Admiral	19	20-24 dispensers on average at the counter.	[REDACTED]
Martins	18	13 dispenser average at the counter with 23 bin ITVMs average at visited locations.	[REDACTED]
SVT	16	14 dispenser average & 24 bin ITVMs average.	[REDACTED]
CVS	16	Average of 8 dispensers on counter.	[REDACTED]
21st Amendment	12	Average of 18 dispensers on counter.	[REDACTED]
Loves	11	Average of 24 bin ITVMs in between gas & trucker counters.	[REDACTED]
Circle A	7	21 dispensers on average at the counter.	[REDACTED]
Safeway	6	22 dispensers on average at the counter.	[REDACTED]
Community Spirits	6	12 dispensers on average at the counter.	[REDACTED]

RETAILER PERFORMANCE

Variance analysis of store productivity shows that further value can be generated by increasing the sales performance of existing stores.

Figure 3.0 – 14: Store Productivity Variance Analysis

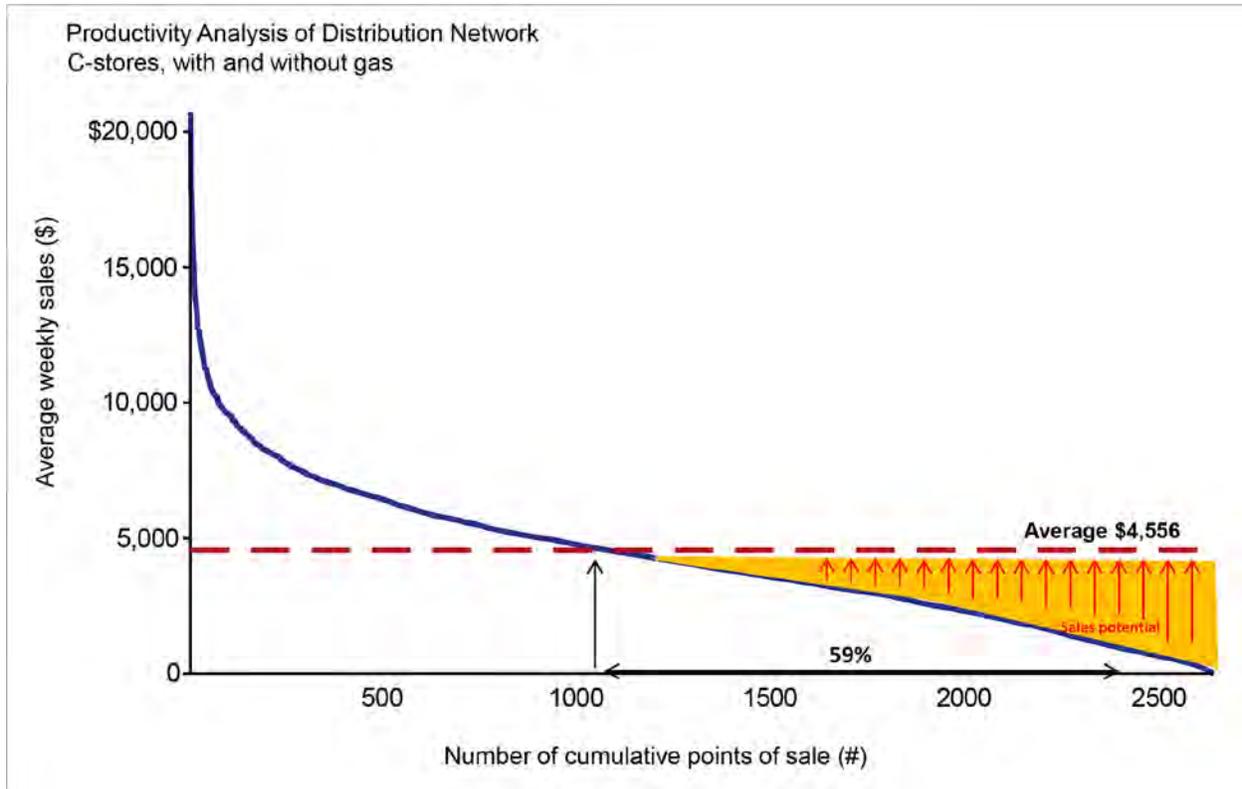


For instance, an analysis of convenience/gas store productivity reveals that:

- On average, the worst-performing stores are selling at 56% of the convenience store weekly average.
- 59% have lower-than-average productivity.

These dramatic variances between high- and lower-performing stores are even more noteworthy considering the small Lottery Retailer network and low penetration levels in Indiana. Typically, a smaller network would be made up of higher-performing retailers.

Figure 3.0 – 15: Distribution Analysis of Network Productivity



Retailer Recruitment

SUMMARY OF NETWORK EXPANSION TARGETS

As described previously, the current Indiana Lottery Retailer network encompasses 3,937 active retailers (as of the end of FY11), which corresponds to 1,655 people per Lottery Retailer. We plan to increase this to approximately [REDACTED] Lottery Retailers (adding [REDACTED] independent and [REDACTED] chain retailers) by the end of the third year of operations. This will correspond to [REDACTED] people per Lottery Retailer, as the following figure illustrates:

Figure 3.0 – 16: Planned Hoosier Lottery Retailer Count Evolution

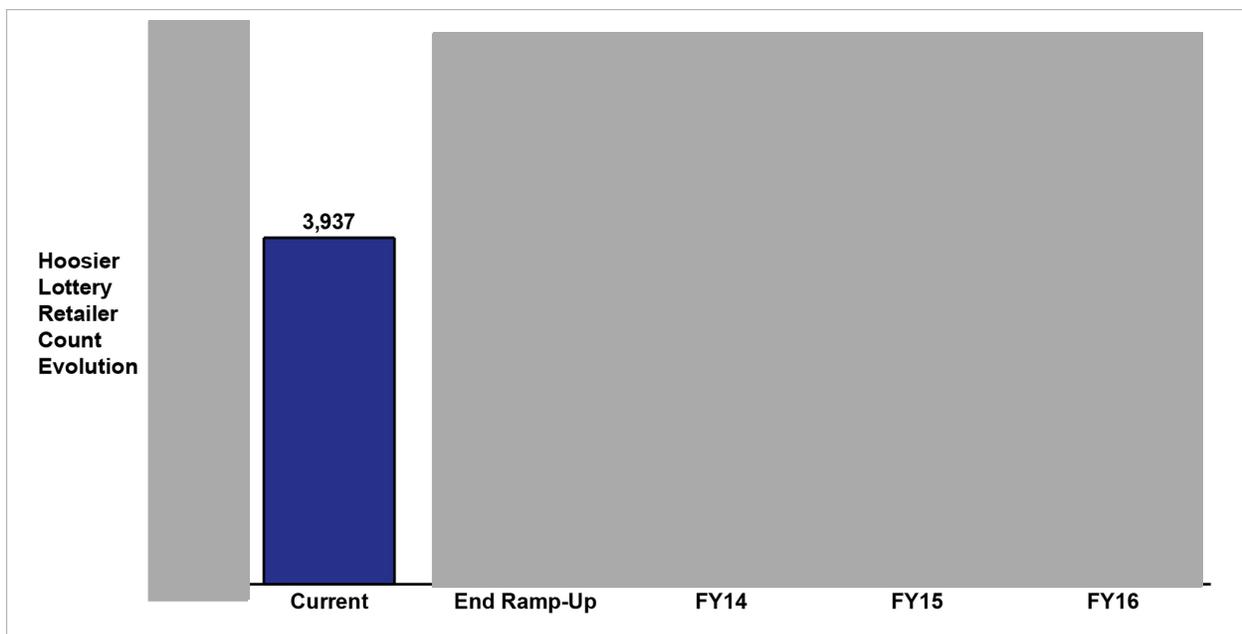


Figure 3.0 – 18:



- In Illinois, we have collected an average of 250 applications per month and activated more than 120 stores per month in the first year of operations.
- In New York, GTECH helped the lottery grow its retail network by about 3,000 terminals, with a recruiting pace of more than 200 retailers per month.
- In Italy, Lottomatica has been able to recruit 19,000 points of sales in two years, with a recruiting capability of more than 1,500 retailers per month.

Achieving this target will only be possible through a tight collaboration between GTECH and the Commission that combines:

- Our experience in recruiting and activating retailers to grow a retailer network.
- The Commission's commitment to agree on an efficient process for recruiting, and its capability of performing retailer license approval at the pace and time defined in the plan.

If the Commission is able to convert a larger number of applications into licensed Lottery Retailers, the above-mentioned pace of retailer activations could even be improved. We are maintaining a conservative target to make the plan credible and achievable, but are confident that our experience in recommending improvements to the licensing process, while maintaining the highest standards in terms of integrity of the retailer network and adherence to State law, will allow us to over-achieve our plan. The Commission’s commitment to agree on an efficient recruiting process and capability to perform retailer license approvals at the pace and time defined in the plan will be an enabler for this.

RECRUITMENT TOOLS AND SUPPORTING LOCAL RESEARCH

We will deploy a specialized team of [REDACTED] Business Development Associates (BDAs), fully dedicated, and with market-competitive incentives/compensation, to recruit new retailers.

The current Hoosier Lottery sales force will also continue to recruit retailers to replace those that leave the Lottery Retailer network. We forecast that these will represent between [REDACTED] and [REDACTED] Lottery Retailers monthly. The numbers represented in the preceding Monthly Recruiting Process Schedule figures do not include such retailers.

The prospect list will be the starting point to help recruiters identify new Lottery Retailers. Recruiters will focus on the quality of the owners and locations by examining the owners’ attitudes toward the Hoosier Lottery, their commitment to selling instant games, including maintaining Instant Ticket Vending Machines (ITVMs), the store’s location and traffic pattern, and financial soundness, customer count, hours of operation, seating capacity, and square footage.

Part of our in-field research to ensure our plan is tailored to the Indiana context included executing more than 200 mystery shopping visits to non-lottery retailers to gauge the quality of the prospect lists that we are developing. The results of this exercise were very promising; more than one-third of the visited prospect retailers appeared to have significant potential for selling Lottery products.

During our visits, we also researched what the major perceived reason was for retailers to not apply for a Lottery license. [REDACTED]

[REDACTED]

[REDACTED]

Our overall plan will be coordinated with the Commission, with whom we will identify opportunities to streamline licensing applications, certifications, and installation processes. We will apply the following new processes to newly recruited Lottery Retailers:

- | [REDACTED]

Our recruitment plan will leverage our experience in store recruitment and sales optimization across the U.S.:

- We are the only Offeror with active contracts for providing a dedicated sales staff to U.S. lotteries (e.g., Texas, Nebraska and West Virginia).
- In the past, we have run successful recruitment programs for keno deployment in Michigan and were able to recruit 1,000 retailers in less than 3 months.
- This summer, we were awarded a new contract by the New York Lottery to provide an additional sales force to optimize sales.

The tactical recruiting plan for Indiana will include:

- | [REDACTED]
- | [REDACTED]
- | [REDACTED]
- | [REDACTED]

- █ [REDACTED]
- █ [REDACTED]
- █ [REDACTED]
- █ [REDACTED]
- █ [REDACTED]

MAINTAIN OPTIMAL NETWORK SIZE

After the initial recruiting phase, our recruitment efforts will be mainly focused on:

- █ [REDACTED]
- █ [REDACTED]

Retailer Training and Communication

RETAILER COMMUNICATION

We plan to develop a trusted relationship with Lottery Retailers and fully integrate them to realize long-term growth. Designing and implementing effective training and communications plans are essential to doing that. Effectively executing in-store communication means having to consider two different audiences:

- **Lottery Retailers:** They need assistance to understand all Lottery sales-building programs. This includes product-related, operational, technical, administrative, and promotional programs.
- **Players:** They need to understand the value of purchasing Hoosier Lottery products through promotional and advertising campaigns.

These communication initiatives have a major impact on sales. Thus, training Lottery Retailers to execute properly in these areas is necessary to grow sales incrementally.

Depending on Lottery Retailer and player segments and the type of information to be communicated, different communication tools need to be used. The main tools we will use are:

- Road shows.
- Retail advisory groups.
- Newsletters.
- Specialized press.
- Web portals.
- Short Messaging Service (SMS) (texting) and email.
- Communication via the lottery terminal.
- Direct response.

Training Lottery Retailers is only part of the job, as Lottery Retailers will have to tackle a number of operational problems and need ongoing support in this area as well. A well-trained and committed sales force will be able to guide Lottery Retailers' behavior towards best practice strategies to maximize the return on sales and service levels.

TRAINING TOOLS AND METHODOLOGIES

Retailers' time is limited; if a retailer is required to participate in training at an inconvenient time, retailer retention can be impacted, and the effectiveness of the training can be limited. Our goal will be to train the Lottery Retailers as quickly and effectively as possible, giving them multiple ways of acquiring the skills necessary to best serve Hoosier Lottery customers. These include:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]



NETWORK ROLLOUT TRAINING PLAN

During the first few years of the plan, Lottery Retailer training and communication will be focused on network rollout support, technology replacement, and brand re-launch. Specifically, this includes:

- Training new Lottery Retailers about the lottery business, retailer responsibilities, games, technical equipment, and procedures.
- Training Lottery Retailers on lottery selling techniques, customer relationships, and in-store lottery management.
- Communicating the Lottery's re-branding initiative.
- Explaining the new Lottery Retailer incentive program.
- Informing Lottery Retailers about new, upcoming games and promotions.

CONTINUAL RETAILER TRAINING

While the first years of the training program will be focused on supporting Lottery Retailer expansion, after that, GTECH will run a continuous training program that focuses on:

- Training new Lottery Retailers who are recruited to replace churned ones.
- Supporting marketing initiatives such as new launches, promotions, and big events.
- Continuously training Lottery Retailers and sales representatives to optimize same-store sales performance.

Retailer Profiling and Visual Merchandising

EVIDENCE FROM STORE VISITS

To ensure that our plan reflects the most precise and accurate knowledge of Indiana retail locations, GTECH visited more than 90 current Lottery Retailers in Evansville, Fort Wayne, Gary, Indianapolis, Merrillville, New Albany, and South Bend. Field visits provided great insight into the many things the Hoosier Lottery is doing well. For instance, we were able to glean insight into your excellent presence in high-foot-traffic locations (e.g., the airport) and the impressive Sales Maker rebrand.

At the same time, some opportunities for improvement were identified. These include scratch-off insert cards that look like an actual instant ticket as opposed to a smaller rendering, as shown below. We believe this will make them much more effective.

Figure 3.0 – 19: Instant Ticket Insert Examples



We also believe that there are improvements that can be made with regard to visual merchandising materials and efficient management of space. These include installing newer play centers at Sales Maker locations while optimizing product displays that may be too big for a typical store.

Figure 3.0 – 20: Visual Merchandizing Examples



Player advertising display screens are not fully deployed across all Lottery Retailers. The screen placement and slide show are also not optimized.

Figure 3.0 – 21: Player Advertising Display Screen Examples



Pull tab vending machines are often out of order and dirty, harming the Lottery's brand.

Figure 3.0 – 22: Pull Tab Machine Examples



RETAILER PROFILING

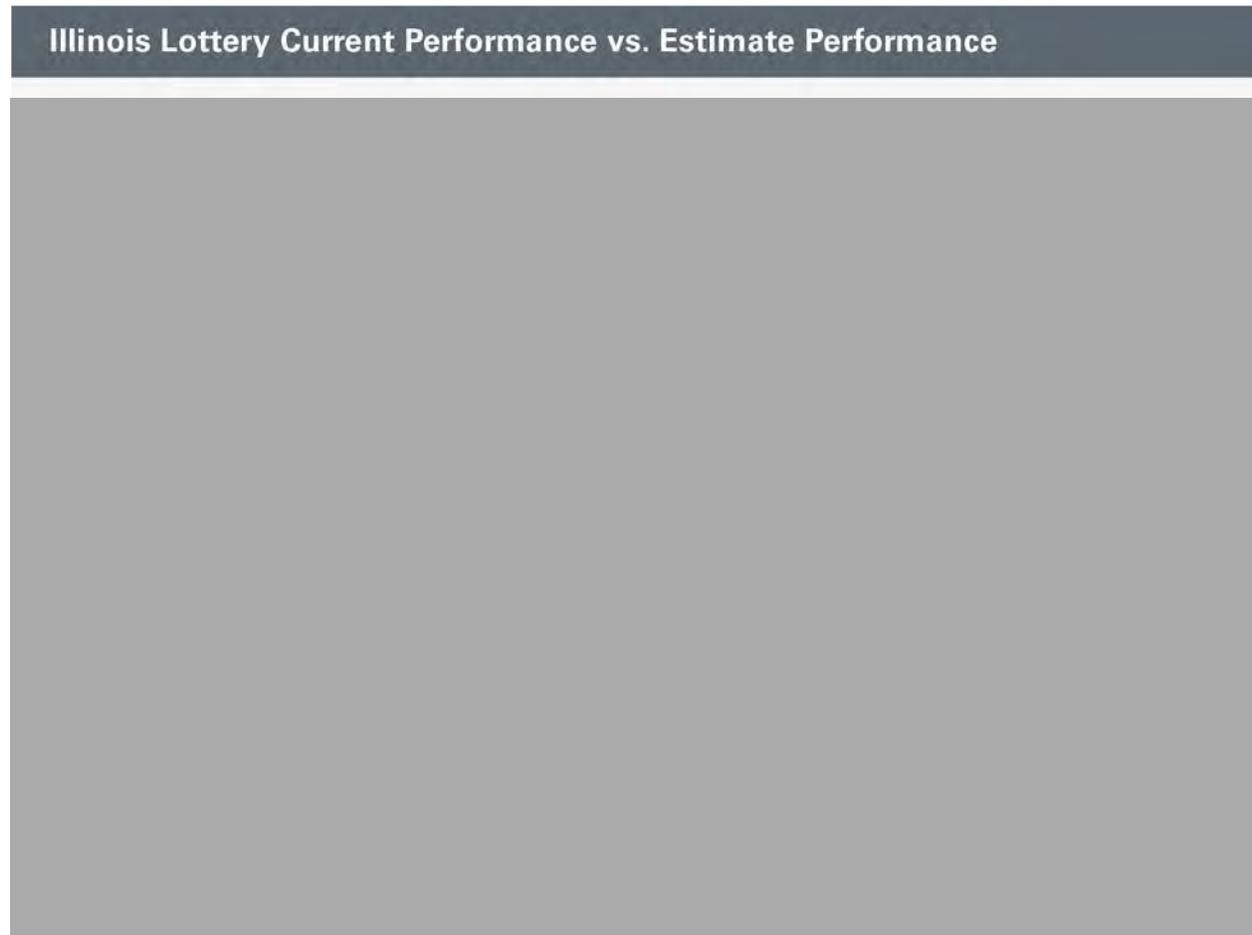
Sales force management is another key factor for driving Lottery Retailers to adopt best sales practices, foster a Lottery “culture,” and deliver more value to players and the Lottery. GTECH has experience managing a fully outsourced sales force for U.S.-based lotteries:

- In Texas, GTECH manages 17,000 retailers through a direct sales force of 140 Lottery Sales Representatives (LSRs). This staff provides a full range of services to a retailer base that generates more than \$3.7 billion in annual sales.
- In Illinois, GTECH’s Northstar manages more than 8,000 retailers with a sales force of 48 LSRs, and has implemented several optimization programs based on the above-defined methodology.
- In Italy, GTECH’s affiliate, Lottomatica, currently manages more than 80,000 retailers through a sales force of about 150 LSRs.

GTECH has a long history of running sales optimization retailer programs in many jurisdictions. Our methodology starts by identifying the retailers on which to focus the optimization effort. This is done by comparing current sales with the potential sales each retailer could effectively achieve.

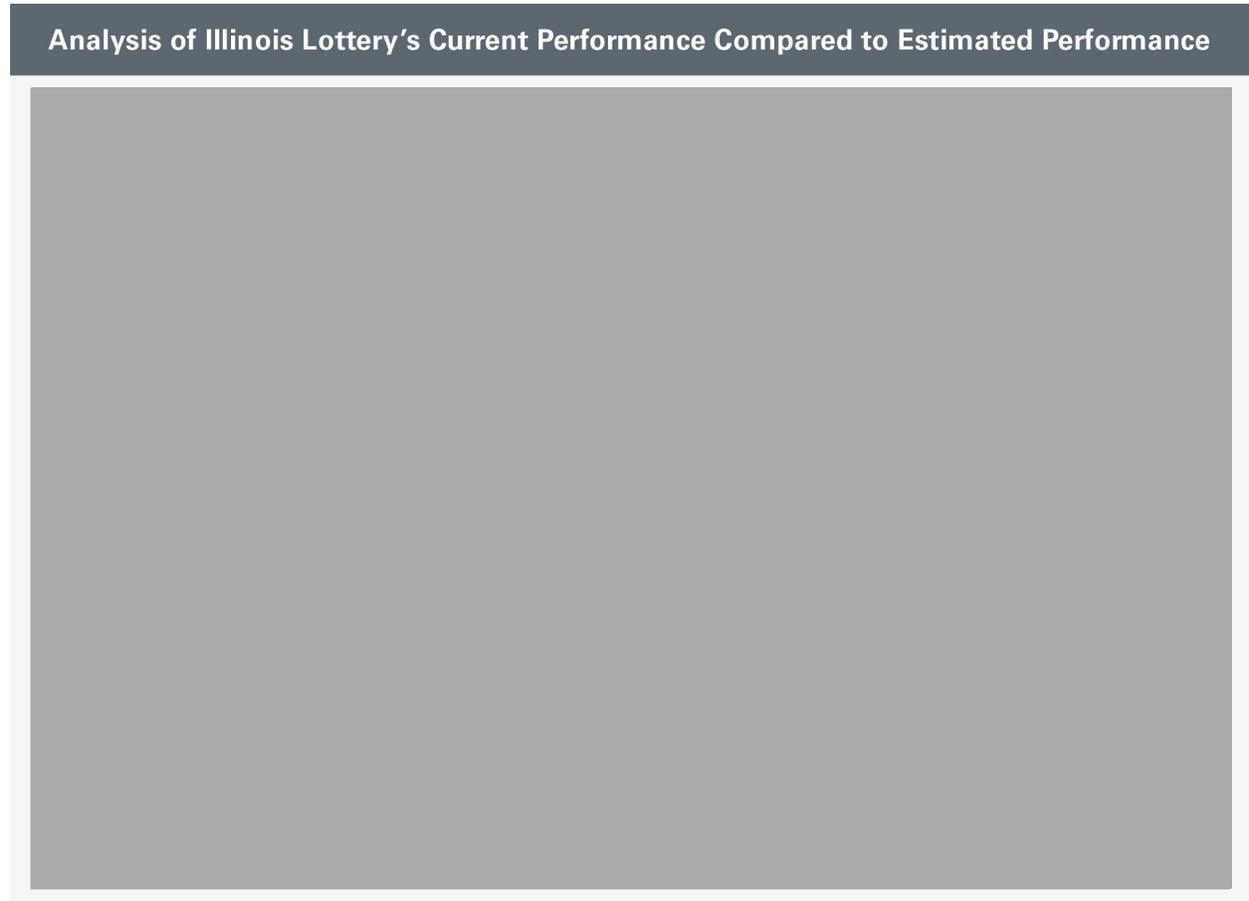
Our Predictive Sales Model uses proprietary algorithms to determine the sales potential of each store in each game category. Any retailer whose predicted sales are greater than their actual sales represents potential growth opportunity. The following figure shows an example of the correlation between actual and predicted sales for the Illinois Lottery’s retail base.

Figure 3.0 – 23:



Retailers are then classified into four different categories depending on where they are placed on the correlation map. The following figure shows the four different categories and the retailer strategy by cluster:

Figure 3.0 – 24:



- **Review:** Retailers with below-average performance and predicted sales, with very low contribution to total sales.
- **Defend:** Above-average-performing retailers, with a level of actual sales that are higher than predicted sales.
- **Maintain:** Retailers with actual sales that are fairly equal to the predicted sales (with the exception of those retailers with low actual sales and low predicted sales in the Review category).
- **Develop:** Retailers with actual sales that are less than their predicted sales.

Once retailers are classified, we plan appropriate management strategies specific to each retailer segment. For example, different service levels will be applied to different retailer categories. The following table shows a possible approach.

Figure 3.0 – 25: LSR Service Levels for Different Retailer Categories

Category	Service	Frequency of Visits
Review	LSR	[Redacted]
Maintain	LSR	[Redacted]
Defend	LSR	[Redacted]
Develop	Dedicated LSR	[Redacted]
New Retailers	Dedicated LSR	[Redacted]

RETAILER OPTIMIZATION PROGRAMS

[Redacted]

Case Study: Double Blue Program in Texas

[Redacted]

Texas LSRs were provided lists of the Double Blue retailers in their districts. From these lists, LSRs selected 25 retailers for the retailer optimization program. LSR quarterly objectives were tied to improving these 25 retailers’ sales, and LSRs signed contracts with these retailers, outlining the plan for increasing sales and confirming their commitment to assisting retailers.

Within nine months, participating retailers saw their on-line and instant sales grow by more than 13 percent while nonparticipating retailers saw their sales remain flat and, in some cases, decline as compared to the previous nine months.

In terms of total performance, 5,205 Double Blue retailers were trained on, and rewarded for, applying best practice sales principles, and from October 26, 2007, to March 28, 2009, these retailers saw a 5.61 percent increase in sales. In contrast, nonparticipating retailers experienced a 2.84 percent decrease.

Case Study: Project EDGE (Enhance Display Grow Earnings)

FOCUSING SALES STAFF ON VALUE-ADDED ACTIVITIES

Current Assessment

The sales team represents the primary interface between a lottery and its retailers. GTECH has extensive experience in managing sales forces across the world, given our current contracts in Illinois, Texas, Nebraska, and West Virginia in the U.S., as well as operator contracts in Spain, Italy, Colombia, and other Latin American countries.

In particular, we are proud of our ability to meld cultures in the Northstar organization, as integration of the state Illinois Lottery employees into the Northstar organization is working remarkably well. Today, the state employees are a motivated and driving force in the market development in Illinois.

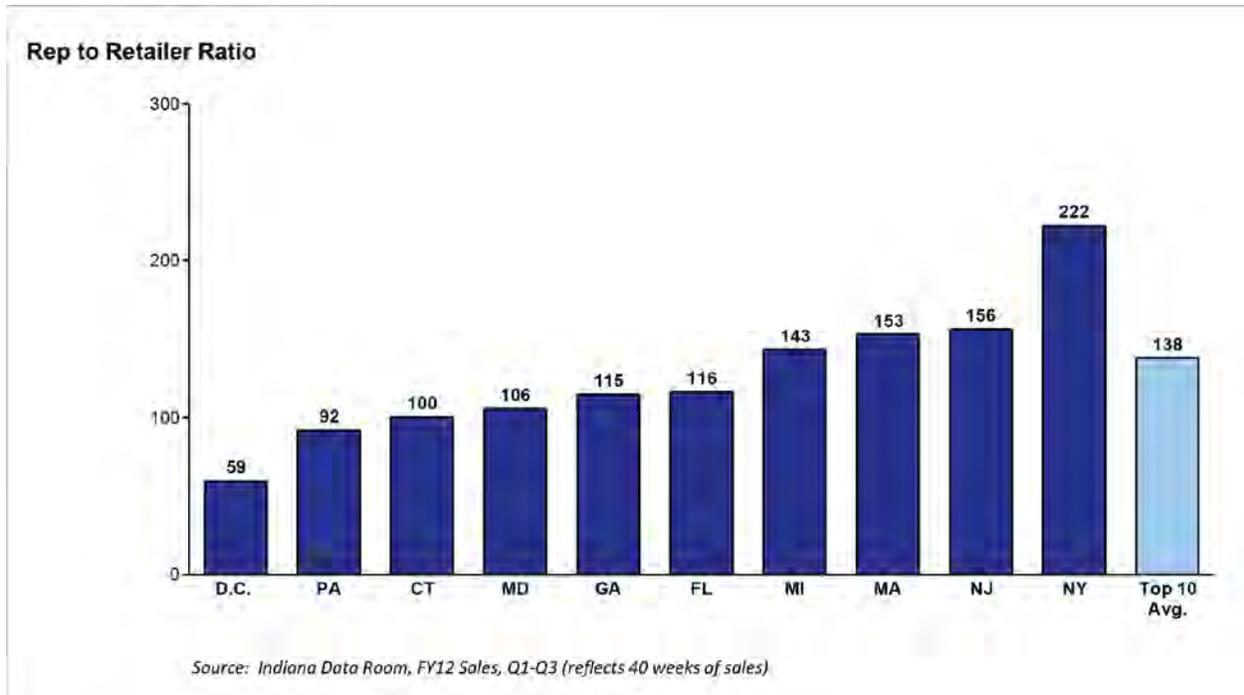
Based on this experience, we plan to lead, inspire, and motivate current Hoosier Lottery employees and GTECH's Provider staff to establish a nimble, flexible, entrepreneurial culture with superior execution at retail.

Today, the Hoosier Lottery's sales representatives (LSRs) manage the instant ticket inventory program, for most Lottery Retailers, by using their Cole Order Pads. The LSRs review each retailer's inventory and sales and enter the order on the retailer's lottery terminal.

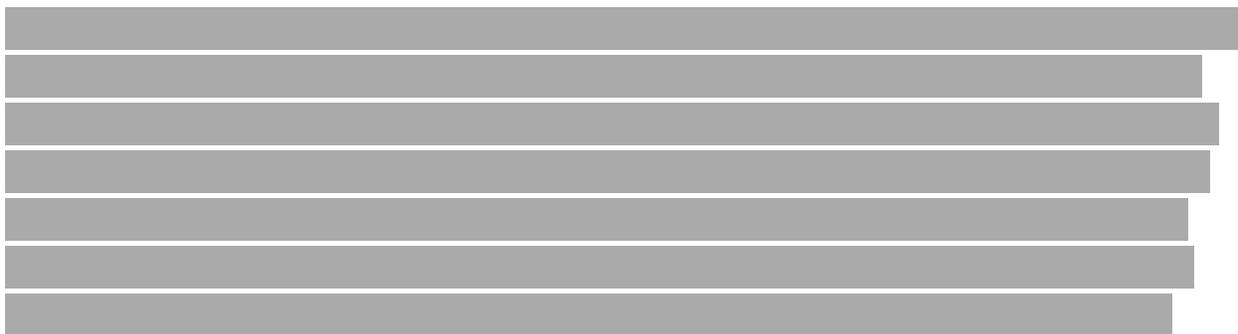
LSRs visit most Lottery Retailers weekly to perform this process, which was a labor-intensive practice when instant tickets first entered the market more than 20 years ago. There is also a small inside team at the Lottery's headquarters that enter orders if a Lottery Retailer calls the Lottery.

This responsibility, made even more critical by the current stringent settlement terms, requires the Hoosier Lottery to have an LSR-to-Lottery Retailer ratio of around 1:90, which is extremely low when compared to best-performing U.S. lotteries (see the following figure). This ratio is one that the Hoosier Lottery is planning to improve by moving approximately 1,000 Lottery Retailers to a no-call cycle.

Figure 3.0 – 26: LSR-to-Lottery Retailer Ratio



What concerns us is not the low ratio that has an impact on the Lottery’s operational efficiency. More important is the negative impact that this practice has, as it takes away the valuable time of the sales staff and distracts LSRs from value-added sales-driving activities.



Today, LSRs are a key component of the supply chain and critical to minimizing stock-outs, returning games to adhere to plan-o-grams, and managing inventory to prevent early large cash settlements.

ACTIVITIES ON WHICH LSRs WILL BE FOCUSED

As described in the Instant Game Innovation section in the Business Plan, We plan to implement a new instant ordering system that will free up LSRs' time and allow them to focus on higher-value activities. The system that will be implemented and the related business processes are the same as those currently leveraged by New York and New Jersey, two of the most successful U.S. instant lotteries (whose performance is even more impressive considering both have very stringent constraints on payouts).

The steps for the change will include:

- [REDACTED]
- Implementing the automated ordering system.
- Removing LSR trunk stock.
- Refocusing the sales call cycle based on sales optimization analytics.

To better leverage LSRs, their activities should be planned centrally and based on business priorities, promotions to be run according to the instant game plan, and innovation in the draw game portfolio. We will:

- Introduce a standard winner awareness program.
- Execute innovative Lottery Retailer incentive programs consistently throughout the year.
- Standardize visual merchandising and Lottery Retailer training to improve their market responsiveness.

All of these activities require effective support from the field, which will be provided by the LSRs who will be freed-up from labor intensive inventory management operational responsibilities.

Initiatives that the optimized sales calls will enable include:

- **Sales Analysis and Business Planning:** We will continue to establish sales goals by product and retailer, as already executed by the Hoosier Lottery. We will train sales staff to understand game-by-game trending for each location and developing individualized plans for each store using [REDACTED]. LSRs will continue to build service relationships, treating each Lottery Retailer as an individual business and driving the outcome by connecting with each retailer on his/her level. We will evaluate the current sales force automation solution to ensure all actionable data is optimized to support this effort.

- **Merchandising:** A key pillar for driving growth is refreshing curb-to-counter merchandising. LSRs will play a vital role in bringing in new materials, maintaining a prominent presence at retail, and continually refreshing the permanent Lottery Retailer display materials that identify all retail locations as places to play the Hoosier Lottery.



- **Winner Awareness:** Winner awareness will further support the Lottery’s efforts to demonstrate the credibility of games, increase player traffic in retail locations (by promoting when and where winning tickets are sold), ensure the public’s image of the Hoosier Lottery is one of being a positive social experience, and reinforce the Lottery as being part of the fabric of community life in Indiana.



- **Promotions:** Provider will greatly enhance the number of promotions statewide, including in-store promotions, to immediately recapture the excitement about the Hoosier Lottery so that it becomes an integral part of the fabric community life.



- Communication, Education and Training:** We will provide clear sales priorities to the entire organization and continue to provide timely, integrated, ongoing, consistent communications across the entire organization, as well as to the Lottery Retailer network and players. Currently, the Hoosier Lottery communicates to Lottery Retailers via email, some printed communications, and terminal messages;
- Draw Game Sales Strategies:** To attract new, light, and lapsed players, the Lottery Retailer training focus will emphasize an easy way to sell and play these games. As part of the ongoing, effective sales call training, LSRs will ensure that all equipment is working properly, including digital display monitors, jackpot signs, terminals, printers, and scanners.
- Instant Game Sales Strategies:** LSRs will focus their attention at the point of purchase to guarantee the right products are visible. They will also encourage best practice techniques like “waterfalling.” Focusing on new innovation merchandising strategies, which highlight new games and cohesive families of games, and line extensions will enhance the likelihood of an impulse purchase.



Clear Visibility and Professional Organization: Menu boards, such as this example that the Northstar Lottery Group has presented to 7-11 in Illinois, present players with ticket options in a more visually appealing and clearly organized manner. This type of merchandising strategy also help retailers keep lines moving as player decisions can be made before a player reaches the front of the line.

- **Underperforming Retailers Support:** In coordination with GTECH Retailer Specialists, LSRs will develop specific “get well programs” for underperforming Lottery Retailers using best practice sales and merchandising strategies. To achieve the sales growth projected in our Business Plan, every retailer will need to achieve their sales potential.
- **Recruitment:** While GTECH proposes the augmentation of the sales staff with dedicated recruiters, LSRs will still play an important supportive roll in providing new retailer recruitment leads and recruiting retailers to replace churned ones.

We will reeducate sales staff, Lottery Retailers and their sales associates, and players on key differentiators and selling points of all draw games and implement more frequent “Ask for the Sale” promotions.

Generic high-jackpot strategies for the sales staff will include several initiatives to drive sales during these critical sales periods, including:

- [Redacted]

VISUAL MERCHANDISING

One of the key ways in which to drive same-store sales is to improve near and in-store merchandising of Lottery Retailers. This initiative will build on the effective program currently in place at the Hoosier Lottery with its Sales Maker location redesign, mini-Sales Maker 500-store location rollout, and effective on-counter instant games presentation.

During our in-field visits, we recognized the opportunity to rollout a similar program adjusted to the actual retailer size, with curb-to-counter visual merchandising strategies that identify Lottery Retailers to consumers, indicate something new is happening, and grow foot traffic. In addition, our player and retailer research emphasizes the essential need for a re-merchandising transformation:

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

To address this, we have identified the following actions:

- [Redacted]
- [Redacted]
- [Redacted]

With this understanding, it is imperative that the POS at retail more effectively engage current and new players to purchase Hoosier Lottery products.

Every encounter shoppers have with Hoosier Lottery products will be consistent, convenient, and easy to navigate in order to present the Lottery and its products in a cohesive and professional manner, essentially a “store-within-a-store” concept. This will ensure that Lottery offerings are not overwhelmed by displays from competitive items.

PRODUCT-SPECIFIC MERCHANDISING STRATEGIES

In our Lottery Retailer visits, we noted several effective Hoosier Lottery marketing tactics for instant and draw games, including:

- Outstanding on-counter displays, successful plan-o-gram strategies, instant ticket insert cards color coded by price point, and a new style with nearly a full facing of tickets.
- Placement of draw game inserts in on-counter instant ticket displays.

Retailers in our focus groups appreciated Lottery-provided merchandising support a great deal, with a natural inclination to use any materials they're provided as a way to promote the Lottery within their stores and increase sales. While some did not feel they received enough merchandising support from the Lottery, overall, most don't seem to know what they're supposed to get (or can get) and when. Reactions were very favorable towards the "Winner Awareness" materials tested. Retailers would definitely use them if provided and appreciate their color (not the dull, basic black and white they currently receive), large print, and overall way in which they stand out. The EDGE program also generated interest, particularly the neon triple jackpot sign. (For more information on the EDGE program, please refer to Section 6.0, Supporting Experience.)

GTECH plans to implement the following product-specific merchandising strategies to grow same-store sales of the Hoosier Lottery Retailer network by building on your successful programs.

Draw Games

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

Instant Games

- [Redacted]
- [Redacted]
- [Redacted]

Winner Awareness

One of the most important things to communicate to players is winner awareness. Our experience shows that the best practice is to provide a continuous stream of winner information to players through a variety of strategies, which include Lottery Retailer, claim center, and in-store initiatives; field communications; and media and community relations strategies.

Winner awareness supports the Lottery's efforts to:

- Demonstrate the credibility of Hoosier Lottery games and the fact that people win when they play.
- Increase player traffic in retail locations by promoting when and where winning tickets are sold.
- Ensure the public's image of the Hoosier Lottery remains positive.
- Establish the Hoosier Lottery as part of the fabric of life in Illinois.

- [Redacted]
- [Redacted]

Promotions

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

Player Advertising Display (PAD) Expansion and Screen Optimization

- | [Redacted]

SELF-SERVICE ENHANCEMENTS

With an effective plan-o-gram strategy, strong price point layouts, and efforts to upgrade 16- and 20-bin ITVMs with 24-bin ITVMs, the Hoosier Lottery is succeeding in this area. That said, we would recommend [Redacted]

[Redacted]

[Redacted]

- | [Redacted]
- | [Redacted]
- | [Redacted]
- | [Redacted]
- | [Redacted]
- | [Redacted]
- | [Redacted]
- | [Redacted]
- | [Redacted]
- | [Redacted]

Commission and Incentives

GTECH'S APPROACH

Hoosier Lottery Retailers are paid total commissions of around 7.1%, which is among the highest in the country. This is an aggregate of:

- 5.5% on instant sales, which equals 3.5% on total sales.
- 6% on draw games, which equals 2.1% on total sales.
- Cashing bonus of 1.0% on winning tickets, up to \$599, which we estimate equals 0.5% of total sales.
- Bonus on major jackpots sold, equal to 1% with a maximum of \$100,000.
- Additional promotional programs.

The existing commission structure brings an average commission of about \$14,100 per retailer per year.

GTECH's experience in managing retailer networks is deep and global. Among the networks managed are:

- 8,101 retailers in Illinois.
- 16,974 retailers in Texas.
- 80,460 retailers in Italy.
- 9,883 in Colombia. Approximately 600 of these retailers are run with GTECH employees so GTECH not only manages the retailer network but is also a significant chain for the lottery.



We will work with the Commission to determine the most effective manner in which to motivate Lottery Retailers to achieve sales targets. This will be a delicate balancing act of performance-based incentives, while at the same time aligning specific targets with sales and marketing tactics.

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

Among the incentives planned are:

- **Ask for the Sale:** The Hoosier Lottery's Ask for the Sale program, typically done once per year (in February), is very effective, particularly as it leverages the friendly nature of the retail sales associates in Indiana.

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

We have provided an Indiana-specific appendix to illustrate many of the Lottery Retailer concepts in this section. Please see samples of Retailer Merchandising and Visual Communication Materials. These include:

- Cash for Life retailer incentive example.
- Sell-In sheet example.
- Retailer Agreement Form example.
- Mystery Shopper Form example.
- Mystery Shopper Incentive example.
- Promotional Ticket Return Receipt example.
- Tracking Sheet example.
- Recruitment material to counter potential new retailer concerns.
- Perfect store comparison.
- Retailer recruitment brochure.
- Retailer recruitment proposal.
- Lottery sales growth proof for potential new retailers.
- Retailer newsletter example.

Revocation

REASON WHY

There are substantial costs in maintaining the Hoosiers Lottery retailer network, which are paid in the form of a fee to the lottery's primary technology vendor. As a result, it is in the lottery's best interest to maximize its return on investment, which is accomplished in part through the relocation of underperforming terminals.



[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

Assumptions

RECRUITING

- **Recruiting Capacity:** A specialized recruiting team of [Redacted] people will be hired for the specific purpose of recruiting new retailers and growing the retailer network. They will work on the following basis:

- | [Redacted]
- | [Redacted]
- | [Redacted]
- | [Redacted]

- **Lottery Approval for Retailers:** To minimize bureaucracy and shorten approval time, the following approach will be followed:

- **Technological Deployment and Sales Activation:** Providers technology vendor will be able to meet the recruiting plan in terms of terminal deployment and sales activation.

RETAILER TRAINING AND COMMUNICATION

The proposed training programs, and related training effort, are designed to be aligned with the following plans:

- Recruiting plan.
- Technology conversion plan (when needed).
- Marketing plan.

SUPERVISION AND RELATIONSHIP MANAGEMENT

- The equipment to be installed or replaced in the stores will be defined by The Provider and its technology vendors. It will be based on the types of retailer locations and the predicted sales potential as both relate to the proposed technological plan.
- The Provider will complement the Lottery sales force with its own employees to both recruit new retailers and manage specific retailers.

COMMISSION AND INCENTIVES

- During the Transition Phase, the Commission will approve changes to commission and incentive programs as part of the Initial Business Plan for implementation in the first year.
- The Provider will be able to work with the Commission to modify the compensation program consistent with its Business Plan assumptions, including introducing and/or modifying performance-based incentive programs and defining retailers' performance targets.

Brand Transformation and Marketing Plan

Our Approach

A

To address the current perception of the Hoosier Lottery as described in the Situational Assessment section of the Business Plan, GTECH created an in-depth, 360 degree marketing plan based upon six key strategies:

1. Reenergize the Hoosier Lottery brand.
2. Enhance in-market activation.
3. Optimize media mix planning.
4. Create a more dynamic Internet/digital presence.
5. Leverage promotions.
6. Optimize curb-to-counter Lottery Retailer space.

1. REENERGIZE THE HOOSIER LOTTERY BRAND

To create a brand that is relevant and meaningful to all adult residents of Indiana, the Provider will implement the three-step process shown in the next figure and described in the text that follows.

Figure 3.0 – 1:

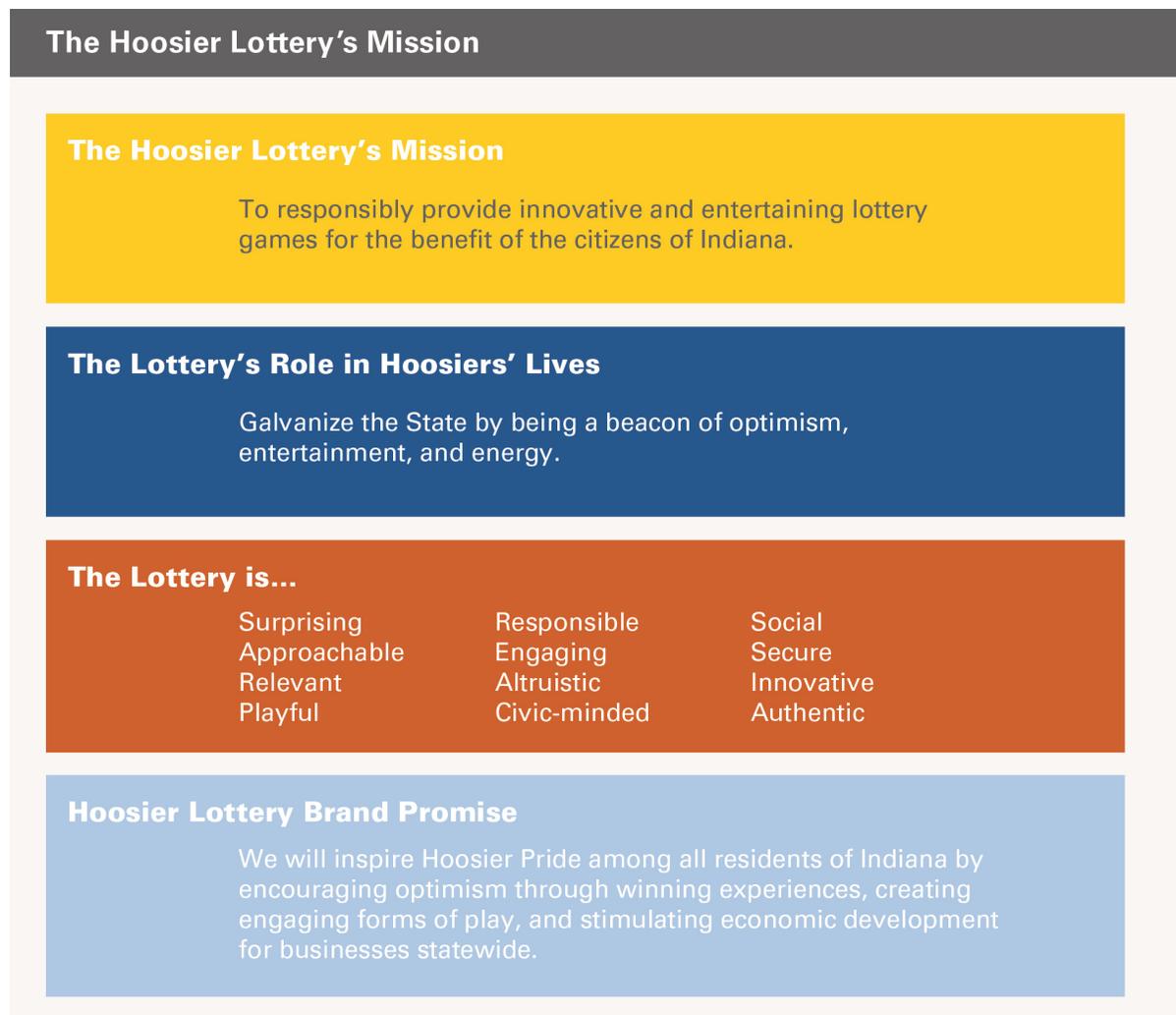


A. Brand Platform Development

The Hoosier Lottery has to evolve from transactional to experiential and from solitary to social. It is important to develop a sense of heart and passion for the Lottery among the Indiana adult population, and to progress from the Lottery being a random entity to being part of the fabric of the life of the community. This is predicated on sharing Indiana values in a way that inspires everyone to proudly claim that the Hoosier Lottery is “our lottery.”

The “brand platform” will be the foundation for all communication. It must convey that the Hoosier Lottery’s role exists within the lives of the residents of Indiana. By tying together the values of the State with the benefits of the Lottery, we believe that the Hoosier Lottery will be viewed as an organization that galvanizes Indianans by the energy and entertainment the Lottery provides. By being approachable and innovative yet altruistic and responsible, the Hoosier Lottery will be thought of as a leader with a strong role in the lives of Indiana residents.

Figure 3.0 – 2:



Innate within a strong Hoosier Lottery brand is the implied promise to consumers that we will go beyond to assure all constituents (Lottery Retailers, players, and citizens of Indiana) that the Lottery will be a catalyst for transforming the quality of life by becoming a beacon and source of pride. The Lottery will play a deep and meaningful role in encouraging optimism, building winning experiences, and creating engaging forms of entertainment.

Though not a consumer-facing communication, the brand platform is an internal standard against which we will evaluate all marketing materials. If an advertisement is not a “beacon of optimism and entertainment,” then it will not meet the Lottery’s objectives.

B. Retail Transformation

Consistent with the new brand platform, we will ensure that the retail experience properly reflects the new brand. Through modern merchandising and simple, standout, and streamlined signage, the Lottery will be readily perceived as progressive, easy to play, and transparent.

C. Brand Campaign In-Market

[Redacted]

[Redacted]

[Redacted]

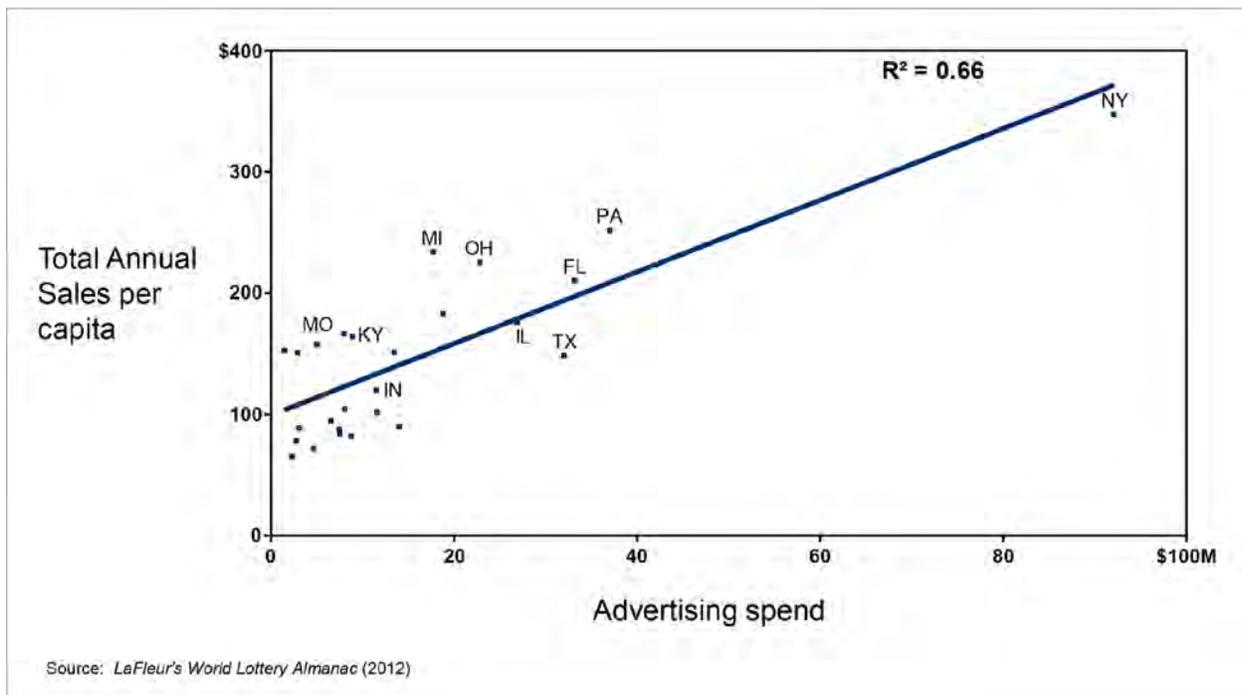
[Redacted] A complete chronology of the launch plan is located later in this section, under the 360 Degree Tactical Plan heading.

2. ENHANCE IN-MARKET ACTIVATION

Marketing and advertising spending is crucial to expanding the Lottery's player base. The appropriate advertising spend can significantly optimize the revenue potential of the Lottery's portfolio. In the first year of our marketing plan, we will increase the marketing budget significantly to support all efforts around the brand re-launch and the products that are subsequently introduced. [REDACTED]

Utilizing more marketing dollars (per capita) will allow us to significantly increase the daily number of impressions projected to players and to support the brand re-launch and promotional activities. An analysis of *LaFleur's* data shows that a strong correlation exists between the marketing spend of U.S. lotteries in one year and per capita sales the following year.

Figure 3.0 – 3: Relationship of Advertising and Per Capita Sales



To determine the advertising spend, we budgeted the marketing initiatives based on revenue potential and on our experience with similar successful efforts. Since the various initiatives have different revenue growth opportunities, we classified the initiatives by tier:

- **Tier 1:** These initiatives represent the greatest revenue opportunities and require the most advertising support (production and media). [REDACTED]
- **Tier 2:** These represent solid revenue drivers; they will be supported by production and media. Their overall media exposure and the number of production elements will be less than those of the Tier 1 initiatives. [REDACTED]
- **Tier 3:** These represent opportunities to connect with specific Indiana consumers to enhance brand affinity among the given target group. [REDACTED] Tier 3 initiatives receive a low level of production and media support but will be showcased at retail.

The Provider will continually and objectively measure the impact of the marketing strategies and tactics on sales and the Return On Investment (ROI) to: 1) ensure that the increased marketing investment is having a positive impact on business and 2) gain insight into how to further optimize the total marketing investment. Econometric modeling of media plans and quarterly brand-tracking will guide how to best allocate that marketing investment across different marketing programs and how to tactically execute marketing programs in the future.

3. OPTIMIZE MEDIA MIX PLANNING

The Provider will implement a number of strategies that will optimize the effectiveness of the media investment. An analysis of the Lottery’s current media plans show that efficiencies can be achieved in the station mix and in day-part selection. In addition, a greater digital media presence is needed to attract new, younger players. We will optimize the media mix by developing customized media plans for each product on the marketing calendar and by considering the touch points most appropriate for reaching non-, light, and lapsed players. We will optimize the way in which traditional TV, radio, outdoor, and newspaper advertising are purchased, and we will consider innovative mediums to reach the younger non-player, including elevator advertisements, direct response, gaming websites, digital media, and online radio.

Examples of the guidelines on which we will base our media planning include:

- [REDACTED]



4. CREATE A MORE DYNAMIC INTERNET/DIGITAL PRESENCE

To attract new, younger players we will leverage an Owned, Paid, and Earned media investment model that takes into account the fragmented nature of how young adults engage online. We will create compelling digital assets and properties, which the Hoosier Lottery will own. These will include the Lottery website and campaign-specific micro-sites that people can engage with frequently. These Owned assets must provide an experience based on:

- What people want to do (function).
- What people want to know (content).
- What people will remember.

Using this model, we will deliver a digital experience that is helpful, useful, relevant, and entertaining for both players and non-players.

Paid Digital Media

The key to effective digital execution is the seamless integration of media placement and creative solutions. Our plans will be customized to each effort and feature display, search, mobile, and social media components.



The Hoosier Lottery Website: A Digital Engagement Platform

The Hoosier Lottery website will aggregate the Lottery’s offerings in one place, make the brand experience exciting and cohesive, and act as a site map for the online social-media brand experience. The best website experience can be found at the intersection and interplay between brand, content, and function. In addition, search engine marketing will be the cornerstone of the engagement platform and woven into the design of the website from the beginning.

Social Media

Social media fuels brand engagement and will help drive the success of the Business Plan. As players engage with social media in their online communities and respond to traffic-generation efforts, they will be able to interact with the Hoosier Lottery brand across channels such as Facebook, Twitter, Google+, and YouTube without leaving the core experience.

5. LEVERAGE PROMOTIONS

Today the Hoosier Lottery executes a small number of promotions. We plan to systematically leverage Indianans' passion for sports and implement fun and exciting statewide promotions that engage audiences at sporting events (major and minor leagues for basketball, football, and baseball) to become more deeply rooted in the public psyche, to help the Lottery become more relevant to a more diverse group of Indiana residents.

6. OPTIMIZE CURB-TO-COUNTER LOTTERY RETAILER SPACE

The Provider will implement a 360 degree marketing strategy that consistently carries product propositions throughout a potential player's day and that activates purchase intent at all Lottery Retailer locations. This will significantly extend the impact of the current Sales Maker program, which is limited to only a handful of Lottery Retailers, with a solution that is optimized to the size of a typical Lottery Retailer. The program's impact will reach from the curb to the counter,



360 Degree Tactical Plan

Based upon the six previously described strategic pillars, the GTECH Marketing Team has developed the following multi-channel tactical plan to support all major marketing efforts in the Ramp-up Period and Year One. This plan is outlined in the following figure, which also illustrates the planned game innovations.

Figure 3.0 – 4:



[Redacted content]

[Redacted content]

[Redacted content]

[Redacted text block]



Figure 3.0 – 6: Outdoor Media Example



[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]



The next figure highlights the instant games that were promoted on TV in 2010 and 2011.

Figure 3.0 – 7:



The Lottery promoted nine games in 2010 and sixteen in 2011.



PLAYER LOYALTY PROGRAM

Our approach to loyalty program development will draw on our extensive experience running lottery loyalty programs around the world. As a provider in Italy, for example, we designed and operate a customized customer relationship management program involving hundreds of thousands of players. The program allows the lottery to:

- Promote new games.
- Cross-merchandise products in our game portfolio.
- Reward player loyalty.
- Actively communicate with players.

Additionally, GTECH's Northstar Lottery Group in Illinois has established an active digital presence that uses social media, including Facebook and Twitter, reinforcing our ability to engage players and support a constant stream of communication.

The Hoosier Lottery *mylottery* program already provides more than 100,000 registered Lottery players with customized Lottery information, including instant game second chance opportunities and special promotional offers.

We will continue to operate the current Hoosier Lottery loyalty system while monitoring loyalty program consumer insights and player surveys in order to offer a richer and more engaging experience for Hoosier Lottery players. Our approach will include collaborating with leading third-party providers to maximize the overall efficiency and investment required to evolve the current *mylottery* program while providing players with choices in how they can interact with the Lottery. This will allow the Hoosier Lottery to increase player engagement and maximize the value of the *mylottery* program for players.

Opportunities to enhance the current loyalty program include:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

Cohesiveness of branding across the *mylottery* program and the Hoosier Lottery website will allow us to provide a simple and convenient player experience and develop a consistent brand while maximizing cost and scope synergies.

Further development may become possible should the Commission consider the introduction of an Internet gaming system.

ONGOING MARKETING EFFORTS

In addition to the initiatives listed above, we will execute the following on an ongoing basis:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

Jackpot Trigger Campaigns & Post-Jackpot Halos

Nearly all lotteries have recognized a behavior known as “jackpot fatigue,” which assumes that people are categorically unmotivated to play Mega Millions or Powerball until the jackpot reaches extraordinary levels. According to the 2012 study conducted by KS&R, this proves true in Indiana with [REDACTED] of players agreeing that they only play when the jackpot goes beyond a certain threshold. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Figure 3.0 – 8: **Jackpot Awareness – Examples**



[REDACTED]

[REDACTED]

The program implemented immediately after the jackpot is won is as critical as the jackpot awareness program itself. Our program will focus on the revenue Indiana residents have contributed to the State. Lottery officials can even present the governor with a check representing the money that players have funded. This “good-will halo” will make players feel good about their purchase and look forward to playing again.

Ongoing Consumer Sponsorships and Promotions

With mass media becoming increasingly fragmented, consumers now have ultimate control over when and where they interact with media. In fact, DVR-usage penetration of U.S. households is at nearly 44% as of 2011. Indianapolis is ranked 16th in the country in terms of DVR usage with 31% of households using the device (*Source: Nielsen National People Meter Panel*). Increasing the number of promotions and executing a new approach to promotions will be critical to creating consumer awareness, generating trial, building excitement, and creating new experiences for players around the Lottery’s brand and products.

Figure 3.0 – 9: Promotional Examples



Because it is important to generate excitement equally among Lottery Retailers and sales associates, we will execute promotional events and store-level promotions. When developing a promotional plan for a product in Indiana, we will focus on the product and its potential relationship with players. Whether it's a new \$5 instant game that needs an extra push or a new draw game feature that is about to be rolled out, we believe that it is better to find an event or promotion that supports the product than to find a product that supports a promotion or event.

We will recommend specific games or game features to promote in the upcoming calendar year and review these in advance with the Commission every year. We have already begun to look for existing venues to develop specific events to support the promotional objectives. We understand that some events, such as the State Fair and various other high-visibility venues, are great opportunities. Additionally, we will evaluate each promotion and recommend either participation or modifications for enhancing future success. Moreover, we will identify those Lottery Retailers whose participation in these promotions and events would be mutually beneficial and serve the goal of increasing trial and sales of Lottery products.

[Redacted]

[Redacted]

[Redacted]

[Redacted]

Additional Promotional Techniques

A number of additional promotional techniques can also be bundled in the game design of either draw or instant games. Among those we will leverage are:

- [REDACTED]
- [REDACTED]

As with other marketing activities, we will continually evaluate experiential marketing programs so that we can direct funding to the most effective programs for meeting goals. Among other tools, we will measure program effectiveness through consumer surveys that assess:

- Awareness of, and education on how to play, Hoosier Lottery games.
- Frequency of play and spend on tickets post-program.
- Attendee demographics, psychographics, and other key characteristics.
- Enthusiasm/likability of event elements and execution.

Ongoing Adherence to Communication Guidelines

To ensure that messaging is created with integrity, honesty, transparency, inclusivity, and responsibility, all communications will be articulated in a manner consistent with the current Marketing Guidelines and Standards:

1. Advertising will be dignified and consistent with the principles of integrity of the State.
2. Advertising will not portray product abuse, excessive play, or a preoccupation with gambling.
3. Advertising will not imply nor portray any illegal activity.
4. Advertising will maintain respect for the individual and will not degrade the image or status of a person based on gender, sexual preference, age, race, religion, military status, or socioeconomic group.
5. Advertising will reflect the diversity of the population of the State of Indiana.
6. Advertising and marketing materials will include “Must be 18 or Older to Play. Please Play Responsibly” where possible and appropriate.
7. Gambling addiction referral information will be included as appropriate and reasonable. Places include, but are not necessarily limited to, game tickets, play slips, email communications, and hoosierlottery.com.
8. The Lottery will not be promoted as an alternative to employment or investment, as a way to financial security, or as a means of relieving personal financial difficulties.
9. Lottery advertisements will not make false promises nor present winning as the probable outcome.
10. Advertising will not denigrate a person who does not buy a lottery ticket or unduly praise a person who does buy a ticket, except in the context of support for the State of Indiana.
11. Advertising will emphasize the fun and entertainment aspects of playing lottery games and/or the public benefit derived from fundraising by the Lottery.
12. Advertising will not imply that lottery games are games of skill.
13. Advertising will be designed to appeal to those 18 years of age and over.
14. Persons depicted as lottery players in Lottery advertising will not be, nor appear to be, under the age of 18.
15. Advertising and marketing materials will comply with trademark standards for Hoosier Lottery and its products. All materials will also comply with and obtain the permissions and/or licenses for marks of other companies.

Finding the Best Marketing Partners

The GTECH Marketing Transition Team will conduct all activities with the utmost transparency, responsibility, and integrity. For us, the Transition has already begun.

MARKETING PARTNER PROCUREMENT/ JULY-OCTOBER

GTECH has not presumed to bring marketing partners to the relationship without a comprehensive review of capabilities and a thorough evaluation of strategic and creative expertise. Given the immediate need to quickly broaden the player base and begin supporting new products, we have already initiated a completely thorough, but highly accelerated, procurement process that will secure a creative advertising agency, media planning and buying firm, and interactive agency partner. The multi-phase process, which began in July, will ensure that the Hoosier Lottery receives the benefit of the most innovative marketing ideas, as well as the most efficiently utilized marketing budget. A similar process was executed in Illinois earlier this year; it resulted in a productive relationship with several best-in-class marketing firms.

Phase I: Pre-Qualification

- **End of July:** Researched more than 50 Indiana firms through the American Association of Advertising Agencies and local Advertising Federation membership.
- **August 3 and 6:** More than 20 advertising, media, and interactive firms were contacted by phone and interviewed to better understand their core competencies.
- **August 15 and 31:** A four-member evaluation committee met with 11 firms to determine their credentials and qualifications. The evaluation consisted of a review of internal capability to handle a fast-paced retail account, as well as the grading of a case study focused on brand strategy development and a case study showcasing the ability to drive retail transactions.

Phase II: Assignments as Illustration of Capabilities

Those agencies meeting the minimum qualifications established in Phase I will be invited to participate in Phase II, which will involve creating a communication strategy and then developing creative executions as well as providing a staff plan and fee structure. Phase II will begin on October 1 and culminate in late October with the naming of the Provider's Agency of Record in the areas of advertising and media.

PREPARATION OF MARKETING ACTIVITIES/ SEPTEMBER-NOVEMBER

In September, the Marketing Team will work with the Hoosier Lottery to assess historical activities and begin a review of the instant and draw product launch plan in preparation to take over marketing responsibilities on January 1.

CAMPAIGN DEVELOPMENT/ OCTOBER-FEBRUARY

Beginning in October, the Provider's team will begin working with its new advertising and media partners to begin to establish the new brand platform and build communication plans for the next product launches.

The figure entitled Gantt Chart of Tactical Plan (in the 360 Degree Tactical Plan subsection near the beginning of this section) shows the high-level Gantt chart for the activities to be performed during the Transition Period.

Marketing Budget

The following three figures, respectively, illustrate:

- The marketing investment we plan for Years One through Five, including the Ramp-up Period.
- Budgeted expense details for the Ramp-up Period and Year One.
- Detail of advertising media and production investment for Year One.

In addition to the marketing budget that we are planning for the Ramp-up Period, we assume that in the same period we will use



The following four figures illustrate the marketing budget for the Ramp-Up Period and Year One.

Figure 3.0 – 10: Marketing Budget: Transition and Ramp-up Through Year Five



Figure 3.0 – 11: Marketing Budget (in Millions of Dollars)



Figure 3.0 – 12: Detailed Advertising Media and Production Investment



Assumptions

Our plan is founded on several assumptions that must be in place to allow implementation. The assumptions are outlined as follows:

- The Annual Business Plan is approved by the Hoosier Lottery. Therefore, all the marketing initiatives within said plan are considered approved.

- The Ramp-up Plan will begin on [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



Organizational Design, Personnel Plan, and References

The organizational structure introduced in this section is constructed to integrate the expertise of GTECH and Lottomatica personnel with the experience of the current Hoosier Lottery staff, augmented by professionals sourced from outside the industry in order to meet the goals of the Business Plan and maximize the potential of the Hoosier Lottery. The proposed organization possesses the innovation, agility, and market responsiveness to grow net income in a socially responsible manner. The Commission states a desire for cooperation, collaboration, excellence, and transparency; we have constructed an organization to achieve these goals.

Our organizational plan is comprised of the following key structural elements:

- Continuity Plan for all Commission personnel.
- Indiana-specific team, comprised of:
 - GTECH/Lottomatica expertise.
 - Current Commission personnel.
 - Expertise to be hired.
- Subcontractor opportunities.

Incorporation of All Commission Personnel

We will make an offer of full-time employment effective immediately after the Transition Completion Date to each Commission employee who meets the terms stipulated in the requirement. The offer will include a clear definition of roles and responsibilities, and all relevant terms and conditions of employment. All Commission personnel are accounted for in one of the following categories:

- Commission personnel.
- Provider personnel.
- Subcontractor personnel.

Please see the following figure, Commission Personnel and Provider Plan, for details of the plan.

Provider Organizational Chart

Department	Current State	Future State*			Total
	Headcount	Commission	Provider	Provider-Subcontractor	
Accounting	12	12	0	0	12
Administration	23	2	21	0	23
Dist. Center	13	0	0	13	13
Executive	11	9	2	0	11
IT	20	18	2	0	20
Marketing	17	0	17	0	17
Sales	81	9	66	6	81
Total	177	50	108	19	177

*This table is based on assumptions we have incorporated into our Provider structure for the Hoosier Lottery. These assumptions are drawn from Commission documents and are subject to change if the underlying assumptions change.

Figure 3.0 – 1: Commission Personnel and Provider Plan

	Current State	Future State*			
Department	Headcount	Commission	Provider	Provider-Subcontractor	Total
Accounting	12	12	0	0	12
Administration	23	2	21	0	23
Dist. Center	13	0	0	13	13
Executive	11	9	2	0	11
IT	20	18	2	0	20
Marketing	17	0	17	0	17
Sales	81	9	66	6	81
Total	177	50	108	19	177

*This table is based on assumptions we have incorporated into our Provider structure for the Hoosier Lottery; these assumptions are drawn from Commission documents, and are subject to change if the underlying assumptions change.

The experience of the current Commission employees is of tremendous value. We will respect and include their deep local market insights as a key component of our Business Plan. We will take immediate action to engage current Commission employees. Our ongoing staffing plan provides a rewarding workplace environment with exciting opportunities centered around a clear growth vision, professional training to facilitate employee success, oversight and incentives to encourage top performance, and solid career pathways to retain top talent. We are genuinely looking forward to the opportunities that lie ahead for the Lottery and its employees. We are committed to melding our two cultures to form a world-class team to accelerate innovation and unleash the true revenue potential of the Hoosier Lottery. Further details of the integration of current Commission employees and opportunities available for them are available later in this section.

Indiana Team Organizational Chart

GTECH’s proposed organizational chart for the Provider for the Hoosier Lottery is shown in the **Provider Organizational Chart** insert, which follows the next page.

Key Roles and Responsibilities

Roles and responsibilities for key positions shown on the organizational chart are described below. A table summarizing the names and qualifications of key employees who will fill these positions is provided for your convenience.

ISA Schedule 6.3.1

Please refer to **Appendix C, ISA Schedule 6.3.1**, for a completed Schedule 6.3.1 from the ISA.

Current Commission Employees – Integration and Development

GTECH values employees as our most important resources and fosters a highly engaged workforce and unified workplace culture by facilitating open and continuous internal communication with all employees at all levels. We value the specialized skills and experience of the current Commission employees and therefore clearly recognize the importance of including them as strong contributors within the Provider’s organization. We have established a comprehensive plan that has proven successful in prior integration efforts to facilitate their transition and merge the cultures of the groups.

The cornerstones of our Integration Plan are leadership, transparency, open and continuous communication, and full engagement. To operate as one team with a shared vision and common goals, we realize the necessity of openness and clarity. Our Plan(s) will be presented to employees, and we will invite and encourage feedback. Open and ongoing communication will be essential as we merge the knowledge and experience of local employees with the expertise and innovations brought by GTECH’s Providers team to execute the Business Plan. We see the blending of skills, experiences, and cultures as a tremendous opportunity to enable and accelerate the responsible growth of the Hoosier Lottery.

Following the plan from our successful launch of Northstar in Illinois, where we conducted a statewide tour and met each employee face-to-face within 72 hours after the signing of the private manager agreement, our strategy for the Hoosier Lottery involves similar immediate actions to engage Commission employees. Our plan for Indiana includes a statewide tour, sales rallies, visits to all regional offices, retail advisories, and ride-along tours with LSRs to facilitate an open exchange of ideas.

The most important purpose of the launch is to communicate the vision, outline the pillars of the Business Plan, and articulate each group’s roles in the Business Plan.

Please see the Transition Plan for the milestones of communicating the transition to employees:

- Coordination with the Lottery on external official communication.
- Definition of Communication Plan.
- Communication to Commission employees:
 - Share vision, strategy, and transition plan with Commission employees.
 - Welcome Commission employees.
 - Communication/Kick-off meeting for Lottery employees.

EMPLOYEE DEVELOPMENT PHILOSOPHY

We believe it is imperative to our long-term success to leverage and enhance the skills and competencies of current employees to foster creativity and growth and to meet business challenges and future leadership requirements. To achieve this, all Provider employees will be eligible to participate in GTECH's professional development programs. Provider employees will have access to many of the same career development resources and tools available to GTECH employees around the world through the Learning Services Department, which is dedicated to providing the resources to satisfy training requirements and enable professional development opportunities for all employees, at all levels. Courses are available in a variety of formats: instructor-led, remote Webinars, and self-paced eLearning. Currently, 700 self-paced eLearning courses covering a wide range of topics are available to all employees.

All employees are encouraged to take a self-directed approach to their career development. In accordance with this philosophy, training and educational opportunities are abundantly available for employees who wish to pursue career growth.

THE LEADERSHIP POTENTIAL REVIEW PROCESS (LPR)

Provider employees will participate in GTECH's formal leadership development process. We seek new leadership for development from within the ranks of current contributors. The LPR process facilitates succession management. Through this process, the Company identifies and prepares future leaders to meet business challenges. The LPR provides management an opportunity to assess talent, build meaningful development plans, and address strategic resourcing priorities. The goal of the review process is to create the most skilled and diverse leadership pool possible. The LPR is conducted annually and a Web-based system has been constructed to automate the process and to ensure the integrity of LPR data throughout the Company.

The following principles drive our LPR process:

- **People make the difference:** The caliber and skills of our people will undoubtedly determine our ability to meet the company's business goals for continued leadership and growth in our industry. As a natural correlation, we must select and promote only the best and most promising people who have the potential to grow and assume increasingly more complex responsibilities.
- **Promotion from within:** We have a strong commitment to promote from within for many opportunities. The following reasons support this objective toward developing and promoting from within:
 - We have the opportunity to actually measure an individual's performance.
 - The individual has experience within the company and understands its business and philosophy.
 - A promotion from within the organization reduces our "time to fill," enhancing and sustaining productivity.
 - Promoting an employee from within also increases our return on employee investment.
 - Finally, and perhaps most importantly, we have a commitment to create the conditions conducive to the growth and development of our people. Opportunities for advancement are a necessary condition for this to occur.
- **Recruiting:** Recruiting leaders from outside the organization is an imperative to long-term growth and business success. The objective toward promotion from within (business continuity) is balanced with the need to look externally for new talent (infusing new ideas and best practices). The Company remains committed to hiring the best people for the job, giving consideration to the importance and value that a multi-cultural, diverse workforce brings to the business.
- **Diversity:** We value the differences among our employees. Individual differences enrich the workplace and improve our ability to attract employees and customers. In addition, our varied and diverse international customers are well served by a diverse leadership team. A truly diverse workplace – skills, perspectives, and experience – one that encourages a full contribution from every employee, creates a stronger company.
- **Continuous Improvement:** We strive to provide an environment that focuses on teamwork and continuous improvement by:
 - Sharing and leveraging our best people and best practices across organizational boundaries.
 - Improving communications among people in all business units across functions and jurisdictions.
 - Involving, trusting, respecting and training the workforce.
 - Pursuing excellence while recognizing that change provides opportunity.

The success of the Hoosier Lottery depends on the expertise of the individuals who add value to our business each day and we see tremendous potential in Hoosier Lottery employees. We are excited to capitalize on the experience of the blended team to help realize this potential and contribute to the goals of the Lottery.

Recruiting Key Personnel

The executive search firm DHR International has been retained to facilitate the recruitment and hiring of Key Personnel who are not yet named. Established in 1989, DHR has more than 50 offices worldwide and is the fifth largest retained executive search firm in the United States. DHR conducts search assignments at the Board Director, C-level and functional Vice President levels. DHR’s search consultants are experienced professionals who are retained by the Fortune 1000 as well as prominent venture firms and early-stage companies.

Connie Laverty O’Connor, CEO for the transition period, will work closely with DHR with a focus on recruiting local candidates to fill positions.

DHR International provides clients with comprehensive expertise to complete each search successfully. These unique capabilities enable them to meet clients’ needs quickly and effectively through the following search process:

Figure 3.0 – 2: DHR International Search Process

Search Initiated	
WEEKS 1-3 Kick Off Activities	<ul style="list-style-type: none"> • Assess Organization & Position • Meet Key Constituents • Develop Position Specification(s) • Develop Strategy
WEEKS 2-5 Candidate Identification	<ul style="list-style-type: none"> • 20-Day Market Analysis Presented • Contact Sources & Candidates • Screen Candidates • Conduct Preliminary References
WEEKS 6-9 Candidate Qualification	<ul style="list-style-type: none"> • Heavy Recruiting Continues • Conduct Interviews • Conduct Detailed References • Review Progress
WEEKS 9-12 Candidate Selection	<ul style="list-style-type: none"> • Final Reference Reporting Completed • Client Interviews & Debriefing • Continue to Engage Backup Candidates • Offer Negotiations & Candidate Counseling
Search Successfully Completed	

DHR approaches each search with the best tools and intelligence possible, including:

- **Technology:** DHR uses a proprietary technology that integrates project management and database functionality to support the search process.
- **Research:** Using in-depth direct sourcing of target companies as well as organizational charts/mapping of competitive companies, DHR's research department conducts a study and market analysis to identify individuals who are contributing to the success of target organizations.
- **Internal Collaboration:** DHR has one of the highest researcher-to-consultant ratios in the industry, with no geographic restrictions. Their practice groups are comprised of experts who possess significant industry knowledge and key relationships.

DHR creates a Market Analysis Report, a detailed summary of each individual contacted during the search to date, as well as a detailed profile on each of the most qualified candidates. This report provides analysis about the following:

- The overall industry and marketplace as well as how the client's organization is perceived.
- The competitive landscape providing valuable information and perspectives.
- A compensation study comparing expectations in the marketplace.

The DHR execution team senior leaders who will work with Connie to lead the recruiting efforts are Craig Randall and Diane Coletti. Working closely with a research team led by Crystal Curfman, one of DHR's most experienced senior researchers, they will leverage a research team of 15 in Chicago to continually generate experienced, top-tier candidates for this program. Throughout the life of the program, they will also utilize office Managing Directors and Practice Group Leaders from the appropriate cities and states involved.

Critical Strategic GTECH Resources in Support of the Hoosier Lottery

The organization will have access to additional GTECH resources to help accelerate the responsible growth of the Hoosier Lottery. A summary of these individuals and their experience appears in the following table. Two GTECH experts who will bring particular value to the Hoosier Lottery are Stefano Monterosso, who will lead the team performing an audit and analysis of the Hoosier Instant program, and Sue Strouse, a respected retail strategist and national account recruitment specialist.

Additional GTECH Resources Supporting the Hoosier Lottery

GTECH brings a wide variety of additional resources and industry experts to the Provider opportunity.

Affiliate and Subcontractor Roles & Responsibilities

We have identified affiliates and subcontractors who will provide goods and services in support of the Business Plan. For each affiliate, we describe the specific scope of responsibilities. We understand that affiliates not listed and which have an aggregate value greater than the Subcontractor Threshold Amount will be subject to the requirements of the first sentence of Section 7.3 of the ISA. We have provided information required by Indiana Code §4-30-8-2 for Major Procurement Subcontractors as Addendums 1 and 2 to the Transmittal Letter.

AFFILIATES

The following affiliates have been identified who will provide goods and services (including equipment and products) in support of the Business Plan.

GTECH Corporation

GTECH, the primary subcontractor and parent company to the Provider, will provide gaming technology and content and services, including hardware, software and ancillary services.

G2 Family of Companies

If approved, as part of the Enhanced Business Plan, the G2 family of companies, specifically St. Minver Limited (St. Minver), Boss Media AB and its subsidiaries (collectively Boss Media) and Finsoft Limited (Finsoft) will provide game content systems and software to operate Internet gaming. St. Minver, Boss Media and Finsoft are each wholly owned by GTECH Global Services Corporation, a wholly owned subsidiary of GTECH Corporation.

SPIELO International

If approved, as part of the Enhanced Business Plan, SPIELO International (SPIELO) will provide a central system, terminals, and games to operate a VLT program. SPIELO is a wholly owned subsidiary of the Lottomatica Group S.p.A., parent company to GTECH Corporation.

GTECH Printing Corporation

GTECH Printing Corporation (GPC) will provide instant ticket printing and support services to the Provider. GPC is a wholly owned subsidiary of GTECH Corporation.

SUBCONTRACTORS

The following initial Subcontractors have been identified to support the Provider in the execution of the Business Plan. Please note that Scientific Games and Pollard BankNote are Subcontractors involving a Major Procurement. Information required by Indiana Code §4-30-8-2 for Major Procurement Subcontractors will be made available to Provider contemporaneously with the execution of supply agreements between Provider and such Subcontractors.

- Scientific Games.
- Pollard BankNote.
- Barnes & Thornburg LLP.
- Borshoff.
- Heritage Ford.
- Keystone.
- Imarcsgroup.

Summary of the Financial Plan

INTRODUCTION AND SUMMARY OF THE FINANCIAL PLAN

In this section, GTECH quantifies the results of the strategy that is articulated throughout our proposed Transition, Ramp-Up and Base Business Plan (Business Plan). Our strategy will unlock the significant potential of the Hoosier Lottery's business in a responsible manner, and will materially grow the funds generated by the Lottery for the programs that benefit Indianans.

Our planned major initiatives include transformation of the Hoosier Lottery brand; enhancement of existing draw game and instant game portfolios; substantial expansion and optimization of the retail distribution network; modernization of the instant system technology, infrastructure, and distribution; and improvement of marketing and advertising investments to effectively engage the Indiana consumer.

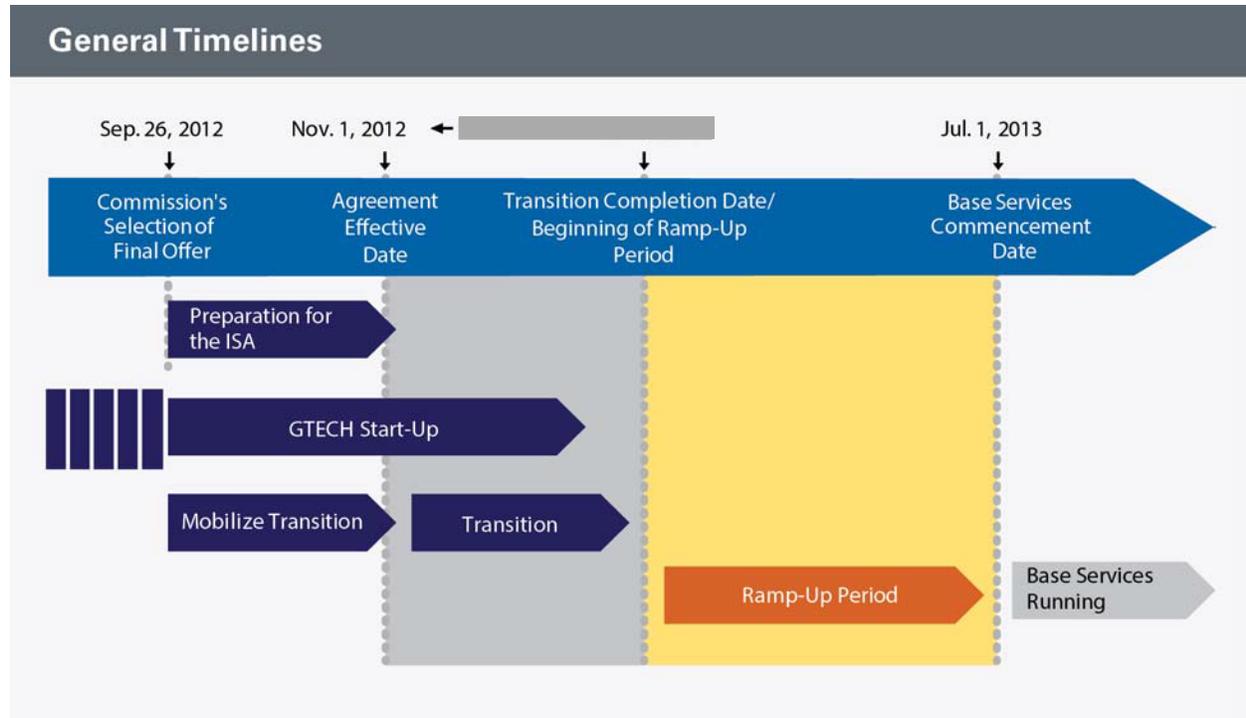
GTECH plans Transition and Ramp-Up Periods that will enable the Lottery to realize the value and benefits of the Integrated Services model as soon as possible.

We will deliver the most efficient Transition with the lowest execution risk as a result of the following:

- **Early Start:** GTECH has been working for many months on the opportunity to collaborate with the Hoosier Lottery. We have already defined the Transition Plan, researched Indiana retailers, players, and advertising effectiveness, identified potential new retailers, and identified key managers, local advisors, and subcontractors.
- **Seamless Approach:** Our capabilities cover the entire Lottery value chain; thus the organization will deliver maximum effectiveness/efficiency from day one.
- **Maximize Vendor Contributions:** As the only Offeror that has already executed such a transition with a U.S. lottery, in Illinois, our knowledge and experience will enable us to work with vendors in the most efficient manner.

The following figure illustrates the major elements of the Transition and Ramp-Up Periods leading to commencement of Base Services on July 1, 2013.

Figure 1:



Key factors to consider include the following:

- **Preparation for the Integrated Services Agreement (ISA):** Execution of all activities, such as negotiation regarding possible items not fully defined in the ISA, and the administrative and legal preparation for executing the Agreement, that must be completed before the ISA Effective Date.
- **Start-up:** Organizational set-up of Provider, including leasing space from the Lottery for our headquarters, integration of Commission personnel into the Provider team, recruitment of new personnel (e.g., retail recruiters and business development associates, etc.) and development of management support processes (Human Resources, payroll, technology infrastructures, etc.).
- **Transition:** Preparation for the transfer to the Provider of day-to-day operational responsibilities currently managed by the Hoosier Lottery or by other providers. The Lottery will continue to control its significant Lottery-related business decisions and activities. This period will be preceded by a Mobilization Phase between the Selection Team’s decision and the Integrated Services Agreement Effective Date.
- **Ramp-Up Period:** The period commencing on the Transition Completion Date and terminating on the Base Services Commencement Date.

Our committed target is to achieve the Transition Completion Date and begin the Ramp-Up Period on [REDACTED]. This time frame provides significant value to the State given that, from that point forward we will be able to recruit new retailers, launch the advertising campaign in support of the brand transformation, and introduce game portfolio enhancements identified in the Business Plan.

The Transition and Ramp-Up Plans are based on the following material assumptions:

- The Selection Team will select the Final Offeror on or before September 26, 2012.
- The Integrated Services Agreement will be executed on or before November 1, 2012.
- The Transition Period will begin on November 1, 2012.
- During the Transition, the Lottery will approve the documents it receives from the Provider within [REDACTED] days from their receipt.
- The Ramp-Up will begin on or before [REDACTED].

Our operational experience, in Illinois and elsewhere, and our proposed operational structure for Indiana will result in the Hoosier Lottery achieving a seamless, reliable, and lowest-risk transition to Integrated Services.

Built upon the material assumptions related to the Transition and Ramp-Up Periods, GTECH assumes a start date of July 1, 2013 for the Base Services Period.

The Business Plan forecasts total Sales and Provider Net Income (PNI), as follows:

- In Year 1: \$1.1B in Sales corresponding to a PNI of \$278.8M.
- By Year 5: \$2.0B in Sales corresponding to a PNI of \$498.2M.

The following table depicts these forecasts:

Figure 2: Lottery Sales and Provider Net Income

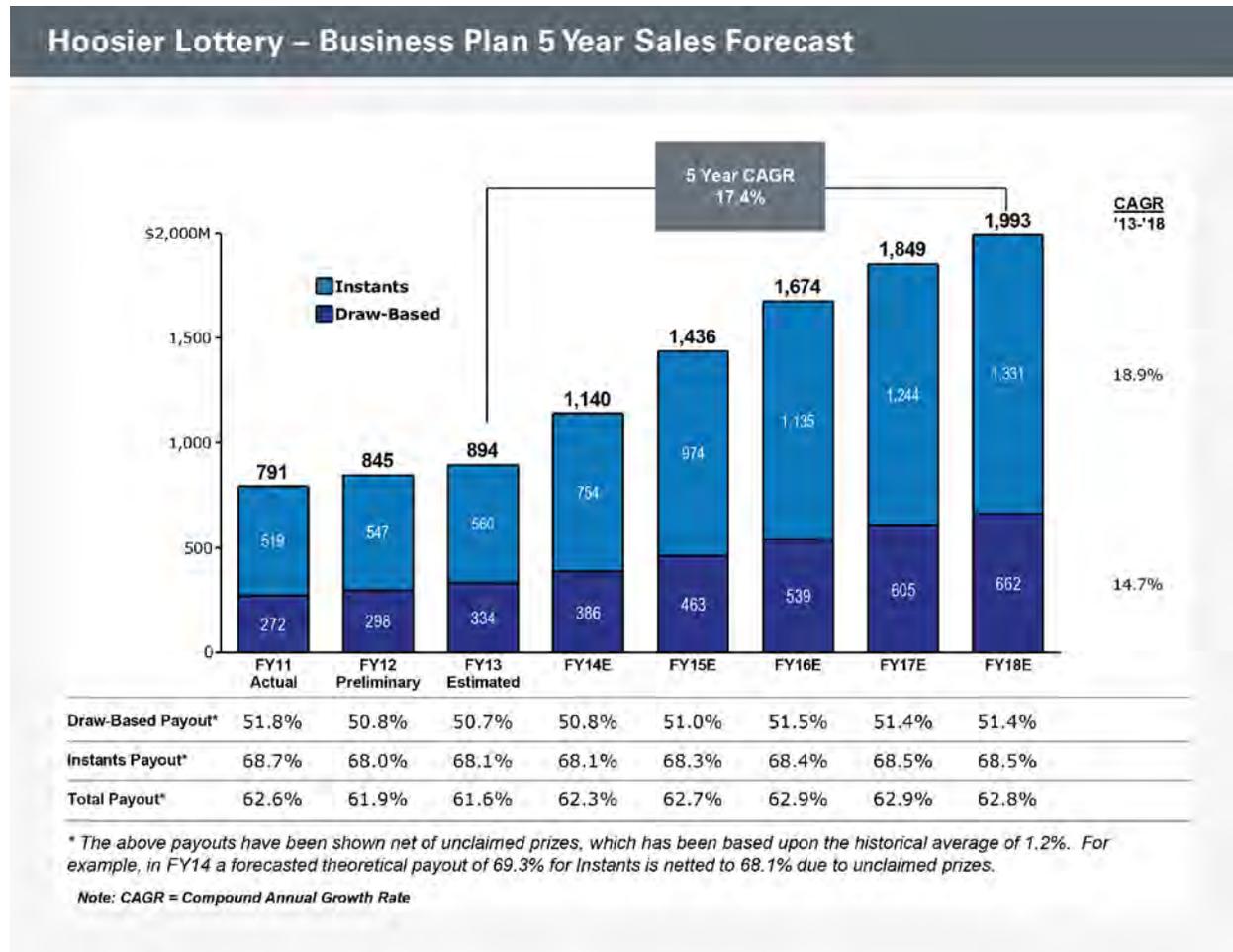
Hoosier Lottery Sales and Provider Net Income								
<i>Dollars in Millions</i>								
<i>Fiscal Year ending June 30</i>	<i>2011 Actual</i>	<i>2012 Preliminary Actual</i>	<i>2013 Forecast</i>	<i>2014 Y1</i>	<i>2015 Y2</i>	<i>2016 Y3</i>	<i>2017 Y4</i>	<i>2018 Y5</i>
Total Sales	791.4	845.0	893.9	1,140.3	1,436.4	1,674.1	1,849.2	1,992.6
PROVIDER NET INCOME	195.3	213.9	229.5	278.8	356.6	416.3	461.1	498.2
<i>% of Sales</i>	<i>24.7%</i>	<i>25.3%</i>	<i>25.7%</i>	<i>24.5%</i>	<i>24.8%</i>	<i>24.9%</i>	<i>24.9%</i>	<i>25.0%</i>
State Retained Lottery Expenses (Estimated)	3.8	3.9	4.0	4.0	4.1	4.2	4.3	4.4
OPERATING INCOME PRIOR TO INCENTIVE	191.5	210.0	225.5	274.8	352.5	412.1	456.8	493.9

Note: Provider Net Income has been calculated in accordance with the definition in the ISA; Provider Net Income above for 2011 through 2013 estimated according to this definition.

Note: FY2013 has been projected in alignment with the Hoosier Lottery's forecasts. It does not take into consideration the impact on sales of the game innovation and the brand transformation initiatives launched during the Ramp-Up Period, nor the additional cost incurred by the Provider and Reimbursed during that period, for example, in the advertising investment.

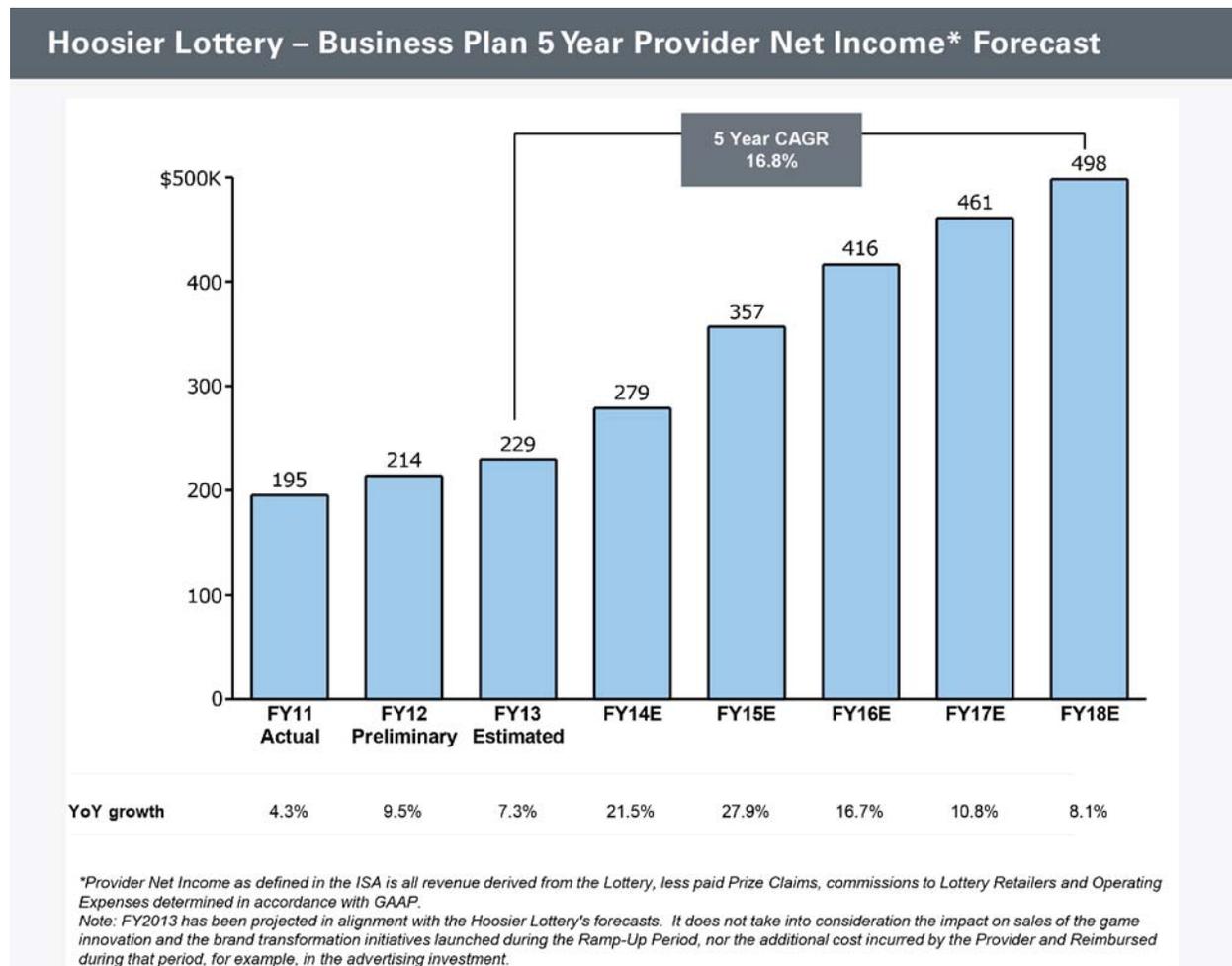
In the next two figures, we provide further detail supporting the development of our Business Plan Sales and Provider Net Income forecasts.

Figure 3:



As Figure 3 depicts, the Plan’s sales level will achieve sustainable growth with a compound annual growth rate (CAGR) of 17.4% through 2018.

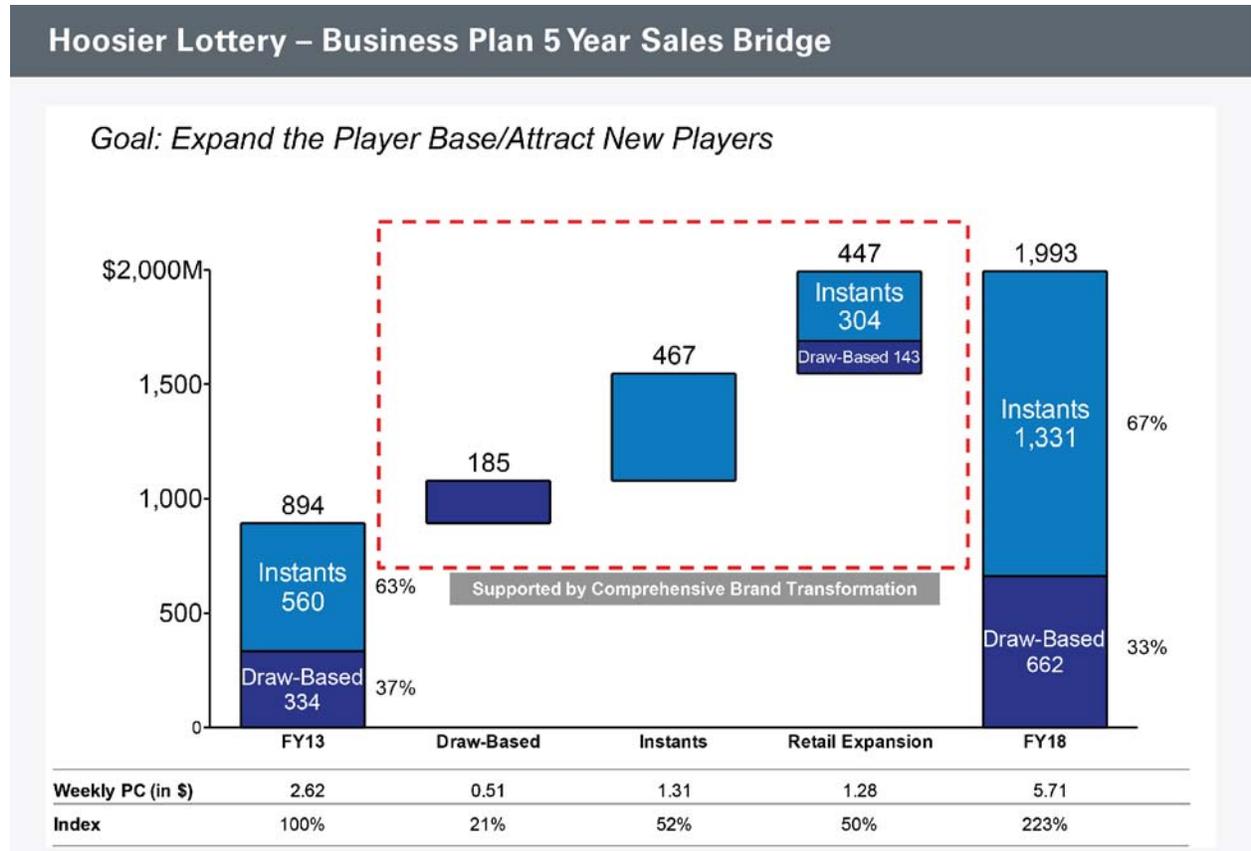
Figure 4:



Our Plan will achieve sustainable growth in Provider Net Income, with a compound annual growth rate of 16.8% through 2018. By Year 5, our plan will generate almost \$500M in PNI, representing an increase of 117% versus the base year comparison of FY13.

The following figure summarizes the impact of the major growth drivers in Year 1 through Year 5 of the Business Plan.

Figure 5:



As indicated in the figure above, the major drivers of growth are retail expansion and optimization, draw game and instant game optimization, and introduction of portfolio changes, all supported and driven by a comprehensive Hoosier Lottery brand transformation program.

To further demonstrate the annual build-up of the 5-year sales growth, the following figure includes the annual growth in Organic and Non-organic categories as required in the RFI.

Figure 6:

	FY13	FY14	FY15	FY16	FY17	FY18
		Year 1	Year 2	Year 3	Year 4	Year 5
Organic Sales Growth	\$ 893.9	\$ 1,075.3	\$ 1,287.1	\$ 1,361.7	\$ 1,451.9	\$ 1,545.6
Non-organic Sales Growth		65.0	149.3	312.4	397.3	447.1
Total Sales	\$ 893.9	\$ 1,140.3	\$ 1,436.4	\$ 1,674.1	\$ 1,849.2	\$ 1,992.6

We define Organic growth as sales at existing Lottery Retailers, and Non-organic as sales at new Lottery Retailers. This is based solely on the Base Business Plan and does not include the introduction of new products and games (e.g., Keno) as contemplated in the Enhanced Business Plan. For more details, please refer to Section 4.0, Enhanced Business Plan.

The overall implementation will be achieved through a set of actions executed across all business levers of the value chain, as illustrated in the insert entitled **Major Growth Drivers**, which appears on the following page.

BUSINESS PLAN

The Business Plan projects total Sales to grow from \$894M for FY13 to \$2.0B for FY18 (Year 5), as shown in the following figure. Over the same period, PNI will grow from \$229.5M to \$498.2M.

Figure 7:

Hoosier Lottery Sales and Provider Net Income									
Dollars in Millions									
Fiscal Year ending June 30	2011 Actual	2012 Preliminary Actual	2013 Forecast	2014 Y1	2015 Y2	2016 Y3	2017 Y4	2018 Y5	5 Year CAGR
Ticket Sales									
Online Games	272.1	298.2	333.7	386.0	462.8	539.2	605.4	661.9	14.7%
% Growth	2.3%	9.6%	11.9%	15.7%	19.9%	16.5%	12.3%	9.3%	
Instant Games	519.3	546.7	560.2	754.3	973.6	1,134.9	1,243.8	1,330.7	18.9%
% Growth	9.5%	5.3%	2.5%	34.6%	29.1%	16.6%	9.6%	7.0%	
Total Sales	791.4	845.0	893.9	1,140.3	1,436.4	1,674.1	1,849.2	1,992.6	17.4%
% Growth	6.9%	6.8%	5.8%	27.6%	26.0%	16.6%	10.5%	7.8%	
PROVIDER NET INCOME	195.3	213.9	229.5	278.8	356.6	416.3	461.1	498.2	16.8%

Note: Provider Net Income has been calculated in accordance with the definition in the ISA; Provider Net Income above for 2011 through 2013 estimated according to this definition.

Note: FY2013 has been projected in alignment with the Hoosier Lottery's forecasts. It does not take into consideration the impact on sales of the game innovation and the brand transformation initiatives launched during the Ramp-Up Period, nor the additional cost incurred by the Provider and Reimbursed during that period, for example, in the advertising investment.

SALES FORECASTS

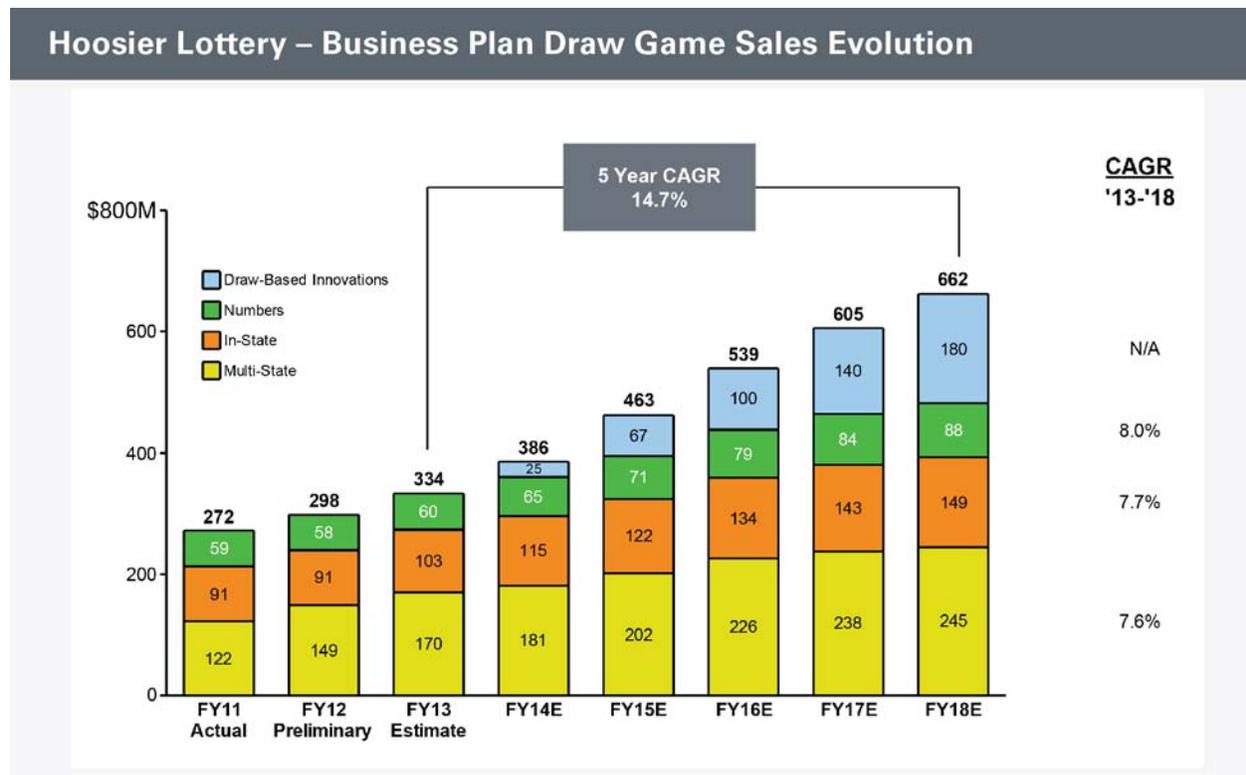
Our Business Plan balances growth between the different game categories as depicted in the next two figures.

- Draw game sales will grow by an average of 14.7% per year through FY18.
- Instant games will grow by an average of 18.9% per year through FY18.

Major Growth Drivers

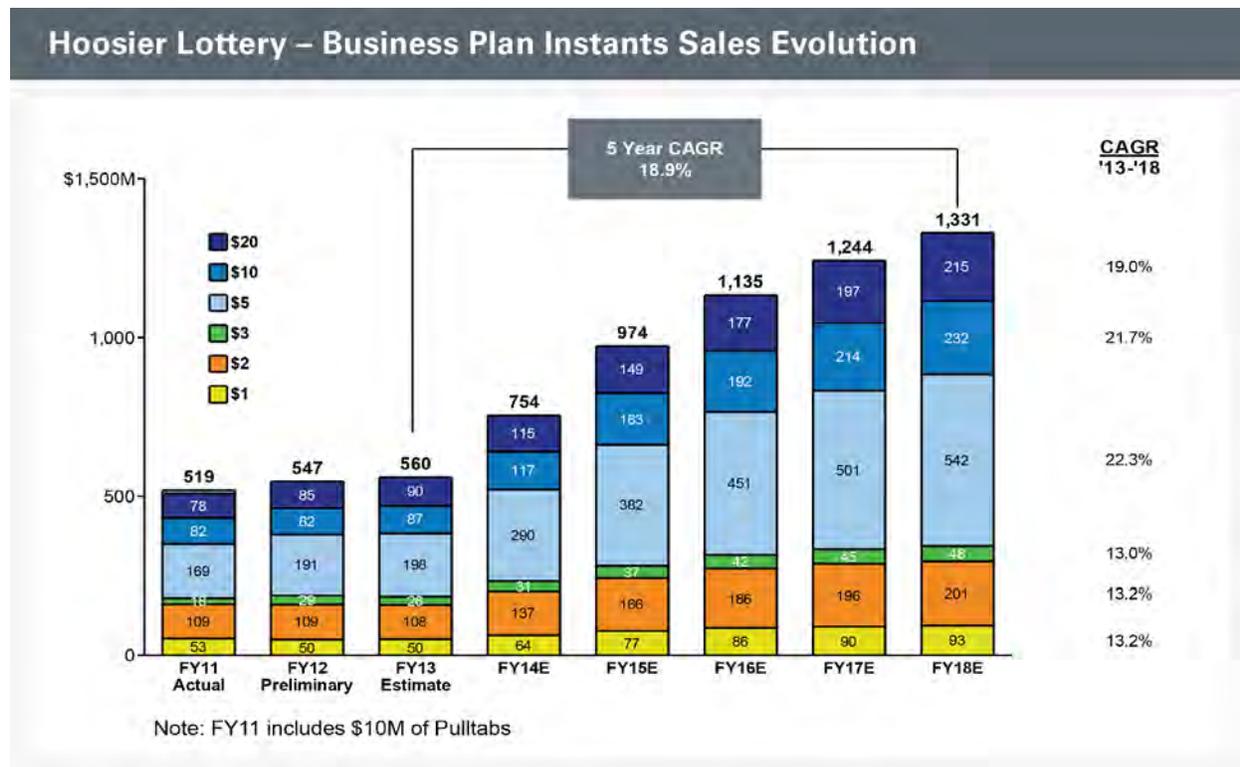
	Customer Base/ Brand Perception	Draw-Based Game Portfolio	Instant Game Portfolio	Retail Distribution Network	Communication
Situational Assessment	<ul style="list-style-type: none"> ☑ 58% agree "Lottery makes a positive contribution to State" ☑ 53% agree "games are run fairly/honestly" 	<ul style="list-style-type: none"> ☑ Quick Draw is US top-performing daily keno game ☑ Hoosier Lotto is 6th best in-state lotto game 	<ul style="list-style-type: none"> ☑ #23 in US based on instant sales per capita ☑ Consistent instant game launch cycle ☑ Strong, disciplined in-store positioning 	<ul style="list-style-type: none"> ☑ Excellent penetration of corporate chains (≥ 54% of total retailers) 	<ul style="list-style-type: none"> ☑ Commitment to corporate chain communication. ☑ \$13M spent in advertisement in FY12 <ul style="list-style-type: none"> - 90% on TV (outdoor < 8%, radio < 3%) - > 75% of TV are 30-sec. spots (< 25% are 15-sec. except Terre Haute)
Actions Planned					

Figure 8:



The draw game sales forecast will build on the Hoosier Lottery’s existing game portfolio through initiatives such as [redacted] add-on across the whole portfolio and maximizing multi-state game innovations. In addition, we will introduce a significant number of game innovations, including games that will bring a personalized experience to players.

Figure 9:



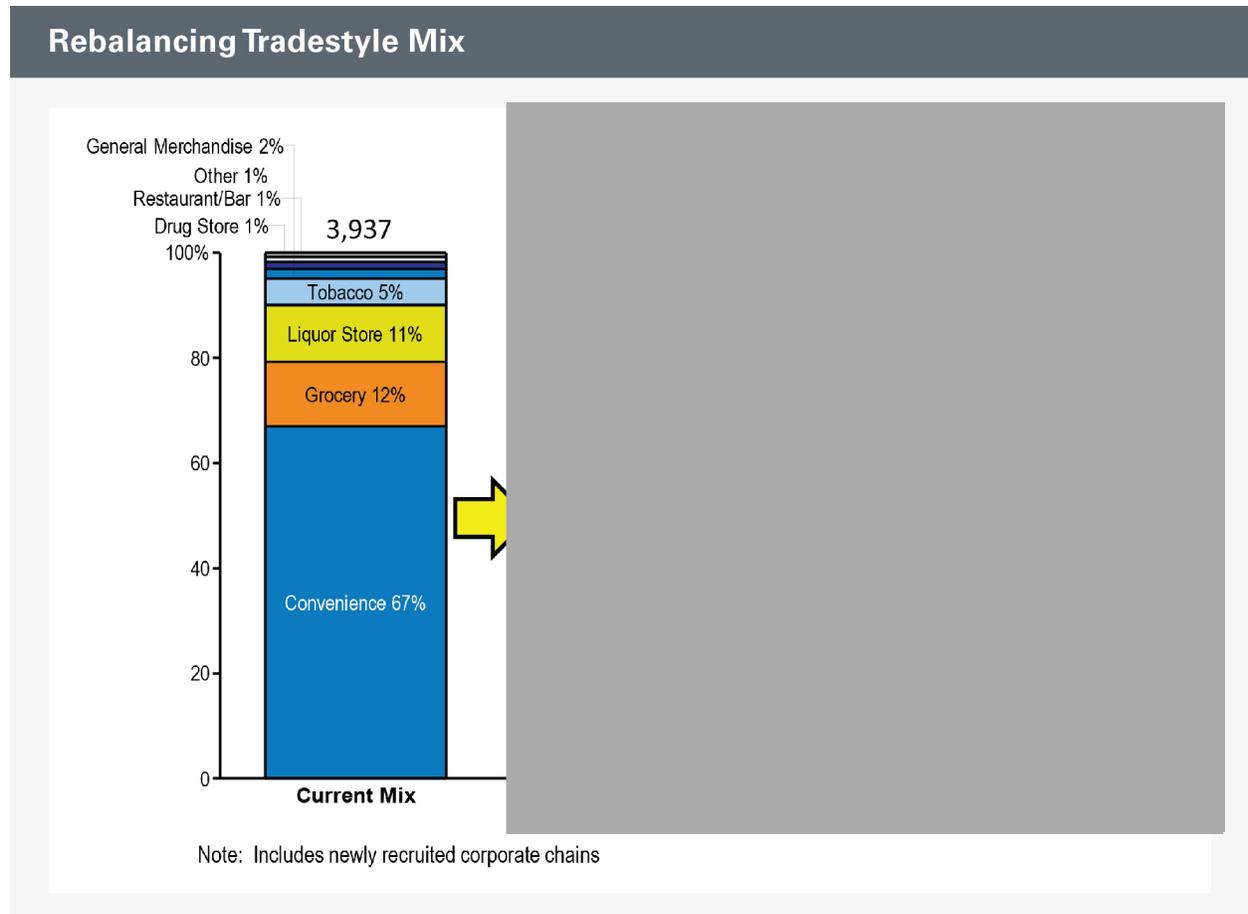
With sales per capita in Indiana less than half the U.S. average, the Hoosier Lottery’s instant games portfolio will undergo a complete relaunch. We plan to differentiate the portfolio, leverage core games [redacted] improve the prize structure [redacted] and optimize game launches. Supporting these portfolio optimizations will be other significant initiatives, including:

- Updating in-store merchandising.
- Including a brand transformation campaign.
- Re-engineering of instant ticket operations (settlement terms, order taking, warehousing, and distribution).

A significant driver of an increased player base and market development will be the expansion of the Lottery Retailer network. This expansion effort will increase the number of Lottery Retailers per inhabitant from approximately 1 Lottery Retailer per 1,655 inhabitants to approximately 1 Lottery Retailer per [redacted] inhabitants, which is in line with top-performing U.S. jurisdictions.

The following figure depicts the target retailer trade style mix versus the Lottery’s current mix.

Figure 10:



A key to expansion will be the growth of chain stores in the Lottery Retailer network. Chains make up an important source of sales for the Hoosier Lottery, 54% of the total Lottery Retailer base as measured by number of Lottery Retailers. We will also join with the extensive efforts by GTECH and the lottery industry to recruit high-quality chains such as Walgreens, Wal-Mart, CVS, and others.

The following pages describe the development of the cost structure.

COST STRUCTURE

The cost structure of the Hoosier Lottery impacts PNI as described in the Provider Net Income definition in Section 1.2 of the ISA and includes the following elements:

- Direct Expenses:
 - Prizes (net of Unclaimed Prizes).
 - Retailer Commissions and Fees.
- Operating Expenses:
 - Management Fee.
 - Lottery Expenses.

Other Lottery-retained expenses are omitted because they are under the control of the Commission and not included in the calculation of Provider Net Income or directly impacted by the Provider's Plan.

DIRECT EXPENSES

Direct Expenses, as outlined in the State-specified Pro Forma Profit and Loss Income Statement, include prizes, unclaimed prizes, and Lottery Retailer commissions and fees.

PRIZES (NET OF UNCLAIMED PRIZES)

The Business Plan assumes prize expense to remain relatively stable for draw games and instant games over the 5-year horizon. Given the shift in the game mix and the introduction of new draw games at a higher payout, total payout (net of unclaimed prizes) will evolve from 61.6% to 62.8%. The assumption in the Business Plan as it relates to unclaimed prizes is an estimate based on historical actuals at 1.2% of total sales. The following figure illustrates payout evolution for both the draw and instant game portfolios.

Figure 11: Hoosier Lottery Planned Payout

Hoosier Lottery Planned Payout								
Fiscal Year ending June 30	2011 Actual	2012 Preliminary Actual	2013 Forecast	2014 Y1	2015 Y2	2016 Y3	2017 Y4	2018 Y5
Total Payout (Net of Unclaimed Prizes ¹)	62.6%	61.9%	61.6%	62.3%	62.7%	62.9%	62.9%	62.8%
Online Payout	51.8%	50.8%	50.7%	50.8%	51.0%	51.5%	51.4%	51.4%
Instants Payout	68.7%	68.0%	68.1%	68.1%	68.3%	68.4%	68.5%	68.5%

Note ¹: The above payouts have been shown net of unclaimed prizes, which has been based upon the historical average of 1.2%. For the avoidance of doubt, for example in FY14 at forecasted theoretical payout of 69.3% for Instants is netted to 68.1% due to unclaimed prizes.

RETAILER COMMISSIONS AND FEES (ASSUMPTIONS)

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] we plan to introduce new Lottery Retailer incentive programs to further grow sales and help them reach their full potential.

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Manual settlement upon receipt will still be available since it is often the preferred choice of corporate chains.

OPERATING EXPENSES

Operating expenses, as defined in Schedule 10.1 of the ISA, are comprised of a Management Fee and Lottery Expenses.

MANAGEMENT FEE

As described in the ISA Section 10.1.1 (a), the Management Fee represents reimbursement to the Provider of the costs it incurs with respect to its management activities. These costs include base employee compensation and benefits (excluding Provider Key Personnel bonuses) as well as overhead (including depreciation and amortization) to support the Provider's business operations. In addition, as contemplated in the ISA, Contract Years 1 through 5 will include a pro rata portion of Transition Expenses and the amount provided as the Bid Deposit. [REDACTED]

[REDACTED]
[REDACTED]

As directed by the RFI/ISA process, the Operating Expenses incurred during the Ramp-Up Period by the Provider will be reimbursed by the Lottery prior to the Base Services Commencement Date (within FY13). We have maintained the Hoosier Lottery's 2013 forecast for Net Income. It does not take into consideration the impact on sales of the game innovation in the brand transformation initiatives launched during the Ramp-Up Period, nor the additional costs (e.g., personnel expenses) incurred by the Provider and reimbursed during that period.

A summary of costs anticipated to be incurred prior to commencement of Base Services is shown in the following figure.

Figure 12:



Every effort will be made to operate the Hoosier Lottery in the most efficient, cost-effective manner possible while at the same time ensuring that we identify and retain the most highly qualified and experienced personnel.

Our estimate of the first five years of management expenses is summarized in the following figure.

Figure 13: Management Fees Years 1 Through 5

Cost in '000	Year 1 FY14	Year 2 FY15	Year 3 FY16	Year 4 FY17	Year 5 FY18	Description
Personnel Costs	\$13,997	\$13,437	\$13,417	\$13,935	\$14,347	Anticipates organization of 163 people, including the executive management team (CEO, VP of Sales, VP of Marketing, CFO, VP of ISA Partnership Management, Directors of HR, Corporate Affairs, Operations & Technology, and support staff), sales and marketing professionals and retail recruiters.
Advisory Board						An Advisory Board of 5 respected community and business leaders.
Vehicle Costs						Lease vehicles for use by the sales and retail recruitment staff.
Legal, Audit, Occupancy						Legal representation, an annual financial audit, and office rent and utilities.
Insurance						General and all required insurance.
Responsible Gaming						Programs and consultant specialists to counsel on responsible gaming initiatives within an organization-wide framework.
Travel						Expected cost of travel for the management team as well as the sales, marketing, and recruitment teams.
Communications						Land line and mobile telephone costs.
Consulting						Experts to support development and execution of Indiana-specific marketing plans.
Amortization of Transition Expenses and Bid Deposit						First year of five-year amortization of Bid Deposit, start-up personnel costs, and marketing spend.
Central System Compliance Testing						Third-party testing of vendor systems.
Integrated Services Provider Depreciation						Recovery of operational depreciation for capital deployed to set up services.
Other Operating Expenses						Lease of office equipment, ongoing staff training, general office supplies, and property taxes.
Total Costs	\$23,348	\$23,431	\$23,106	\$23,778	\$24,306	

[Redacted text]

The previous figure includes \$2.5M, associated with Transition expenses, amortized over 5 years. The detail of these Transition expenses is outlined in the following figure.

Figure 14: Transition Period Management Fees

Cost in '000	FY13	Explanation
Bid Deposit	\$5,000	As required by the Request for Information.
Personnel	[Redacted]	Majority of PM personnel to be recruited prior to the Ramp-Up, as well as personnel costs during Transition Period.
Marketing/Advertising	[Redacted]	Estimated budget for advertising/media campaigns and current store transformation in support of Business Plan.
Total Transition Costs	\$12,654	
Annual Amortization (5 year amortization)	\$2,531	Included in Year 1 costs above.

[Redacted text]

Expenses to be reimbursed within FY2013 expected to be incurred during the Ramp-Up Period are outlined in the following figure.

Figure 15: Reimbursed Expenses, Ramp-Up Period

Cost in '000	FY13	Explanation
Personnel	█	Personnel staffing will be completed during the Ramp-Up Period.
Marketing/Advertising	█	Estimated budget for advertising/media campaigns and current store transformation in support of the Business Plan.
Advisory Board	█	An Advisory Board of 5 respected community and business leaders.
Vehicles	█	Vehicles will be leased for use by the sales and retail recruitment staff.
Legal, Audit, Occupancy	█	Legal representation, an annual financial audit, and office rent and utilities.
Insurance	█	General and all required insurance.
Responsible Gaming	█	Programs and consultant specialists to counsel on responsible gaming initiatives within an organization-wide framework.
Travel	█	Expected cost of travel for the management team as well as the sales, marketing, and recruitment teams.
Communications	█	Land line and mobile telephone costs.
Consulting	█	Experts will be engaged to support development and execution of Indiana-specific marketing plans.
Central System Compliance Testing	█	Third-party testing of vendor systems.
Other Costs	█	Lease of office equipment, ongoing staff training, general office supplies, and property taxes.
Total Reimbursed Ramp-Up Costs	\$11,526	



LOTTERY EXPENSES

Lottery Expenses include the following major items:

- Central gaming system services and support.
- Provision and operation of a new instant ticket system.
 - Warehousing and distribution of instant tickets.
- Instant game printing.
- Marketing/Advertising/Promotions.
- Other Professional Services fees.

The Provider's focus is on delivering its Business Plan and commitments. Throughout the contract term, the Provider will establish a supplier contract structure that allows it to secure the best possible solutions in the market for the Hoosier Lottery regardless of supplier. For example, the Provider's Business Plan includes an open contract structure where it will qualify multiple suppliers of instant tickets so that the Provider will not be limited in the games the Hoosier Lottery can introduce to its players. We will always be prepared to offer the most innovative and best-selling games.





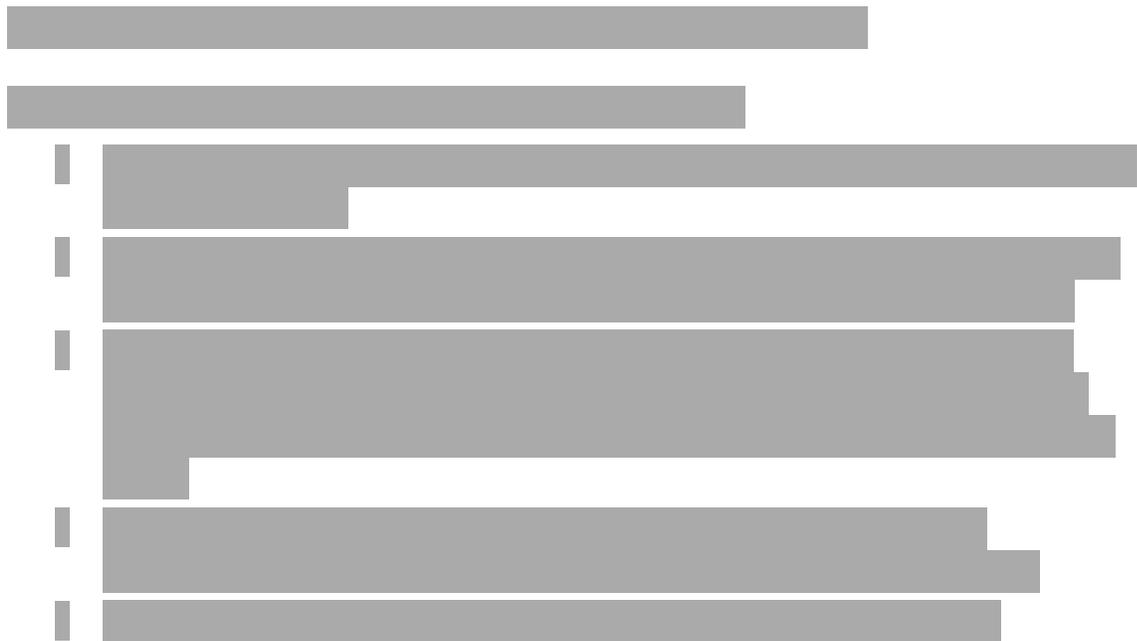
The following graphic depicts the primary plan.

Figure 16:



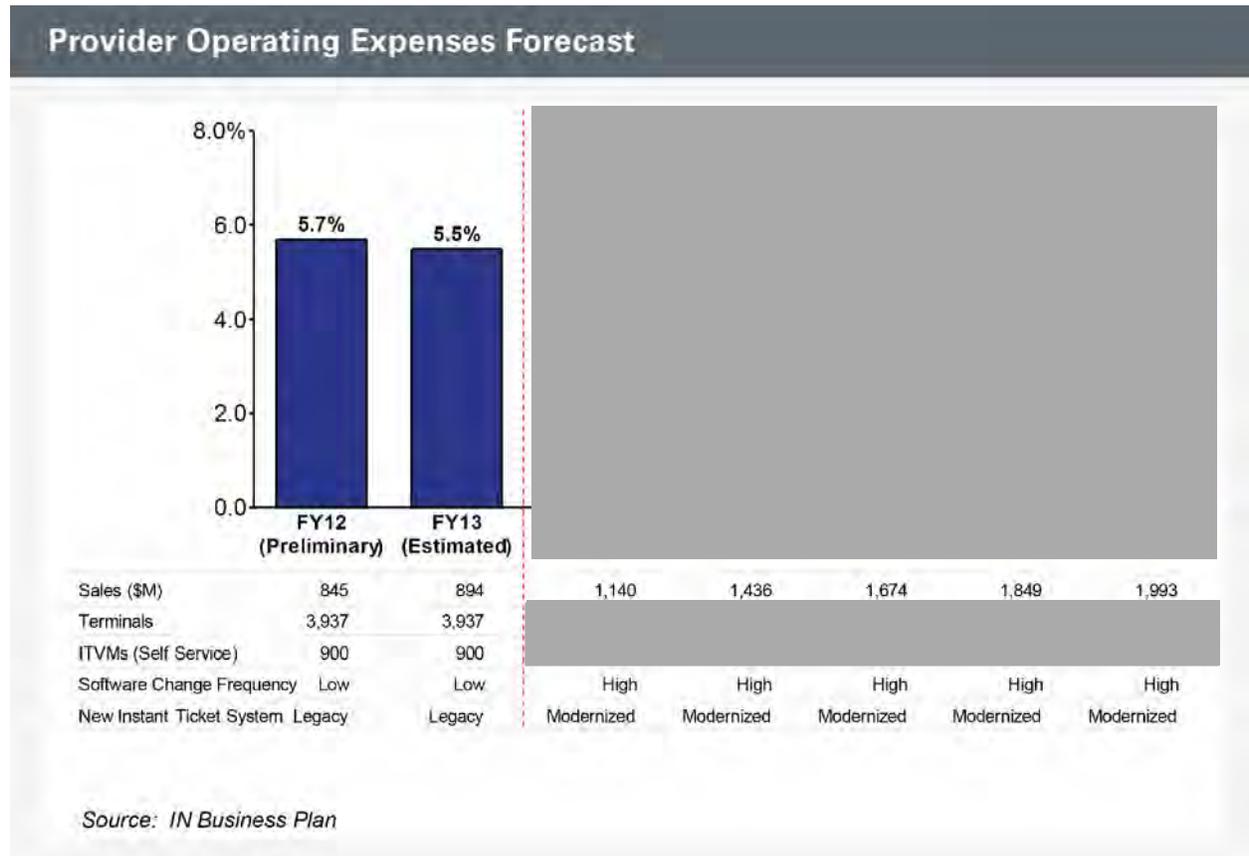
The following figure depicts how the Lottery Expenses related to major supplier and subcontractor agreements efficiencies will be realized.

Figure 17:



In summary, the Business Plan reflects substantial operating efficiencies as illustrated in the following figure. The percentage of Operating Expenses (Management Fee and Lottery Expenses) within our Business Plan as a percentage of total sales decreases from 5.50% in FY13 to 5.10% by FY16.

Figure 20:



The Provider will be able to significantly increase service levels, points of sale, and overall sales while reducing the overall cost structure as a percentage of sales. As illustrated throughout this section this will be achieved through management of supplier contracts (rate structure for online and instant services), negotiation of highly competitive instant ticket printing costs, and a focused approach to advertising investment.

in the RFI is provided separately under the heading Pro Forma Income Statement, later in this section, and is also provided electronically as required.

Previous sections outline sales growth, cost structure, and Provider Net Income in absolute and historical terms. We turn to describing key metrics regarding relative performance and benchmarking against the top U.S. lotteries.

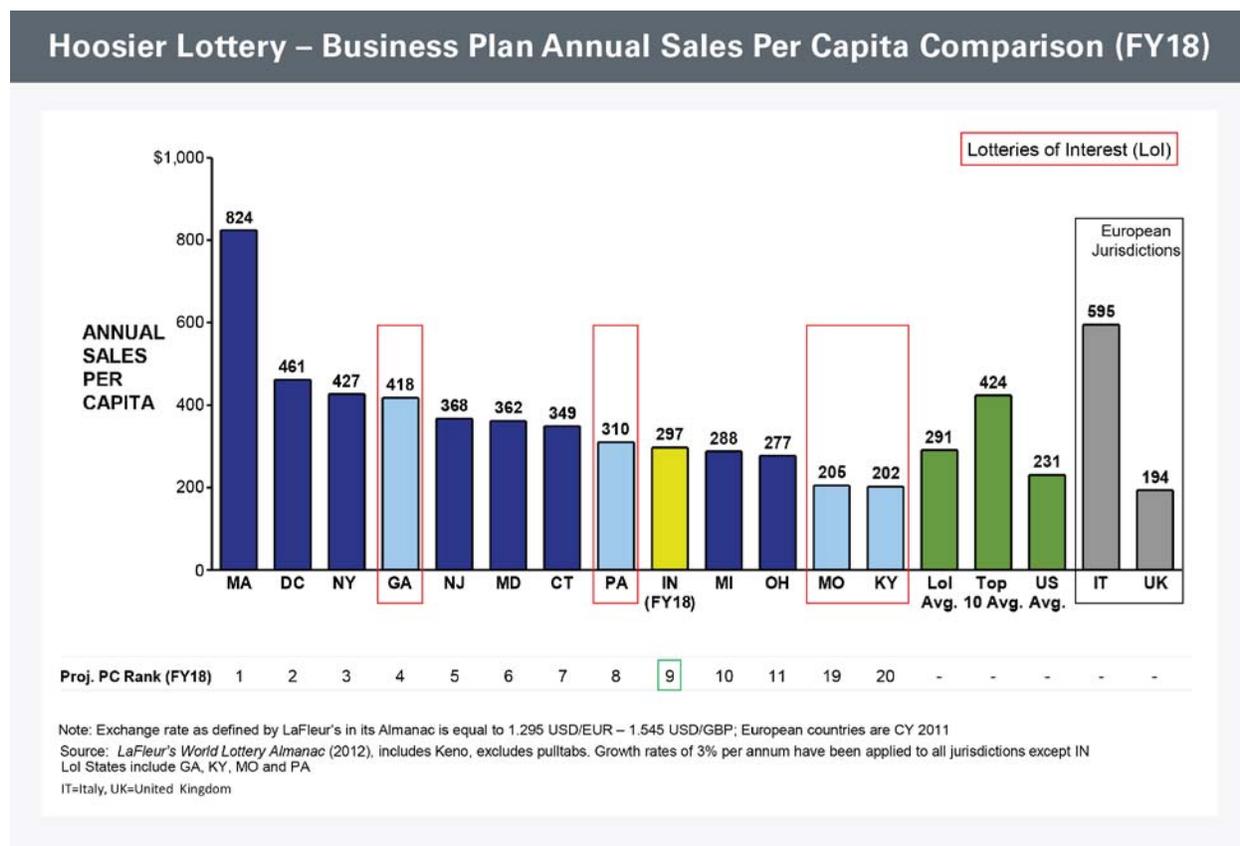
KEY METRICS

The execution of our Business Plan will result in the Hoosier Lottery becoming one of the top 10 U.S. lotteries in weekly sales per capita by Year 4.

SALES PER CAPITA AND GOVERNMENT TRANSFERS

As shown in the following figure, the execution of our Business Plan will result in weekly sales per capita more than doubling from \$136 in FY13 to \$297 in FY18.

Figure 22:

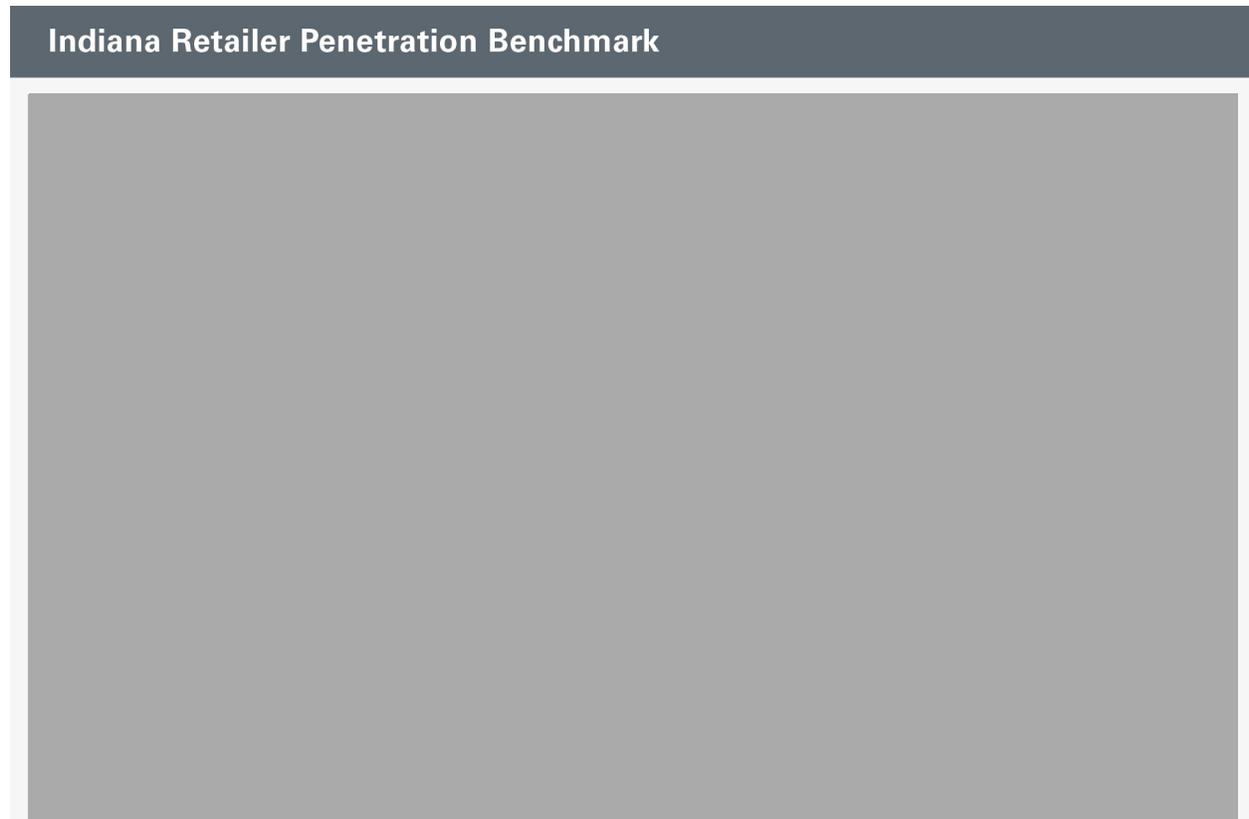


Over the same time period, our Business Plan will result in a substantial improvement in net Lottery profit per capita (PNI used as a proxy) from \$33 in FY12 to \$76 by FY18, an increase of 130%.

NUMBER OF RETAILERS

The number of people per Lottery Retailer will improve from 1 retailer for every 1,655 people to 1 retailer for every [REDACTED] people, as shown in the following figure.

Figure 23:

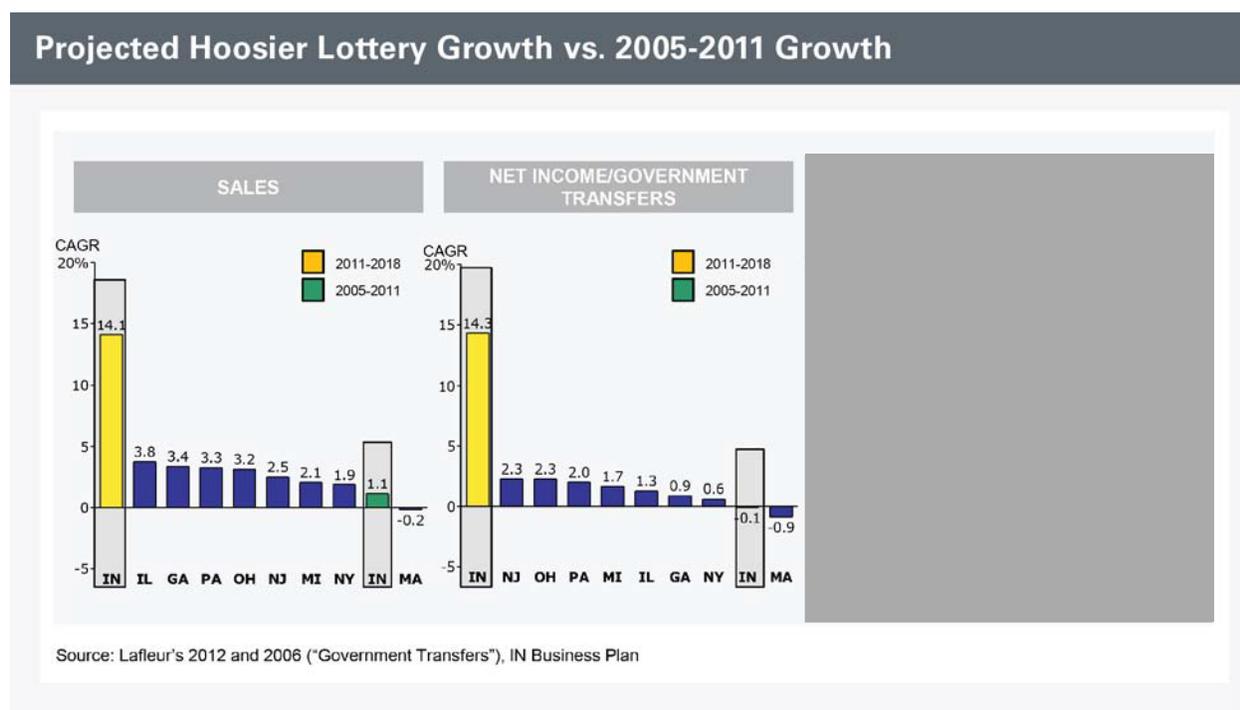


Results show a retailer-to-population ratio of [REDACTED], in line with top-performing lotteries.

SALES, NET INCOME, AND RETAILER GROWTH RATE

The next figure puts into perspective the Hoosier Lottery’s growth rate under this Business Plan when compared to the historical growth rate of selected U.S. and International lotteries; it compares our forecasted growth for like-for-like 6-year periods versus the growth achieved in the period FY05-FY11 by top-performing lotteries. As is evident, Indiana will then be among the top-performing lotteries. The Lottery’s performance as forecasted is superior to all other lotteries’ growth in this period.

Figure 24:



The Business Plan will drive results by Year 5 that will dramatically improve the Lottery’s overall performance.

RESPONSIBLE GAMING AND SOCIAL RESPONSIBILITY

As discussed in Section 5.0, Social Responsibility and Responsible Gaming, Social Responsibility is a core value of GTECH’s people and included in every area of our operations and processes.

Significant proof of our commitment in this area is our Indiana Advisory Board. The Board will include five well-respected Hoosiers (three have already agreed to serve) whose responsibility it is to support the development of our program, guide our implementation, and measure our performance in achieving the goals we set.

Additional evidence comes from the following:

- **Our Commitment to Including Minority Business Enterprises (MBEs) and Women Business Enterprises (WBEs).** This area is essential to our success. We recognize the responsibility we would have to the State of Indiana for the inclusion of MBEs and WBEs. The Provider will work with local business associations to ensure that qualified MBEs and WBEs are aware of opportunities to provide goods and services to the Provider and its Affiliates.
- **GTECH's Hoosier Giving Pledge.** As the Hoosier Lottery's selected Provider under the ISA, GTECH commits 2% of Provider annual profits to be returned to Hoosier charities, community projects, and social causes. As a community participant GTECH believes it is important to contribute to communities in which we do business. The Hoosier Giving Pledge is incremental to other social and community programs which the company has committed to and is regularly involved with, such as After School Advantage Programs.

Our commitment to invest in responsible growth for the Hoosier Lottery is factored into the Business Plan. Insights we have gleaned from various research have allowed us to identify unmet market needs and isolate consumer segments (non-players, light players, lapsed players) that can either become involved with Lottery games for the first time or become more involved than previously. Research insights will allow us to establish effective programs that attract more Indiana adults to Hoosier Lottery products.

FINANCIAL MANAGEMENT

The financial operations of the Provider under the ISA will be managed by an independent, highly qualified financial team based in Indiana. Led by a highly experienced finance leader, qualified professionals will be hired to direct the financial control and analysis, accounting, compliance and audit, and payroll functions. Additionally, the local team will receive further support and guidance from the GTECH financial team.

The GTECH/Lottomatica financial team is led by Lottomatica Group's Chief Financial Officer, Alberto Fornaro, and GTECH Chief Financial Officer, Frank Ward. Both are based in Providence, Rhode Island. Both Mr. Fornaro and Mr. Ward are financial professionals with more than 25 years of global experience and are supported by a team of nearly 300 individuals worldwide.

Pro Forma Profit and Loss Statement

This section represents the pro forma income statements for the Hoosier Lottery in the format specified in the RFI. This pro forma income statement has also been submitted in electronic format as required.

PREPARATION NOTES

To prepare the Provider Net Income forecast for FY14 to FY18 in the format prescribed in the RFI, we have attempted to align our anticipated operating expenses to the expense descriptions provided in the required format.

Our Bid Net Income target is presented under the Bid Net Income tab, in this RFI submission.

Line items specified in the Pro Forma P&L may be grouped or consolidated for several areas of the business. One example is Consumer Insight Research and Consumer Engagement/Loyalty Program, which is included in the Marketing/Advertising/Promotion line item.

To ensure clarity, we provide, below, additional detail as to the nature of the items we have included in the Pro Forma Profit and Loss Statement:

- **Revenues:** Forecasted amounts for Revenue are presumed to follow accounting practices consistent to methods followed by the Hoosier Lottery for previous fiscal years.
- **Direct Expenses:**
 - **Prizes:**
 - **Instant Games:** Based upon the predetermined prize structure for each game
 - **On-line Games:** Based on the actual winning numbers drawn and the number of wagers placed for each draw.
 - **Unclaimed Prizes:** The plan includes a provision of 1.2% for all future years based on historical averages as a reduction of Prize Expense.
 - **Retailer Commissions and Fees:** Presumes commissions are earned on sales of online tickets, sale of instant tickets and cashing of tickets.

- **Operating Expenses:**

- **Management Fee:** As described in the ISA, the Management Fee represents reimbursement to the Provider of the costs it incurs with respect to its management activities. These costs include base employee compensation and benefits (excluding Key Personnel bonuses) as well as overhead (including depreciation and amortization) to support the Provider’s business operations. In addition, as contemplated in the ISA, contract years 1 through 5 will include a pro rata portion of Transition Expenses and Bid Deposit. [REDACTED]

[REDACTED]

It is expected that all expenses incurred during the Ramp-Up Period by the Provider will be reimbursed by the Lottery prior to commencement of the Base Services (within FY13). We have maintained the Hoosier Lottery’s 2013 forecast for Net Income. It does not take into consideration the impact on sales of the game innovation in the brand transformation initiatives launched during the Ramp-Up Period, nor the additional costs (e.g., personnel expenses) incurred by the Provider and reimbursed during that period.

- **Lottery Expenses:**

- **Marketing/Advertising/Promotion:** Included in this category are costs for communications, marketing, and advertising expenses. Examples of major initiatives include the brand transformation effort (brand development and launch, refresh of in-store elements; [REDACTED]

[REDACTED]

A detailed explanation of these planned expenses is provided in Section 3, Base Business Plan, in the content entitled Brand Transformation and Marketing Plan. These expenses will be included in the Annual Business Plan and will be specifically approved by the Lottery before implementation.

- **Instant Ticket Printing:** Throughout the contract term, the Provider will establish a supplier contract structure that allows it to secure the best possible solutions in the market regardless of supplier. For example, the Business Plan includes an open contract structure where it will qualify multiple suppliers of instant tickets so that the Provider is never limited in the tickets it can introduce on behalf of the Hoosier Lottery. Instant tickets are provided at a rate of [REDACTED] of Instants Sales.

- **Central Gaming System (including draw game supplies):** All costs for central gaming system and terminal, instant ticket distribution and instant ticket vending machines.



- **Professional Services Fees:** This includes ongoing support costs for items such as back office systems. The back office system will provide visibility into the Lottery's key operations, such as finance and IT, audit and compliance, customer service and operations, and sales and marketing.

PRO FORMA PROFIT AND LOSS STATEMENT

Figure 25:

Pro-forma Profit & Loss Statement:					
In \$'000	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	Year 1	Year 2	Year 3	Year 4	Year 5
REVENUES	\$ 1,140,286	\$ 1,436,377	\$ 1,674,107	\$ 1,849,159	\$ 1,992,618
Ticket Sales	\$ 1,140,286	\$ 1,436,377	\$ 1,674,107	\$ 1,849,159	\$ 1,992,618
Instant Games*	\$ 754,284	\$ 973,558	\$ 1,134,929	\$ 1,243,759	\$ 1,330,674
Scratch tickets	754,284	973,558	1,134,929	1,243,759	1,330,674
Pull tabs	-	-	-	-	-
On-line Games*	386,002	462,820	539,178	605,401	661,944
Other Operating Revenues	-	-	-	-	-
Other	-	-	-	-	-
Other	-	-	-	-	-
EXPENSES	\$ 861,469	\$ 1,079,755	\$ 1,257,811	\$ 1,388,065	\$ 1,494,387
Operating Expenses	70,680	77,181	85,753	94,601	101,085
Management Fee	23,348	23,431	23,106	23,778	24,306
Lottery Expenses	\$ 47,332	\$ 53,750	\$ 62,647	\$ 70,824	\$ 76,779
Marketing/Advertising/Promotion					
Consumer Insight Research					
Consumer Engagement/Loyalty Program					
Instant Ticket Printing					
Instant Ticket Distribution					
Central Gaming System (incl draw game supplies)					
Ticket Dispensing Machines					
Professional Services Fees					
PROVIDER NET OPERATING INCOME	\$ 278,817	\$ 356,622	\$ 416,297	\$ 461,095	\$ 498,231

* Listing of a game in the pro forma template is not meant to presuppose that the Provider will offer or continue to offer the game.

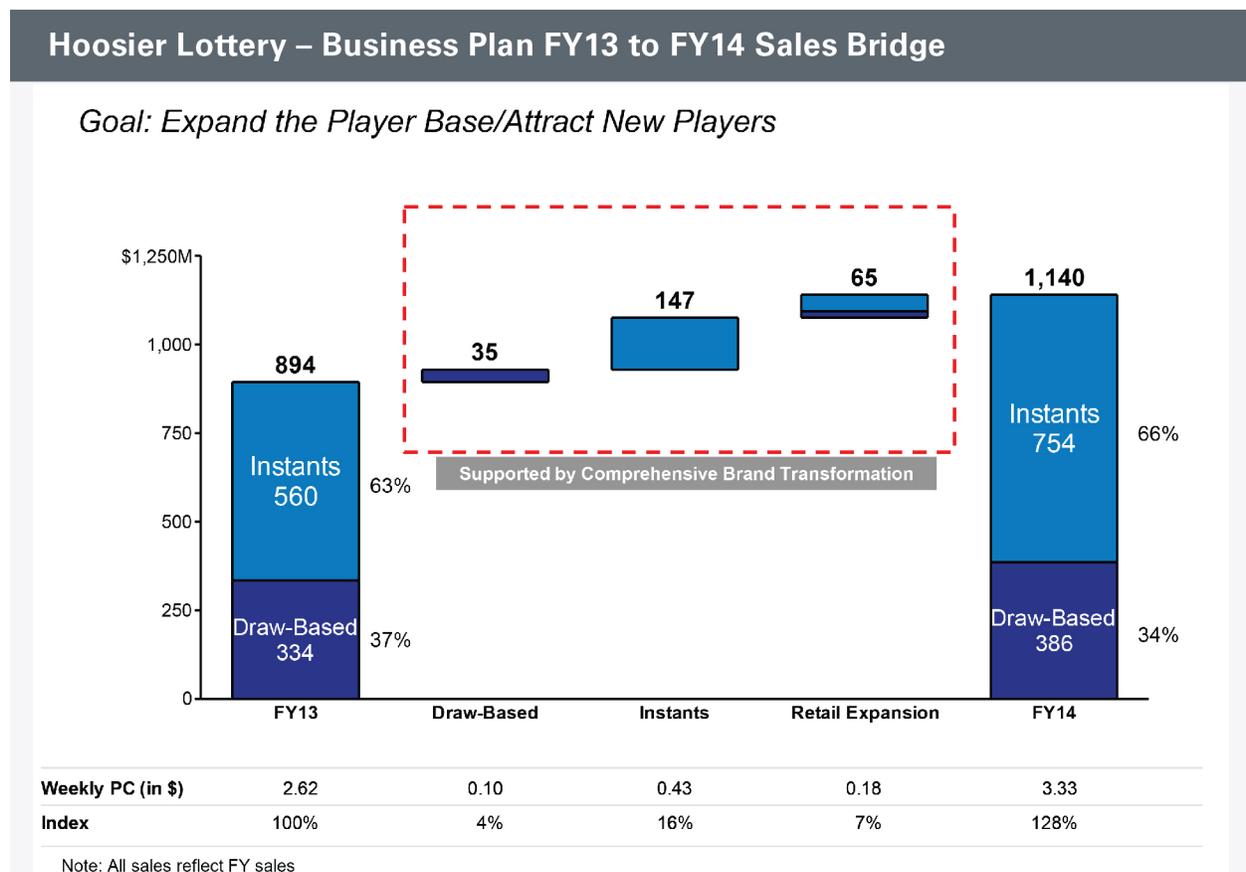
DETAILED DRIVERS UNDERLYING FIRST-YEAR BUSINESS PLAN

This section introduces major initiatives that impact sales. The next two figures that follow identify the portion of projected Pro Forma Profit & Loss Net Income generated by each strategy and activity identified in the Plan.

In the interest of specificity, later in this section we are providing the projected pro forma Profit & Loss Net Income impact of each strategy and activity in the Ramp-Up Period and Year 1, supporting our Year 1 Business Plan.

The following figure describes the major drivers of market development for Year 1.

Figure 26:



The explanations for each of the drivers in the sales bridge include:

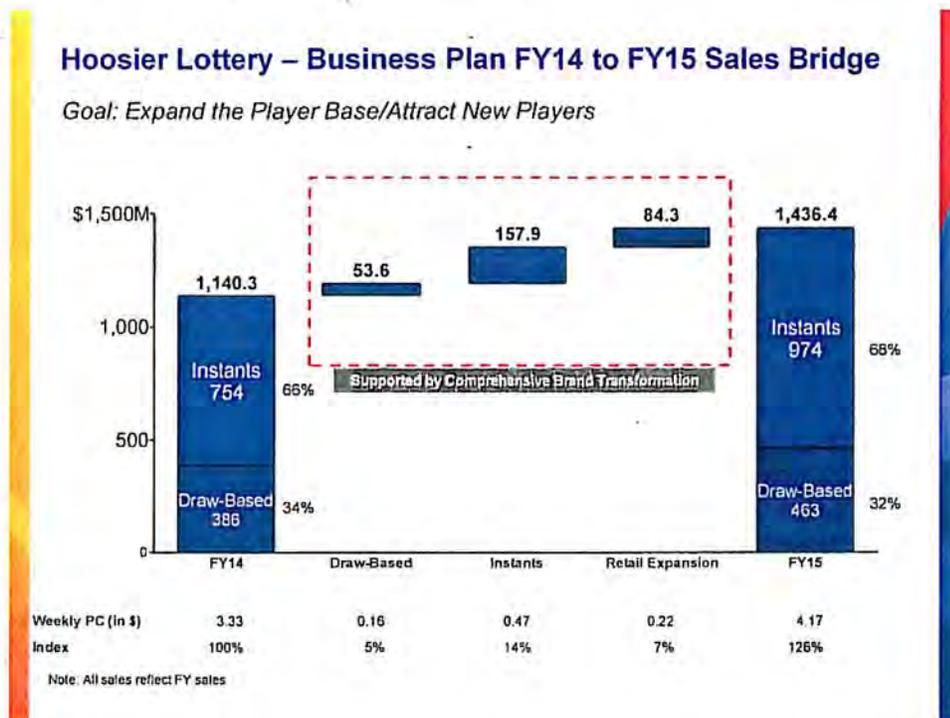
- **Retail Expansion:** The number of Lottery Retailers is anticipated to increase by [REDACTED] during the Ramp-Up period and by an additional [REDACTED] during the first year of the plan. The expansion of retailers during this period is a significant driver of sales growth in Year 1. The related action and strategies are fully described in Section 3.0, Base Business Plan, in the content entitled Retailer Expansion and Optimization.
- **Draw Games:** Draw game product development is an important element of our Plan. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] For a more detailed explanation of our initiatives for Year 1, please refer to Section 3.0, Base Business Plan, in the content entitled Draw Game Innovation, and Brand Transformation and Marketing Plan.
- **Instant Games:** The instant ticket portfolio will be re-energized, during the Ramp-Up Period, [REDACTED]
[REDACTED] For a more detailed explanation of our initiatives for Year 1, please refer to Section 3.0, Base Business Plan in the content entitled, Instant Game Innovation and Brand Transformation and Marketing Plan. These portfolio optimizations will be supported by other significant initiatives, including:
 - Updating in-store merchandising.
 - Including a brand transformation campaign.
 - Re-engineering instant ticket operations (settlement terms, order taking, warehousing, and distribution).

DETAILED DRIVERS UNDERLYING SECOND YEAR BUSINESS PLAN

This section introduces major initiatives that impact sales. The next two figures that follow identify the portion of projected Pro Forma Profit & Loss Net Income generated by each strategy and activity identified in the Plan.

The Following figure describes the major drivers of market development for Year 2 vs. Year 1.

Figure 6 – 1: Figure 26B:



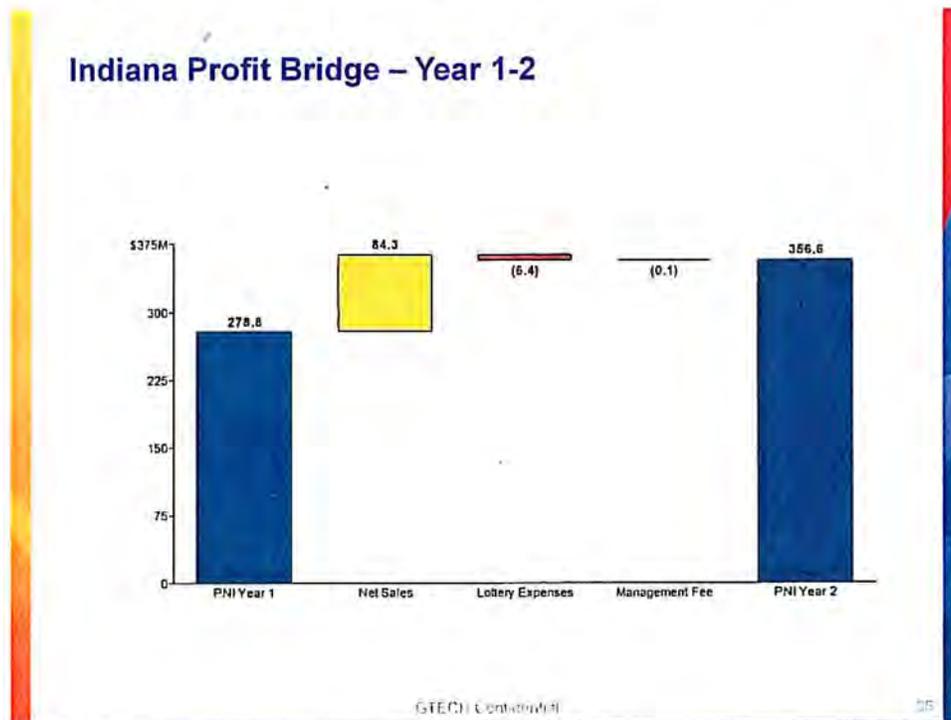
The explanations for each of the drivers in the sales bridge include:

- Retail Expansion:** the number of independent Lottery retailers is anticipated to increase by [REDACTED] during the second year of the plan, as illustrated in Figure 3.0 – 17: “Monthly Recruiting Process Schedule – Independent Retailers”. Related actions and strategies are fully described in Section 3.0, Base Business Plan, in the content entitled Retailer Expansion and Optimization. Additionally we plan to activate [REDACTED] corporate chain retailers.
- Draw Games:** Specific initiatives for Year 2 include [REDACTED].
 [REDACTED] A complete illustration of the draw game plan is included in section Draw-Based Game Innovation of the Base Business Plan.
- Instant games:** we plan to launch between [REDACTED] and [REDACTED] games in the second year of operations, with monthly introductions of about [REDACTED] games per introduction. As

described in the “Plan Summary and Guidelines” section of the “Instant Game Innovation” chapter, we will leverage core games and family of games. Figure 3.0 – 29 “Game Launch Schedule Summary” illustrated the number of tickets printed by price point, and the estimated aggregate payout for those games, based on the planned sales mix.

The next figure shows the impact of Planned initiatives on Provider Net Income.

Figure 6 – 2: Figure 27B: Net Income Bridge Analysis (FY14-FY15)

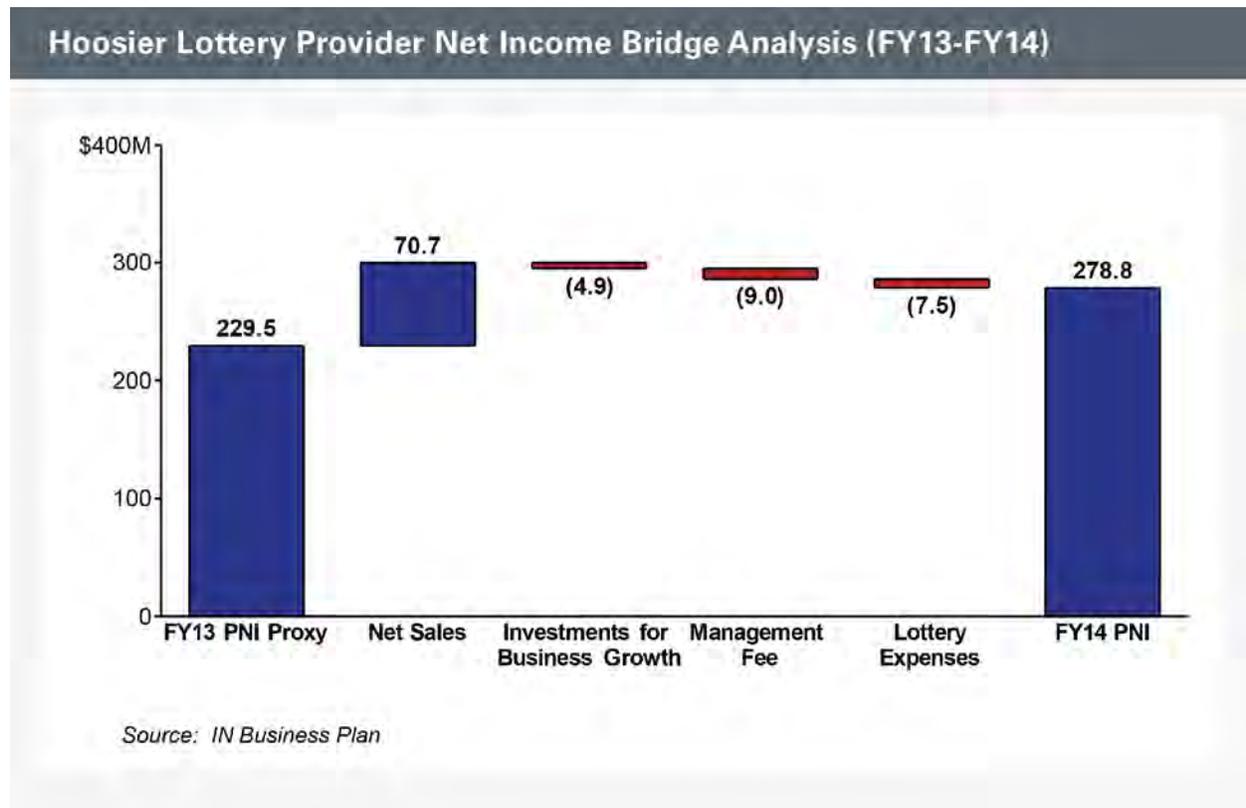


Explanations for each of the drivers in the Provider Net Income Bridge include:

- **Net Sales:** The increase in Gross sales of \$296M will result in an increase in Net Sales of \$84.3M, assuming the average payout of [REDACTED] and the retail commission rates of [REDACTED]
- **Management Fee,** almost unchanged vs. the first year of the contract.
- **Lottery Expenses,** increased by \$6.4M due to the volume increase applied to the vendor contracts that are expressed in term of percentage of sales.

The next figure shows the impact of planned initiatives on Provider Net Income.

Figure 27:



The explanations for each of the drivers in the Provider Net Income bridge include:

- **Net Sales:** The increase in gross sales of \$296M will result in an increase in Net Sales of \$70.7M, assuming the average prize payout of [REDACTED] and retail commission rates of [REDACTED]
- **Investments for Business Growth:** Investments for growth comprise the following initiatives:
 - **Marketing Expenses:** Additional investments in advertising will be necessary to rebrand the Lottery and support the re-launch of both draw games and instant games in the Lottery portfolio.
- **Management Fee:** Represents the Provider’s allowable operating costs during Year 1, the detail for which was provided earlier in this section.
- **Lottery Expense:** Represents the Provider’s allowable operating costs during Year 1, the detail for which was provided earlier in this section. Lottery Expenses rise in FY14 as compared to FY13 due to the increased volume of sales and the increased scope of services due to incremental capital and upgrade of services for instant ticket distribution infrastructure.

IMPACT OF ASSUMPTIONS ON TRANSITION AND RAMP-UP PERIODS AND FIRST YEAR OF OPERATIONS

First and subsequent years are supported by the following key assumptions that underpin the Business Plan.

As noted earlier, in the interest of specificity, we are providing the insert entitled, **Impact of Assumptions on the First Year Plan**, which follows on the next page, to show the impact on Provider Net Income of each strategy and activity in the Transition and Ramp-Up Periods and Year 1, supporting our Year 1 Business Plan.

These charts reflect a series of actions that have a number of interdependencies and linkages. When these strategies and actions are taken together, they support our First Year Business Plan of \$1.1B in sales, and \$278.8M in Provider Net Income. As you will note from the tables, changes to any specific item may have a significant impact on other strategies that are interdependent.

IMPACT OF ASSUMPTIONS ON FIRST YEAR PLAN – RAMP-UP PERIOD



IMPACT OF ASSUMPTIONS ON FIRST YEAR PLAN – FY14



EXHIBIT 5.3.2
INITIAL ANNUAL BUSINESS PLAN

PART B-BUDGETS

The Commission and the Provider agree the Budgets set forth in this Part B of this Exhibit 5.3.2 (which are agreed to as of the Agreement Effective Date) shall supersede and replace the Budgets that are in Part A of this Exhibit 5.3.2 (as submitted in the Provider Bid). For purposes of the Agreement, Operating Expenses will be determined solely by reference to this Part B of this Exhibit 5.3.2.

MANAGEMENT FEES AND LOTTERY EXPENSE BUDGETS

Figure 1: Management Fees Contract Years 1 Through 5

Cost in '000	Year 1 FY14	Year 2 FY15	Year 3 FY16	Year 4 FY17	Year 5 FY18	Description
Personnel Costs						All related personnel costs necessary for execution of integrated services, more than 60% of which are transferred in from the existing Lottery organization.
Occupancy						Office rent and utilities.
Insurance						General and all required insurance.
Communications						Mobile telephone costs.
Other Operating Expenses						General expenses, bank charges, payroll processing, etc.
Total Costs Before Investments	\$14,696	\$14,155	\$14,147	\$14,680	\$15,108	
Amortization of Transition Expenses	\$1,387	\$1,387	\$1,387	\$1,387	\$1,387	Five-year amortization of start-up costs.

Cost in '000	Year 1 FY14	Year 2 FY15	Year 3 FY16	Year 4 FY17	Year 5 FY18	Description
Integrated Services Provider Depreciation	\$47	\$52	\$57	\$77	\$82	Recovery of operational depreciation for capital deployed to set up services.
Total Costs	\$16,130	\$15,594	\$15,591	\$16,144	\$16,577	

Management Fees (as summarized in Figure 2 below) are comprised of three components:

1. Those expenses associated with current Hoosier Lottery expenses being transferred to the Provider;
2. Incremental expenses GTECH incurs while augmenting Hoosier Lottery staffing to implement the business plan; and
3. Amortized expenses resulting from a \$1.6 million investment in the Hoosier Lottery by GTECH to support the business plan.

Figure 2: Summary of Management Fees for Contract Years 1 and 2.

Cost in '000	Year 1 FY14	Year 2 FY15
Formerly paid by the Lottery	\$9,617,212	\$10,024,887
Incremental, augmentation expense	5,078,640	4,129,384
GTECH investment	\$1,100,000	\$1,100,000
Total Costs	\$15,795,852	\$15,254,271

Cost in '000	Year 1 FY14	Year 2 FY15	Year 3 FY16	Year 4 FY17	Year 5 FY18	Description
Audit	■	■	■	■	■	Annual financial audit.
Travel	■	■	■	■	■	Expected cost of travel for the management team as well as the sales, marketing, and recruitment teams.
Responsible Gaming	■	■	■	■	■	Programs and consultant specialists to counsel on responsible gaming initiatives within an organization-wide framework.
Communications	■	■	■	■	■	Player hotline costs.
Consulting	■	■	■	■	■	Experts to support development and execution of Indiana-specific marketing plans.
Central System Compliance Test	■	■	■	■	■	Third-party testing of vendor systems.
Integrated Services Provider Depreciation	■	■	■	■	■	Recovery of depreciation of back office reporting system
Amortization (Transition Marketing)	■	■	■	■	■	Five year amortization of marketing investment.
Other Operating Expenses	■	■	■	■	■	Sales rep training, surveys, loyalty program
Total Lottery Expenses	\$51,786	\$58,802	\$67,733	\$76,077	\$82,154	

The maximum Budget expenditure for Lottery Expenses for the Contract Year 1 (\$51,786,000) and Contract Year 2 (\$58,802,000) primarily reflects an increased investment in marketing and advertising, and instant ticket and gaming system spending, to deliver Business Plan sales.

PRO FORMA PROFIT AND LOSS STATEMENT

As adjusted for the foregoing Figure 1-Management Fees and Figure 4-Lottery Expense (but excluding the foregoing Figure 3) to follow is the adjusted Pro Forma Profit and Loss Statements for the first 5 Contract Years:

Figure 5:

Pro-forma Profit & Loss Statement:

In \$'000

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	Year 1	Year 2	Year 3	Year 4	Year 5
REVENUES					
Ticket Sales	\$ 1,140,286	\$ 1,436,377	\$ 1,674,107	\$ 1,849,159	\$ 1,992,618
Instant Games*	\$ 1,140,286	\$ 1,436,377	\$ 1,674,107	\$ 1,849,159	\$ 1,992,618
Scratch tickets	\$ 754,284	\$ 973,558	\$ 1,134,929	\$ 1,243,759	\$ 1,330,674
Pull tabs	-	-	-	-	-
On-line Games*	386,002	462,820	539,178	605,401	661,944
Other Operating Revenues	-	-	-	-	-
Other	-	-	-	-	-
Other	-	-	-	-	-
EXPENSES	\$ 858,706	\$ 1,076,970	\$ 1,255,381	\$ 1,385,684	\$ 1,492,032
Operating Expenses	67,916	74,396	83,323	92,221	98,730
Management Fee	14,696	14,155	14,147	14,680	15,108
Management Fee - Investments Depreciation	1,434	1,439	1,444	1,464	1,469
Lottery Expenses	\$ 51,786	\$ 58,802	\$ 67,732	\$ 76,077	\$ 82,153
Marketing/Advertising/Promotion					
Consumer Insight Research					
Consumer Engagement/Loyalty Program					
Instant Ticket Printing					
Instant Ticket Distribution					
Central Gaming System (incl draw game supplies)					
Ticket Dispensing Machines					
Professional Services Fees					
Vehicle Costs					
Legal					
Audit					
Travel					
Responsible Gaming					
Communications					
Consulting					
Central System Compliance Test					
Integrated Service Provider Depr					
Amortization (Transition Marketing)					
Other Operating Expenses					
PROVIDER NET OPERATING INCOME	\$ 281,581	\$ 359,407	\$ 418,727	\$ 463,475	\$ 500,587

* Listing of a game in the pro forma template is not meant to presuppose that the Provider will offer or continue to offer the game.