GTECH Corporation's Response to the State Lottery Commission of Indiana's Request for Information for

hoosier lottery

Integrated Services

integrity

security

transparency

fairness

honesty

August 2012

GTECH

The enclosed Response contains confidential financial information, trade secrets, and other confidential information of GTECH Corporation. This information is exempt from public disclosure pursuant to Indiana Code, Article 14, Chapter 3, Access to Public Records (the "Public Records Law").

GTECH has clearly marked each instance of said information as "CONFIDENTIAL" in accordance with RFI Section 3.2 with these markings: "Confidential information begins here;"/"Confidential information ends here." For each such instance of confidential information that GTECH has identified as exempt from disclosure under the Public Records Law, it has specified the applicable exemption in a footnote on each page where such confidential information appears.

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GTECH®
Architects of Gaming

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

Jaymin B. Patel
President and CEO
GTECH Corporation
10 Memorial Boulevard
Providence, RI 02903
Phone: 401.392.2025
Email: Jaymin.Patel@GTECH.COM

RESPONSE TRANSMITTAL LETTER

Date Submitted: August 31, 2012

Oliver Wyman, Inc.
111 Monument Circle, Suite 4300
Indianapolis, Indiana 46204
Attn: Bill Harsh (as Designated Procurement Contact)

Re: Response to Request for Information Solicitation for Hoosier Lottery Integrated Services issued by the State Lottery Commission of Indiana (d/b/a Hoosier Lottery) on or about July 9, 2012 ("**RFI**")

Submit with Package Labeled "**Hoosier Lottery RFI – Response**"

To: State Lottery Commission of Indiana (the "Commission")

Capitalized terms used in this Response Transmittal Letter shall be given the meaning ascribed to them in the RFI unless otherwise clear from their meaning herein used.

The enclosed Response is being submitted in accordance with the above captioned RFI issued by the Commission for Hoosier Lottery Integrated Services, by the undersigned on behalf of itself and the individuals and/or entities listed below (individually and collectively referred to as the "Offeror" as this term is utilized and defined in the RFI), which individuals and/or entities listed below will have an equity interest (as of the Agreement Effective Date) in the Provider as follows:

Individual/Entity	Equity Interest in Provider
GTECH Corporation (Individual/Entity executing this letter)	100 %
_____	____%
_____	____%
_____	____%
_____	____%

By submitting its Response, Offeror accepts all of the terms stated in the RFI and additionally agrees to, and represents, the following:

1. Offeror has carefully read the RFI, and having had an opportunity to ask any and all questions and/or to request clarifications as permitted pursuant to Section 1.8 of the RFI to the extent Offeror determined such was necessary to permit it to submit an Offer, and having received any responses the Commission determined to be appropriate in its discretion, the

Offeror has resolved and determined to submit its Offer based solely upon the terms set forth in the RFI. Offeror agrees it is bound by the terms of the RFI and its Offer.

2. Offeror has carefully read the form of the Integrated Services Agreement, the Operating Standards and the Escrow Agreement in the form that was made available by the Commission in the Virtual Data Room as of the second business day that preceded the date of the submission of this Response (such forms of agreements being the "Proposed Agreements").

3. Neither Offeror nor the Provider (nor any Subcontractor involved in a Major Procurement as submitted by the Offeror with its Business Plan)(nor any officer or political action committee of any of the foregoing persons) has made any contributions that would disqualify it from entering a contract under I.C. 4-30-3-19.5 or I.C. 4-30-3-19.7. Neither Offeror nor the Provider (nor any Subcontractor involved in a Major Procurement as submitted by the Offeror with its Business Plan) is disqualified from entering into a major procurement by reason of any matter referenced in I.C. 4-30-8-4 or I.C. 4-30-8-8.

4. Notwithstanding any discussions and communications that may occur between Offeror and the Commission as contemplated by the RFI (including any requests for best and best offers or any negotiations arising out of the Response submitted by Offeror), the Response submitted by Offeror with this Response Transmittal Letter is:

a. based on the assumption that Offeror will enter into the Proposed Agreements without any changes or modifications other than filling blanks and completing information consistent with the Offer accepted by the Commission; and

b. a binding, irrevocable and enforceable offer that shall be open for acceptance by the Commission up to and including December 31, 2012 regardless of whether a competing offer is initially selected and recommended to the Commission.

5. Offeror's Response includes and discloses the information as required by I.C. 4-30-8-2 for (a) the Provider, (b) each individual and/or entity identified above that will have an equity interest (as of the Agreement Effective Date) in the Provider and (c) each Subcontractor involved in a Major Procurement as submitted by the Offeror with its Business Plan). Separate items required under IC 4-30-8-2 (e.g., tax clearance statement from the department of state revenue) are attached to this Response Transmittal Letter.

6. The Commission will collect the full amount of the tendered Bid Security that Offeror is furnishing with this Response as liquidated damages pursuant to Section 3.5 of the RFI in the event that Offeror fails to satisfy Section 5.1.2 of the RFI upon receiving notice that its Offer has been recommended to the Commission for consideration and acceptance (regardless of whether a competing offer is initially selected and recommended to the Commission).

7. Offeror is solely responsible for all costs and expenses that it incurs in preparing and submitting its Offer and participating in the RFI process.

8. The Selection Team has no obligation to recommend an Offer to the Commission and the Commission has no obligation to accept an Offer during or at the conclusion of the RFI process.

9. The RFI was supplemented and includes the following draft agreements (collectively, the "Transaction Agreements"), each of which was draft dated as hereafter provided and was made available to the Offeror in the Virtual Data Room on or about the same date: (a) the Integrated Service Agreement (draft dated August 9, 2012), (b) the Operating Standards (draft dated August 9, 2012), and (c) the Escrow Agreement(draft dated August 10, 2012). All other notices, postings and communications are made available to the Offeror in the Virtual Data Room (or by communications with any employee, officer, official or agent of the Commission, the State, Indiana Finance Authority, Oliver Wyman Inc., Kroll Inc. or Bingham Greenebaum Doll LLP) regarding the RFI (including the terms of the Transaction Agreements or Offeror's Response), were instructional in nature to aid it in procedurally making its Offer and such notices, postings and communications are understood by the Offer to not have the force or effect of modifying, supplementing or interpreting the terms of the RFI or any of the Transaction Documents.

10. The Offeror will, and agrees to, supplement the Probity Submission from the date hereof through and including the Agreement Effective Date as necessary to cause it to be in compliance with the affirmation set forth in paragraph A below.

AFFIRMATION

I hereby affirm under the penalties of perjury that:

A. The representations and information provided in this Response Transmittal Letter and Offeror's Response (including the Probity Submission and any supplement thereto as submitted pursuant to paragraph 10 above) are complete, true and accurate, and did not and do not contain any untrue statement of a material fact or omit to state a material fact required to be stated where necessary to make the statements, in the light of the circumstances under which they were made, not misleading, as of the date submitted, as of the date hereof and as of Agreement Effective Date;

B. Neither Offeror, the undersigned nor any other employee, member, officer, representative, or agent of Offeror have entered into any combination, collusion or agreement with any person or business entity (a) relative to any Bid Net Income Proposals being offered by Offeror in its Response, (b) to prevent any person or business entity from submitting an offer in response to the RFI, or (3) to induce any person or business entity from submitting an offer in response to the RFI, and that Offeror's Response is made without reference to any other offer and without any agreement, understanding or combination with any other person or business entity in reference to such Response;

C. No employee, member, officer, representative, or agent of Offeror has or will receive directly or indirectly, any rebate, fee, gift, commission or thing of value in connection with the RFI; and

D. I have the authority to bind Offeror with respect to this Response Transmittal Letter and its Response and to execute this affirmation and submit the Response as requested by the RFI.

Dated this 29th day of August 2012.

GTECH Corporation
(Name Of Organization)

By: Jaymin B. Patel
(Signature)

Jaymin Patel, President and CEO, GTECH Corporation
(Type Name/Title of Person Signing)

ACKNOWLEDGMENT

Important - Notary Signature and Seal Required in the Space Below

STATE OF Rhode Island
SS:
COUNTY OF Providence

Subscribed and sworn to before me this 29th day of August, 2012.

My commission expires: June 16, 2013 (Signed) Patricia E. Robinson

Residing in East Providence County, State of Providence, RI.

Please see the attached Addenda that respond to IC 4-30-8-2.

Transmittal Letter Addendum 1
GTECH Corporation

Transmittal Letter Addendum 1

Response to IC 4-30-8-2 Requirements – **GTECH Corporation**

GTECH Corporation (GTECH) has included required responses to each applicable Indiana Code (IC) in the following paragraphs. The IC is in italics; GTECH's responses are in non-italics.

IC 4-30-8-2
Investigation of persons who submit bids, proposals, or offers; disclosure of information

Sec. 2. The division of security shall investigate the financial responsibility, security, and integrity of a person who submits a bid, proposal, or offer as part of a major procurement. At a minimum, each person must disclose at the time of submitting a bid, proposal, or offer to the commission all of the following items:

(1) A disclosure of the vendor's name and address and the names and addresses of the following:

GTECH Corporation
GTECH Center
10 Memorial Boulevard
Providence, RI 02903

(A) If the vendor is a corporation, the officers, directors, and each stockholder in the corporation, except that in the case of owners of equity securities of a publicly traded corporation only the names and addresses of those known to the corporation to own beneficially at least five percent (5%) in equity securities need be disclosed.

The directors and officers of GTECH include the following persons. Note that the address for each director and officer listed below is the same as the address provided under number 1 above.

Directors:

Alberto Fornaro

Jaymin B. Patel

Donald R. Sweitzer, Chairman

Officers:

Jaymin B. Patel	President and Chief Executive Officer
Alan Eland	Senior Vice President and Chief Operating Officer of North America
Declan J. Harkin	Senior Vice President and Chief Operating Officer of International
Michael K. Prescott	Senior Vice President, General Counsel and Secretary
Frank P. Ward	Vice President and GTECH Chief Financial Officer
Matthew W. Hughes	Treasurer

GTECH is a wholly owned subsidiary of GTECH Holdings Corporation, a Delaware company, with a principal business address of 10 Memorial Boulevard, Providence, RI 02903. GTECH Holdings Corporation is wholly owned by Invest Games S.A. ("Invest Games"), making Invest Games the sole shareholder of GTECH Holdings Corporation.

(B) If the vendor is a trust, the trustees and all persons entitled to receive income or benefits from the trust.

NA

(C) If the vendor is an association, the members, officers, and directors.

NA

(D) If the vendor is a partnership or joint venture, all of the general partners, limited partners, or joint venturers.

NA

(2) A disclosure of all the states and jurisdictions in which the vendor does business and the nature of that business for each state or jurisdiction.

For this information please refer to **GTECH Corporation's Customer Summary**, which is included after this Addendum.

(3) A disclosure of all the states and jurisdictions in which the vendor has contracts to supply gaming goods or services, including lottery goods and services, and of the nature of the goods and services involved for each state or jurisdiction.

For this information please refer to **GTECH Corporation's Customer Summary**, which is included as an insert after this Addendum.

(4) A disclosure of all the states and jurisdictions in which the vendor has applied for, has sought renewal of, has received, has been denied, has pending, or has had revoked or terminated a gaming license or contract of any kind and of the disposition in each state or jurisdiction. If a gaming license or contract has been revoked or terminated or has not been renewed or a gaming license application or contract bid has been either denied or is pending and has remained pending for more than six (6) months, all of the facts and circumstances underlying this failure to receive a license or contract must be disclosed.

For this information, please refer to the document titled **GTECH Corporation Licenses Held**, provided as an insert at the end of this Addendum.

(5) A tax clearance statement from the department of state revenue certifying that the vendor is not on the most recent tax warrant list.

The **Indiana Tax Letter of Good Standing** from the Indiana Department of State Revenue for GTECH is provided as an insert at the end of this Addendum.

(6) A disclosure of the details of a conviction or judgment of a state or federal court of the vendor of a felony or any other criminal offense other than a traffic violation.

None.

(7) A disclosure of the details of a bankruptcy, an insolvency, a reorganization, or any pending litigation of the vendor.

GTECH has never been involved in a bankruptcy, an insolvency, or a reorganization. The listing of **Pending Litigation** for GTECH is provided as an insert after this Addendum.

(8) If a vendor subcontracts part of the work to be performed, the vendor shall disclose all the information required by this chapter for the subcontractor as if the subcontractor were a vendor.

GTECH Printing Corporation (GPC) will serve as a subcontractor to GTECH. GPC will provide instant ticket printing and related services. Information for GPC, as required by IC 4-30-8-2, is provided in Addendum 2.

(9) Additional disclosures and information the commission determines appropriate for the procurement involved.

None.

GTECH Corporation
Customer Summary

GTECH Corporation's Customer Summary*		
Name of Lottery or Gaming Enterprise(s)	**Contract Type**	**Services provided by GTECH**
Arizona State Lottery	Facilities Management	Primary vendor providing a full service online & instant ticket management lottery system
California State Lottery Commission	Facilities Management	Primary vendor providing a full service online & instant ticket management lottery system
Florida Lottery	Facilities Management	Primary vendor providing a full service online & instant ticket management lottery system
Georgia Lottery Corporation	Facilities Management	Primary vendor providing a full service online & instant ticket management lottery system
Illinois Lottery - Private Manager Agreement	Operator	Lottery operator providing lottery management and full service online and instant lottery system
Indiana: Hoosier Lottery	Service	Instant Ticket Vending Marchine field service and preventative maintenance provider
Kansas Lottery	Facilities Management	Primary vendor providing a full service online lottery system
Kentucky Lottery Corporation	Facilities Management	Primary vendor providing a full service online lottery system
Maryland Lottery	Product Sale	Supply Instant Ticket Vending Machines, provide field service and preventative maintenance on supplied equipment
Massachusetts State Lottery Commission	Product Sale	Supply online lottery terminals, Lottery Vending Machines, and lottery central system
Michigan Bureau of State Lottery	Facilities Management	Primary vendor providing a full service online & instant ticket management lottery system
Minnesota State Lottery	Facilities Management	Primary vendor providing a full service online lottery system
Missouri Lottery	Facilities Management	Primary vendor providing a full service online lottery system
Nebraska State Lottery	Facilities Management	Primary vendor providing a full service online & instant ticket management lottery system; lottery sales force management

* The contracts listed above are either executed by GTECH Corporation or a wholly owned subsidiaries of GTECH Corporation

GTECH Corporation's Customer Summary*		
Name of Lottery or Gaming Enterprise(s)	**Contract Type**	**Services provided by GTECH**
New Jersey Lottery	Facilities Management	Primary vendor providing a full service online & instant ticket management lottery system
New York State Lottery	Facilities Management	Primary vendor providing a full service online & instant ticket management lottery system
North Carolina Education Lottery	Facilities Management	Primary vendor providing a full service online & instant ticket management lottery system
Oregon State Lottery	Facilities Management	Primary vendor providing a full service online & instant ticket management lottery system
Rhode Island Lottery	Facilities Management	Primary vendor providing a full service online & instant ticket management lottery system
South Dakota Lottery	Facilities Management	Primary vendor providing a full service online lottery system
Tennessee Education Lottery Corporation	Facilities Management	Primary vendor providing a full service online & instant ticket management lottery system
Texas Lottery Commission	Facilities Management	Primary vendor providing a full service online & instant ticket management lottery system; lottery sales force management; instant ticket supplier
Virginia Lottery	Facilities Management	Primary vendor providing a full service online & instant ticket management lottery system
Washington Lottery	Facilities Management	Primary vendor providing a full service online & instant ticket management lottery system
West Virginia Lottery	Facilities Management	Primary vendor providing a full service online & instant ticket management lottery system; lottery sales force management; instant ticket supplier
Wisconsin Lottery	Facilities Management	Primary vendor providing a full service online & instant ticket management lottery system

GTECH Corporation's Customer Summary*		
Name of Lottery or Gaming Enterprise(s)	**Contract Type**	**Services provided by GTECH**
Argentina: Boldt IPLC	Product Sale	Primary vendor providing software support
Argentina: SLOTS Machines S.A.	Facilities Management	Primary supplier of lottery terminals, central system, and software to the licensed operator in the San Luis province of Argentina
Australia: New South Wales Lotteries	Product Sale	Primary vendor providing software and terminal maintenance
Australia: South Australia Lotteries	Product Sale	Primary vendor providing software maintenance
Belarus - Sport Pari	Product Sale	Primary vendor providing a full service lottery system with on-line support
Belgium - Loterie Nationale Belge	Product Sale	Primary vendor providing software and terminal maintenance
Canada: Alberta Gaming and Liquor Commission (ALC) Provincial	Product Sale	Primary vendor providing software support and video lottery central system
Canada: British Columbia Lottery Corporation (BCLC) Provincial	Product Sale	Primary vendor providing software support and lottery central system
Canada: Western Canada Lottery Corporation (WCLC) Provincial	Product Sale	Primary vendor providing terminal warranty support
Chile: Polla Chilena	Facilities Management	Primary vendor providing a full service online & instant ticket management lottery system
China: Beijing Welfare Lottery	Facilities Management & Product Sale	Primary product sale provider of central system and terminals with a facilities management software and hardware maintenance
China: Shenzhen Welfare Lottery	Facilities Management	Primary vendor providing a full service online & instant ticket management lottery system
Colombia: ETESA	Operator	Primary vendor providing a full service online & instant ticket management lottery system
Costa Rica	Operator	Primary vendor providing a full service online & instant ticket management lottery system
Czech Republic: SAZKA	Facilities Management & Product Sale	Primary vendor providing a full service online & instant ticket management lottery system

GTECH Corporation's Customer Summary*		
Name of Lottery or Gaming Enterprise(s)	**Contract Type**	**Services provided by GTECH**
Denmark: Danske Spil A/S National	Product Sale	Primary vendor providing software and terminal maintenance
Dominican Republic: Loto Real Del Cibai	Facilities Management	Primary vendor providing a full service online lottery system
Finland: Veikkaus Oy Ab National Veikkaus Oy	Product Sale	Primary vendor providing terminals, central system, software maintenance, and an interactive gaming system
France: La Francaise des Jeux (FDJ)	Facilities Management & Product Sale	Primary vendor providing Lottery Vending Machines, software and central system support
Germany: Sächsische LOTTO-GmbH Leipzig	Product Sale	Primary vendor providing lottery software and hardware maintenance
Germany: Lotterie-Treuhandgesellschaft mbH Thüringen	Product Sale	Primary vendor providing online and instant lottery central system, terminals, and ongoing services
Germany: Westdeutsche Lotterie GmbH and Co. KG (Westlotto)	Product Sale	Primary vendor providing lottery software maintenance
Ireland: An Post Nat'l Lottery Company	Facilities Management	Primary vendor providing a full service online & instant ticket management lottery system
Israel: Mifal Hapais (Israel National Lottery)	Product Sale	Primary vendor providing hardware and software maintenance and hotline
Jamaica: Supreme Ventures Limited	Facilities Management	Primary vendor providing a full service online & instant ticket management lottery system
LILHCo/Latin America (8 Customers)	Operator	Operator of 8 local lotteries, providing full service lottery management
Lithuania: UAB Olifeja	Product Sale	Primary vendor providing software maintenance
Luxembourg: Loterie Nationale	Facilities Management	Primary vendor providing a full service online & instant ticket management lottery system
Mauritius: Lottotech Ltd	Facilities Management	Primary vendor providing a full service online lottery system; instant ticket supplier
Mexico: Pronosticos Para La Assistencia Publica	Facilities Management	Primary vendor providing a full service online & instant ticket management lottery system

GTECH Corporation's Customer Summary*		
Name of Lottery or Gaming Enterprise(s)	**Contract Type**	**Services provided by GTECH**
New Zealand: New Zealand Lotteries Commission (NZLC) National	Product Sale	Primary vendor providing lottery software and terminal maintenance
Nigeria: National Sports Lottery	Facilities Management	Primary vendor providing a full service online lottery system
Poland: Totalizator Sportowy	Facilities Management	Primary vendor providing a full service online & instant ticket management lottery system
Portugal: Santa Casa da Misericordia de Lisboa (SCML)	Product Sale	Primary vendor providing field service, lottery hardware, and lottery software maintenance
Singapore: Singapore Pools (Private), Ltd. Provincial	Product Sale	Primary vendor providing lottery software maintenance
Slovak Republic: Tipos, National Lottery Company, a.s.	Facilities Management	Primary vendor providing a full service lottery system with on-line and instant games support
Spain: Organization Nacional de Ciegos Espanoles (ONCE)	Operator	Joint venture agreement to operate ONCE lottery license, & primary vendor providing lottery hardware and software, ongoing maintenance
Switzerland: La Société de la Loterie de la Suisse Romande (LoRo)	Product Sale	Primary vendor providing hardware and software maintenance
Taiwan: Taiwan Sports Lottery Company	Facilities Management	Primary vendor providing a full service lottery system with on-line support to a joint venture
Trinidad & Tobago: National Lotteries Control Board	Facilities Management	Primary vendor providing a full service lottery system with on-line and instant games support
Turkey: Turkish National Lottery	Facilities Management	Primary vendor providing a full service online lottery system
Ukraine: Ukrainian National Lottery	Product Sale	Primary vendor providing central system, lottery hardware, and ongoing maintenance
United Kingdom: The National Lottery	Facilities Management	Primary vendor providing a full service online lottery system

GTECH Corporation
Licenses Held

GTECH CORPORATION Licenses Held – As of 1/27/2012

GTECH Corporation and its subsidiaries have never been denied a gaming or lottery license or had a gaming or lottery license revoked in any state or jurisdiction.

Name of Regulating Body	Permit/License Certificate or Registration License No.	Date of Application	Disposition of Application
Alberta Gaming and Liquor Commission 50 Corriveau Avenue St. Albert, Alberta, Canada T8N 3T5 780-447-8600 780-447-8918 fax	Registration #GTD-14725	December 19, 2001 award date	Current. Expires December 17, 2012.
Atlantic Lottery Corporation P.O. Box 5500, Moncton, NB E1C 8W6 506-867-5624 506-867-5881 fax	Supplier Registration	April 11, 2001 award date	Current. Expires April 27, 2013.
British Columbia Gaming Policy and Enforcement Branch 910 Government Street, 3rd Floor PO Box 9310 Victoria, BC V8W 1X3 250-356-5676 Fax: 250-356-0782	Gaming Services Provider Registration #181699	September 18, 1997	Approved. Expires , December 7, 2015
Illinois Gaming Board 160 North LaSalle Street, Suite 300 Chicago, IL 60601 Mark Ostrowski 312-814-4700	Key Person	2010	Approved January 26, 2011 as Key Person of Spielo International Canada. ULC
Kansas Racing and Gaming Commission 700 SW Harrison, Suite 420 Topeka, KS 66603 785-296-5800 785-296-0900 (fax)	Gaming Supplier License #2000025	August 26, 2008	Approved. Expires 6/30/2011. Renewal pending.
Manitoba Gaming Control Commission 800-215 Garry Street Winnepeg, MB R3C 3P3 1-800-782-0363 Fax: 1-866-999-6688	Gaming Supplier registration	October 28, 2003	Approved. Expires 12/31/2009. Renewal pending.

GTECH CORPORATION Licenses Held – As of 1/27/2012

GTECH Corporation and its subsidiaries have never been denied a gaming or lottery license or had a gaming or lottery license revoked in any state or jurisdiction.

Name of Regulating Body	Permit/License Certificate or Registration License No.	Date of Application	Disposition of Application
Maryland Lottery Commission 1800 Washington Blvd., Suite 330 Baltimore, MD 21230, 410-230-8800	VLT Manufacturer License	September 30, 2009	Approved. Expires December 15, 2013.
Nova Scotia Alcohol and Gaming Division 40 Alderney Drive Alderney Gate 5th Floor P.O. Box 545 Dartmouth, N.S. B2Y 3Y8	Certificate of Registration #06-9076-GR	September 2009	Approved under Lottomatica S.p.A.'s Casino Gaming Related Supplier registration. Expires August 5, 2013.
State of Oregon Department of State Police - General Headquarters Lottery Security Section 500 Airport Rd. SE Salem, OR 97301 (503) 540-1414	Class III gaming business approval	January 1996	Current
Pennsylvania Gaming Control Board 303 Walnut Street, Strawberry square Verizon Tower, 5th Floor Harrisburg, PA 17101 Contact: Susan Hensell (717) 346-8300 Fax: (717) 703-2988	Manufacturer License # M-1060	August 12, 2005	Approved. Expires October 26, 2013.
Saskatchewan Liquor and Gaming Authority P.O. Box 5054 2500 Victoria Avenue Regina, SK S4P 3M3 (306) 787-1771 Fax: (306) 798-0052	Certificate of Registration Gaming Supplier #RGS72042	Applied June 10, 1997. Awarded on April 1, 1999.	Approved. Expires June 30, 2014.

GTECH CORPORATION Licenses Previously Held or Elected Not to Renew

GTECH Corporation and its subsidiaries have never been denied a gaming or lottery license or had a gaming or lottery license revoked in any state or jurisdiction.

Name of Regulating Body	Permit/License Certificate or Registration License No.	Date of Application	Disposition of Application
LICENSES PREVIOUSLY HELD OR ELECTED NOT TO RENEW			
Augustine Tribal Gaming Commission 84-001 Avenue 54 Coachella, CA 92236 (760) 398-2531 Fax: (760) 391-5094	Vendor Gaming License #1060	December 21, 2007	Current. Expires February 12, 2011. Allowed to expire for business reasons.
State of Connecticut Department of Revenue Services Division of Special Revenue 555 Russell Road, PO Box 11424 Newington, CT 06111	Vendor License # 42-455087	Information not available	License expired on August 31, 1987
The Chickasaw Nation Gaming Commission PMB 228 902 Arlington Center Ada, OK 74820	Vendor Gaming License GVL-1009-04	June 2008	Expired September 20, 2010. Allowed to expire for business reasons.
State of Delaware Lottery McKee Business Park 1575 McKee Road, Suite 102 Dover, DE 19904	Management Services Provider under Gaming Entertainment (Delaware) LLC (Partial interest held by GTECH)	August 1996	GTECH was required to divest itself of its interest in order to apply for the gaming license for Spielo International Canada ULC.
Grand Portage Reservation Gaming Commission 83 Stevens Road PO Box 428 Grand Portage, MN 55605 218-475-2277 Fax: 218-475-2284	License #07-2009	n/a	Expired December 31, 2010. Allowed to expire for business reasons.
Iowa Racing & Gaming Commission 717 E. Court Avenue, Suite B Des Moines, Iowa 50309	N/A	N/A	Previously found suitable, May 2009 as parent of Spielo International Canada ULC

GTECH CORPORATION Licenses Previously Held or Elected Not to Renew
GTECH Corporation and its subsidiaries have never been denied a gaming or lottery license or had a gaming or lottery license revoked in any state or jurisdiction.

Name of Regulating Body	Permit/License Certificate or Registration License No.	Date of Application	Disposition of Application
Klamath Tribes Gaming Regulatory Commission 3433 Highway 97 North Chiloquin, OR 97624 Geo.Ann Baker	Temporary Vendor License	July 14, 2009	Previously approved as parent company of Spielo International Canada ULC. (September 2, 2009)
Michigan Gaming Control Board 1500 Abbott Road, Suite 400 East Lansing, MI 48823 Contact: Robert Stocker, 571-371-1730 Fax: (517) 487-4700	Found suitable on 12/11/2007	December 2005	Previously found suitable as parent of Spielo International Canada. ULC.
Missouri Gaming Commission 3417 Knipp Drive, PO Box 1847 Jefferson City, MO 65102 (573) 526-4080 Fax: (573) 526-1999	Business Entity Key Person License	December 2007	License expired on December 31, 2009. License was surrendered on July 21, 2009. (On 7/1/2009, the interest in the Atronic Group (“Atronic) and Spielo International Canada ULC (“Spielo”) was transferred from GTECH Corporation to Lottomatica. Because of the transfer, GTECH no longer owns or manages an interest in the licensed manufacturers. As a result, GTECH surrendered its license without prejudice.
Nebraska Lottery P.O. Box 98901 301 Centennial Mall South Lincoln, NE 68509	000066542	Information not available	GTECH terminated license on May 28, 1993

GTECH CORPORATION Licenses Previously Held or Elected Not to Renew

GTECH Corporation and its subsidiaries have never been denied a gaming or lottery license or had a gaming or lottery license revoked in any state or jurisdiction.

Name of Regulating Body	Permit/License Certificate or Registration License No.	Date of Application	Disposition of Application
Nevada Gaming Commission 1919 E. College Parkway, PO Box 8003 Carson City, NV 89702 Contact: Richard Trachok	Found suitable 12/20/2007	2006	6/18/2009 Application for approval to transfer its interest in Atronic Americas, LLC and GTECH German Holdings Corporation to Lottomatica as a result of the Gaming Solutions restructuring
New Jersey Casino Control Commission Arcade Building Tennessee Avenue & Boardwalk Atlantic City, NJ 08401 609-441-3799 609-441-3329 (fax)	Application VRF# 40395, LOG # 309-50 deemed complete	March 2006	Deemed complete. Licensure no longer required.
New Jersey Casino Control Commission Arcade Building Tennessee Avenue & Boardwalk Atlantic City, NJ 08401	Casino Service Industry License Vendor ID #40395	September 1997	Expired August 31, 1999. In October 2000, GTECH elected not to renew the license
Nova Scotia Alcohol and Gaming Authority P.O. Box 545 40 Alderney Drive, 5th Floor Dartmouth, NS B2Y 3Y8	Dreamport, Inc. submitted application	June 1999	Elected not to pursue application.
Alcohol & Gaming Commission of Ontario 90 Sheppard Avenue, East, Suite 200 Toronto, Ontario M2N 0A4	Certificate of Registration Gaming Supplier #00048049	October 1996	In July 2000, GTECH terminated the license for business reasons
Regie Des Alcools Des Courses & Des Jeux 1281, boul, Charest Quest Quebec, Quebec G1N 2C9	Information not available	June 21, 1994	GTECH withdrew the license application in March 1995
Regie Des Alcools Des Courses & Des Jeux 1281, boul, Charest Quest	Dreamport, Inc. submitted application	May 2000	On October 26, 2001, Dreamport withdrew the application for

GTECH CORPORATION Licenses Previously Held or Elected Not to Renew
GTECH Corporation and its subsidiaries have never been denied a gaming or lottery license or had a gaming or lottery license revoked in any state or jurisdiction.

Name of Regulating Body	Permit/License Certificate or Registration License No.	Date of Application	Disposition of Application
Quebec, Quebec G1N 2C9			business purposes
Gaming Supervisory Authority of South Australia Level 4, 45 Grenfell Street Adelaide, South Australia	Dreamport International, Inc. submitted application to transfer the license to operate the Adelaide Casino	January 2000	Elected not to pursue application.
United Auburn Tribal Gaming Agency United Auburn Indian Community 1200 Athens Avenue Lincoln, CA 95648-9328 (530) 883-2390 - Phone (530) 883-2380 – Fax	Vendor License #04-00028	October 2004	Current. Expired December 1, 2010. Allowed to expire for business reasons.
The West Virginia Lottery Licensing Division 312 McCorckle Avenue, S.E. / P.O. Box 2067 Charleston, WV 25327	Manufacturer Permit #VLM-008	Applied June 29, 2005 Approved July 27, 2005	Expired June 30, 2010. Allowed to expire for business reasons.
The West Virginia Lottery Licensing Division 312 McCorckle Avenue, S.E. / P.O. Box 2067 Charleston, WV 25327 Contact: Kris Radford, 304-558-0500 (ext. 213) Fax: 304-558-3321	Limited Video Lottery Manufacturer's License # LVLM-008	Applied August 4, 2005	Expired September 30, 2010. Allowed to expire for business reasons.

Indiana Tax Letter of Good Standing (For GTECH)

STATE of INDIANA

DEPARTMENT OF REVENUE
INDIANA GOVERNMENT CENTER NORTH
100 N. SENATE AVE
INDIANAPOLIS, IN 46204-2253

August 22, 2012

GTECH Corporation
10 Memorial Blvd.
Providence, RI 02903

Attn: Michael K. Prescott:

Tax Letter of Good Standing
EIN: 05-0389840

To All Who May Read This Letter :

This is to certify that all of the taxes due on the returns filed by GTECH Corporation for the Indiana Gross Income Tax, the Adjusted Gross Income Tax, and the Indiana Gross Retail/Use Tax have been paid.

Any tax return submitted by GTECH Corporation six (6) to twelve (12) weeks prior to this letter is in process and may not be available for certification. The amount of tax due on the returns referenced above is subject to verification by the Department. If any discrepancy in income or sales or if a deficiency in tax is found through this verification, an assessment will be made.

As of this date, any outstanding liability GTECH Corporation may have is a proposed assessment which either may be or has been validly protested or is an assessment which is covered by a litigation hold. Such assessments are not a final determination of the Department and the Department has ceased all collection efforts regarding the liability until such time as a final determination on the assessments are made by the Department.

Dated at Indianapolis, Indiana, this 22nd August, 2012.

Sincerely,

INDIANA DEPARTMENT OF REVENUE

By: Brian K. Smith
Tax Analyst
Tax Administration

Pending Litigation
(For GTECH)

PENDING LITIGATION (as of August 2012)

This document contains a summary of all pending litigation in which **GTECH Corporation** and/or its subsidiaries ("GTECH" or the "Company") are a party. In addition to the below matters, the Company is currently involved, principally as a defendant, in a number of incidental and/or non-material legal proceedings and claims, including claims with respect to workers' compensation benefits, employment related administrative claims, claims arising out of automobile accidents, and other claims covered by insurance. The nature and details of such claims may be provided upon request. This document does not include bid protests, or any employment-related matters being handled at an administrative level.

1. On March 10, 2005, former employee Kathryn Frate filed a lawsuit against the Company in the Superior Court of Rhode Island, Washington County (CA No. WC 2005-157), alleging discrimination, wrongful termination and retaliation. This case is presently dormant.

2. On September 19, 2005, Lottotron, Inc. ("Lottotron") filed a complaint for patent infringement against GTECH in the United States District Court for the District of New Jersey (Case No. 05-cv-04562-SRC). The complaint alleges that GTECH's e-Scratch product in Kansas infringes on five (5) of its U.S. Patents. GTECH has counterclaimed with allegations of unfair competition under the Lanham Act and common law. The Parties filed motions for summary judgment on January 4, 2008. The District Court issued an order on September 29, 2008 which granted GTECH's motion for summary judgment of non-infringement and denied Lottotron's motion for summary judgment of infringement. There is a technical possibility that Lottotron could appeal the Court's 2008 decision granting GTECH's motion for summary judgment of non-infringement, but if they did so GTECH would have a strong argument that it is too late to appeal. Therefore, the probability of this case proceeding any further is remote. The Company believes no further action will be taken.

3. On March 6, 2008, Harold L. Rosbottom, Jr. filed a lawsuit against GTECH Corporation and Spielo Manufacturing ULC (now known as Spielo International Canada ULC) with the First Judicial District Court, Caddo Parish, Louisiana (Suit No. 519605B), alleging breach of contract, tortious interference with contract and business relations, tortious misrepresentation and tortious breach of contract, arising out of Spielo's withdrawal of its application for a video gaming device manufacturer's license. The plaintiff and Spielo had entered into a distribution agreement pursuant to which the plaintiff would distribute Spielo's video gaming devices in Louisiana and the plaintiff and GTECH had entered into a distribution agreement pursuant to which the plaintiff would distribute GTECH's video site controllers in Louisiana. On May 1, 2008, the defendants removed the lawsuit to the United States District Court for the Western District of Louisiana, Shreveport Division (Civil Action No. 5:08-cv-0522) and asserted a counterclaim against the plaintiff for breach of the video site controller distribution agreement. On October 28, 2008, the Court stayed the litigation and granted the defendants' motion to compel arbitration in accordance with the arbitration provisions in the distribution agreements. On June 9, 2009, the plaintiff filed a petition under Chapter 11 of the United States Bankruptcy Code with the United States Bankruptcy Court for the Western District of Louisiana, Shreveport Division (Case No. 09-11674). This case is presently dormant.

4. On February 19, 2009, Gregory Hohmann and Patricia Hohmann filed an action in the Superior Court of the State of Connecticut, Judicial District of Hartford against GTECH Corporation, GTECH Printing Corporation and William Miller (collectively, the "Defendants"), alleging negligence, recklessness, defamation and fraud. The plaintiffs purchased an instant ticket on January 7, 2007, which was later determined by the Connecticut Lottery Commission to be

fraudulent. On March 11, 2009, the Defendants removed this action to the United States District Court for the District of Connecticut (No. 3:09-cv-00410-CSH). This case is presently dormant.

5. On May 13, 2011, Global ePoint, Inc. ("Global") filed a lawsuit against GTECH Corporation in the United States District Court for the District of Rhode Island (CA 11-197ML) alleging a breach of contract, breach of an implied covenant of good faith and fair dealing, unjust enrichment and quantum meruit. In February 2001, Global entered into an asset purchase agreement with Interlott Technologies, Inc. ("Interlott"), pursuant to which Global sold its lottery related assets, intellectual property and other developing technologies to Interlott in return for certain payments. GTECH acquired Interlott in 2003 and Global now alleges that GTECH breached the payment terms of Global's agreement with Interlott. GTECH is vigorously defending this matter.

6. On May 27, 2011, Willis Willis filed a lawsuit against the Texas Lottery Commission, GTECH Corporation, BJN Sons Corporation d/b/a Lucky Food Store #2, Barkat N. Jiwani and Pankaj Joshi (collectively, the "Defendants") in the District Court of Travis County, Texas (Cause No. D-1-GN-11-001604) alleging negligence on the part of each of the Defendants. On May 29, 2010, Mr. Willis purchased a lottery ticket. Mr. Willis alleges that Mr. Joshi, a store clerk, cashed in Mr. Willis' winning ticket. The Company is vigorously defending this matter.

7. On June 14, 2012, GTECH Corporation was served with a lawsuit filed by former employee, Ronald Drown, the Circuit Court for Jackson County in the State of Missouri (Case Number 1116-CV23301). Drown alleges harassment and retaliation in relation to his alleged disability in violation of the Missouri Human Rights Act. The Company is vigorously defending this matter.

Transmittal Letter Addendum 2
GTECH Printing Corporation

Transmittal Letter Addendum 2

Response to IC 4-30-8-2 Requirements – **GTECH Printing Corporation**

GTECH Printing Corporation (GPC), a subcontractor to GTECH Corporation for this submission, has included required responses to each applicable Indiana Code (IC) in the following paragraphs. The IC is in italics; GPC's responses are in non-italics.

IC 4-30-8-2

Investigation of persons who submit bids, proposals, or offers; disclosure of information

Sec. 2. The division of security shall investigate the financial responsibility, security, and integrity of a person who submits a bid, proposal, or offer as part of a major procurement. At a minimum, each person must disclose at the time of submitting a bid, proposal, or offer to the commission all of the following items:

(1) A disclosure of the vendor's name and address and the names and addresses of the following:

GTECH Printing Corporation
GTECH Center
10 Memorial Boulevard
Providence, RI 02903

(A) If the vendor is a corporation, the officers, directors, and each stockholder in the corporation, except that in the case of owners of equity securities of a publicly traded corporation only the names and addresses of those known to the corporation to own beneficially at least five percent (5%) in equity securities need be disclosed.

The directors and officers of GPC include the following persons. Note that the address for each director and officer listed below is the same as the address given under number 1 above.

DIRECTORS:

Alan Eland

Frank P. Ward

OFFICERS:

Alan Eland	President
Michael K. Prescott	Vice President and Secretary
Matthew W. Hughes	Vice President and Treasurer

GPC is a wholly owned subsidiary of GTECH Corporation, a Delaware corporation. GTECH Corporation is a wholly owned subsidiary of GTECH Holdings Corporation, a Delaware company, with a principal business address of 10 Memorial Boulevard, Providence, RI 02903. GTECH Holdings Corporation is wholly owned by Invest Games S.A. ("Invest Games"), making Invest Games the sole shareholder of GTECH Holdings Corporation.

(B) If the vendor is a trust, the trustees and all persons entitled to receive income or benefits from the trust.

NA

(C) If the vendor is an association, the members, officers, and directors.

NA

(D) If the vendor is a partnership or joint venture, all of the general partners, limited partners, or joint venturers.

NA

(2) A disclosure of all the states and jurisdictions in which the vendor does business and the nature of that business for each state or jurisdiction.

For this information, please refer to **GTECH Printing Corporation's Customer Summary**, which is included as an insert after this Addendum.

(3) A disclosure of all the states and jurisdictions in which the vendor has contracts to supply gaming goods or services, including lottery goods and services, and of the nature of the goods and services involved for each state or jurisdiction.

For this information, please refer to **GTECH Printing Corporation's Customer Summary**, which is included as an insert after this Addendum.

(4) A disclosure of all the states and jurisdictions in which the vendor has applied for, has sought renewal of, has received, has been denied, has pending, or has had revoked or terminated a gaming license or contract of any kind and of the disposition in each state or jurisdiction. If a gaming license or contract has been revoked or terminated or has not been renewed or a gaming license application or contract bid has been either denied or is pending and has remained pending for more than six (6) months, all of the facts and circumstances underlying this failure to receive a license or contract must be disclosed.

For this information, please refer to the document titled **GTECH Printing Corporation Gaming Approvals/Registrations Held** provided as an insert at the end of this Addendum.

(5) A tax clearance statement from the department of state revenue certifying that the vendor is not on the most recent tax warrant list.

The **Indiana Tax Letter of Good Standing** from the Indiana Department of State Revenue for GPC is provided as an insert at the end of this Addendum.

(6) A disclosure of the details of a conviction or judgment of a state or federal court of the vendor of a felony or any other criminal offense other than a traffic violation.

None.

(7) A disclosure of the details of a bankruptcy, an insolvency, a reorganization, or any pending litigation of the vendor.

GPC has never been involved in a bankruptcy, an insolvency, or a reorganization.

The listing of **Pending Litigation for GPC** is provided as an insert at the end of this Addendum.

(8) If a vendor subcontracts part of the work to be performed, the vendor shall disclose all the information required by this chapter for the subcontractor as if the subcontractor were a vendor.

As required, we have provided responses to IC 4-30-8-2 Requirements for GPC, a subcontractor to GTECH Corporation, in this Addendum 2 document.

(9) Additional disclosures and information the commission determines appropriate for the procurement involved.

None.

GTECH Printing Corporation
Customer Summary

GTECH Printing Corporation's Customer Summary		
Name of Lottery or Gaming Enterprise(s)	**Contract Type**	**Services provided by GTECH Printing Corporation**
Arizona State Lottery	Product Sale	Instant ticket supplier
California State Lottery Commission	Product Sale	Instant ticket supplier
Colorado Lottery	Product Sale	Instant ticket supplier
Connecticut Lottery Corporation	Product Sale	Instant ticket supplier
Florida Lottery	Product Sale	Instant ticket supplier
Kansas Lottery	Product Sale	Instant ticket supplier
Kentucky Lottery Corporation	Product Sale	Instant ticket supplier
Massachusetts State Lottery Commission	Product Sale	Instant ticket supplier
Minnesota State Lottery	Product Sale	Instant ticket supplier
Missouri Lottery	Product Sale	Instant ticket supplier
Nebraska State Lottery	Product Sale	Instant ticket supplier

GTECH Printing Corporation's Customer Summary		
Name of Lottery or Gaming Enterprise(s)	**Contract Type**	**Services provided by GTECH Printing Corporation**
New Mexico Lottery Authority	Product Sale	Instant ticket supplier
New York State Lottery	Product Sale	Instant ticket supplier
North Carolina Education Lottery	Product Sale	Instant ticket supplier
Oklahoma Lottery Commission	Product Sale	Instant ticket supplier
Oregon State Lottery	Product Sale	Instant ticket supplier
Rhode Island Lottery	Product Sale	Instant ticket supplier
Texas Lottery Commission	Product Sale	Instant ticket supplier
Virginia Lottery	Product Sale	Instant ticket supplier
Washington Lottery	Product Sale	Instant ticket supplier
West Virginia Lottery	Product Sale	Instant ticket supplier
Wisconsin Lottery	Product Sale	Instant ticket supplier

GTECH Printing Corporation's Customer Summary		
Name of Lottery or Gaming Enterprise(s)	**Contract Type**	**Services provided by GTECH Printing Corporation**
Aruba	Product Sale	Instant ticket supplier
Australia: LotteryWest	Product Sale	Instant ticket supplier
Canada: British Columbia Lottery Corporation (BCLC) Provincial	Product Sale	Instant ticket supplier
Chile: Polla Chilena de Beneficiencia S.A.	Product Sale	Instant ticket supplier
Czech Republic: SAZKA	Product Sale	Instant ticket supplier
Germany: Westdeutsche Lotterie GmbH and Co. KG (Westlotto)	Product Sale	Instant ticket supplier
Guyana Lottery Company	Product Sale	Instant ticket supplier
Hungary: Szerencsejáték RT	Product Sale	Instant ticket supplier
Iceland: Happdrætti Háskóla Íslands	Product Sale	Instant ticket supplier
Italy: Lottomatica	Product Sale	Instant ticket supplier
LilhCo: Antigua, Angilla, Barbados, St. Maartin, St. Kitts, USVI	Product Sale	Instant ticket supplier
Luxembourg: Loterie Nationale	Product Sale	Instant ticket supplier

GTECH Printing Corporation's Customer Summary		
Name of Lottery or Gaming Enterprise(s)	**Contract Type**	**Services provided by GTECH Printing Corporation**
Madagascar: Reel Mada	Product Sale	Instant ticket supplier
Mauritius: Lottotech Ltd	Product Sale	Instant ticket supplier
Mexico: Pronosticos Para La Assistencia Publica	Product Sale	Instant ticket supplier
Portugal: Santa Casa da Misericordia de Lisboa (SCML)	Product Sale	Instant ticket supplier
Serbia: Drazavna Lutrija Srbije	Product Sale	Instant ticket supplier
Slovak Republic: Tipos, National Lottery Company, a.s.	Product Sale	Instant ticket supplier
Spain: Organization Nacional de Ciegos Espanoles (ONCE)	Product Sale	Instant ticket supplier
Switzerland: SwissLos	Product Sale	Instant ticket supplier
Trinidad & Tobago: National Lotteries Control Board	Product Sale	Instant ticket supplier
West Indies: National Lotteries Authority of St. Vincent and the Grenadines	Product Sale	Instant ticket supplier

GTECH Printing Corporation
Gaming Approvals/Registrations Held

GTECH PRINTING CORPORATION
GAMING APPROVALS / REGISTRATIONS HELD (as of 7/29/2011)

Name & Address of Regulating Body	Registration/License Number	Disposition of Application
British Columbia - Gaming Policy & Enforcement Branch PO Box 9202 Stn. Prov. Govt. Victoria, British Columbia V8W 3Y5, Canada Frank Allison, 250-356-5676	Gaming Services Provider Registration #181330	Approved. Expires 12/7/2015
State of Connecticut Department of Consumer Protection 555 Russell Road, PO Box 11424 Newington, CT 06111	Vendor License	Approved. Expires 8/31/2012.

Indiana Tax Letter of Good Standing (For GPC)

STATE of INDIANA

INDIANAPOLIS, IN 46204-2253

DEPARTMENT OF REVENUE

INDIANA GOVERNMENT CENTER NORTH
100 N. SENATE AVE

August 22, 2012

GTECH Printing Corporation
10 Memorial Blvd.
Providence, RI 02903

Attn: Michael K. Prescott:

Tax Letter of Good Standing
EIN: 20-5698605

To All Who May Read This Letter :

This is to certify that all of the taxes due on the returns filed by GTECH Printing Corporation for the Indiana Gross Income Tax, the Adjusted Gross Income Tax, and the Indiana Gross Retail/Use Tax have been paid.

Any tax return submitted by GTECH Printing Corporation six (6) to twelve (12) weeks prior to this letter is in process and may not be available for certification. The amount of tax due on the returns referenced above is subject to verification by the Department. If any discrepancy in income or sales or if a deficiency in tax is found through this verification, an assessment will be made.

As of this date, any outstanding liability GTECH Printing Corporation may have is a proposed assessment which either may be or has been validly protested or is an assessment which is covered by a litigation hold. Such assessments are not a final determination of the Department and the Department has ceased all collection efforts regarding the liability until such time as a final determination on the assessments are made by the Department.

Dated at Indianapolis, Indiana, this 22nd August, 2012.

Sincerely,

INDIANA DEPARTMENT OF REVENUE

By: Brian K. Smith
Tax Analyst
Tax Administration

Pending Litigation (For GPC)

PENDING LITIGATION (as of August 2012)

This document contains a summary of all pending litigation in which **GTECH Printing Corporation** is a party. In addition to the below matters, the Company is currently involved, principally as a defendant, in a number of incidental and/or non-material legal proceedings and claims. The nature and details of such claims may be provided upon request. This document does not include bid protests, or any employment-related matters being handled at an administrative level.

1. On February 19, 2009, Gregory Hohmann and Patricia Hohmann filed an action in the Superior Court of the State of Connecticut, Judicial District of Hartford against GTECH Corporation, GTECH Printing Corporation and William Miller (collectively, the "Defendants"), alleging negligence, recklessness, defamation and fraud. The plaintiffs purchased an instant ticket on January 7, 2007, which was later determined by the Connecticut Lottery Commission to be fraudulent. On March 11, 2009, the Defendants removed this action to the United States District Court for the District of Connecticut (No. 3:09-cv-00410-CSH). This case is presently dormant.

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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.

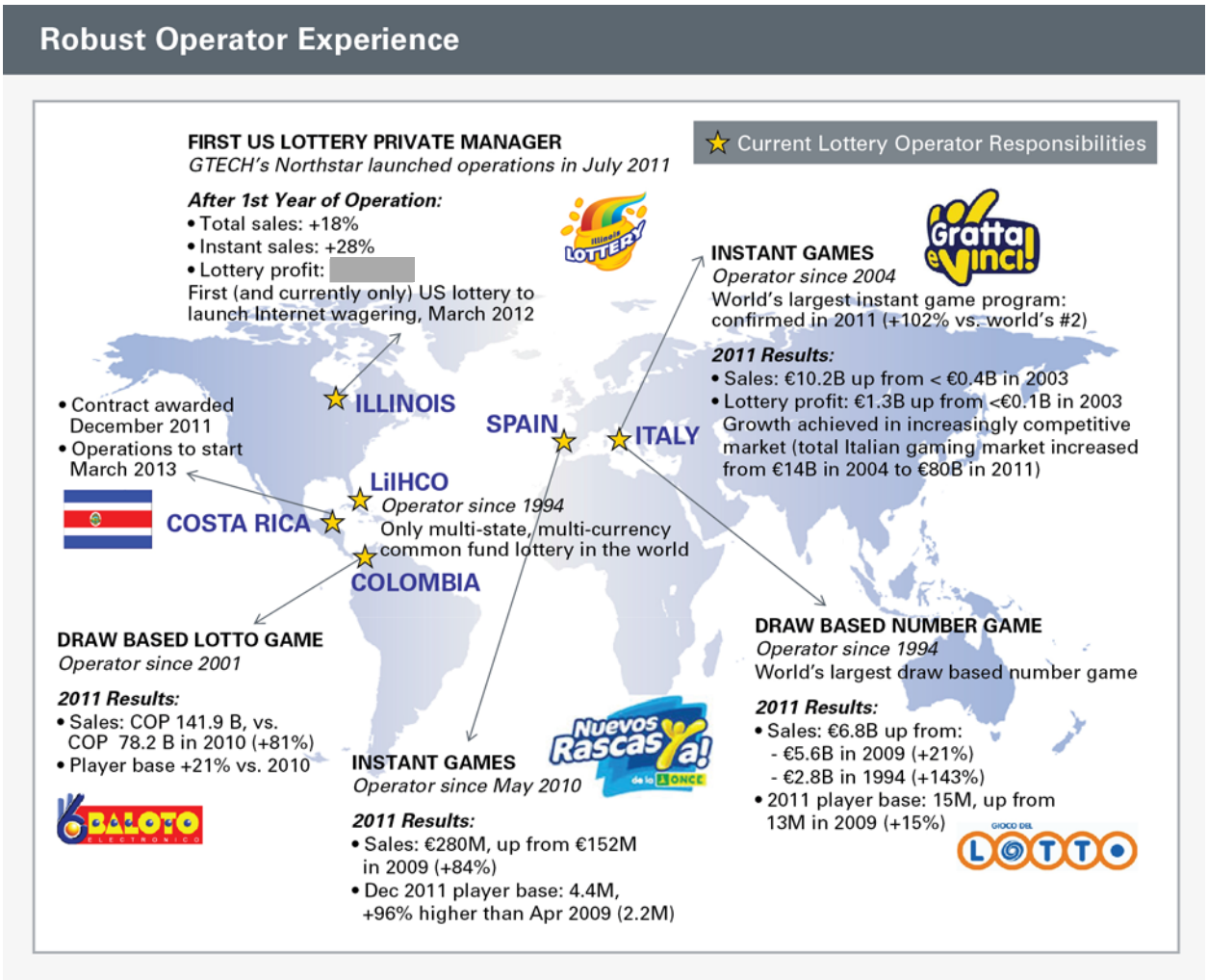
We are genuinely excited about this opportunity, and stand ready and able to deliver on our Business Plan's commitment to the State of Indiana. The Commission has outlined an optimal course forward to increase funding for programs that benefit the State. The Business Plan we offer for consideration will 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 in additional profit for the State of Illinois (a 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.

The Illinois Experience: Year One

Northstar Delivers First-Year Performance Consistent with Commitments

Northstar's Illinois Business Plan

In September 2010, Northstar submitted a FY12 Net Income Growth Target of $825M (without Internet), or 16.5% over the Lottery's projected FY11 results of $708M.

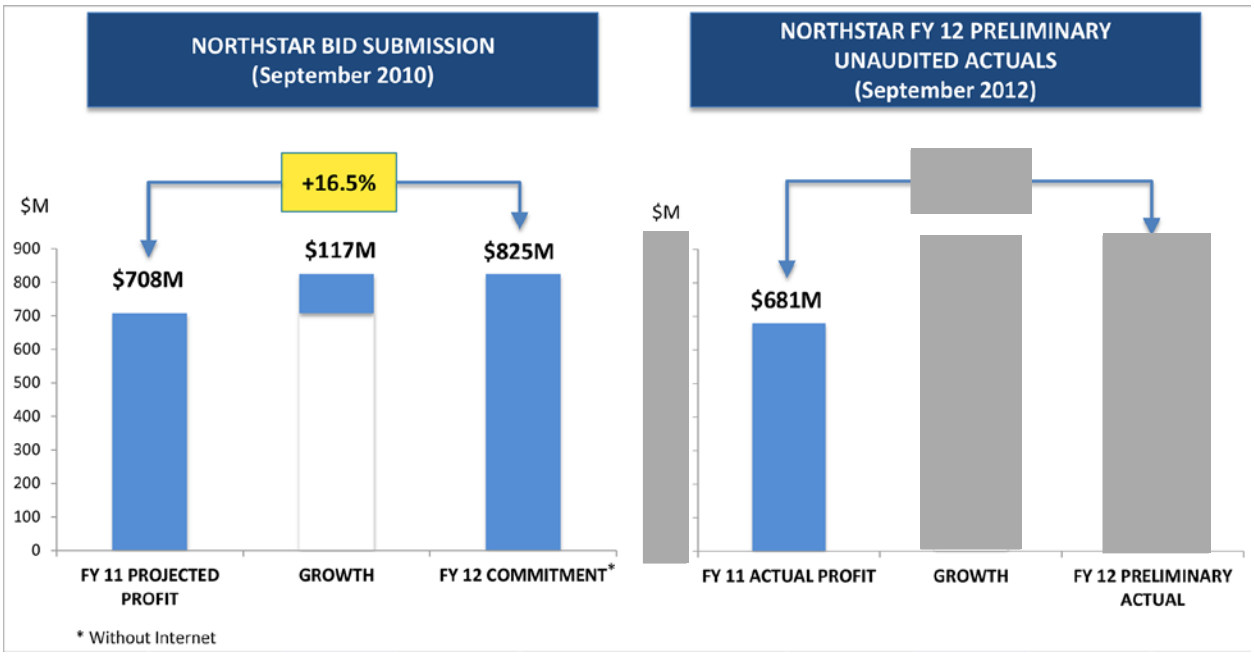
An Unprecedented Realignment of a State Agency Encountered Unanticipated Impacts to the Business Plan

The PMA was a first-of-its-kind undertaking by the State of Illinois. Not unexpectedly, issues arose during implementation that needed to be resolved. During the first year of the Private Management Agreement (PMA), Northstar experienced the following:

1. The PMA was signed on January 18, 2011 – 95 days later than anticipated – delaying Northstar's start-up activities, including the recruitment of key personnel and new retailers.
2. A planned $17.5M marketing and advertising investment during the Ramp-up Period was withheld by the State, restricting Northstar's ability to launch a re-branding campaign as a precursor to new product introductions.
3. The retailer recruitment plan was postponed three weeks by the State to resolve union contract issues.
4. The Net Income starting point (FY11 actual net income) came in at $681M – $27M lower than the previously projected $708M.

Notwithstanding the unforeseen, Northstar delivered FY12 lottery profit of [redacted] (unaudited), which is [redacted] above FY11 actuals.

Northstar Bid Submission vs. FY2012 Actuals in Illinois



Conclusion

During its first year, Northstar achieved good results that were consistent with its commitments. There were unanticipated developments that impacted the Business Plan, to be expected with a ground-breaking initiative. Within the PMA, there is a process to account for such impacts that is underway.

As with any bold experiment in state government, there has been public discussion about the PMA from differing political points of view. The bottom line is that Lottery profits grew by

To put that in perspective, the Lottery's growth from FY09 – FY10 was 2.2%, and its average annual profit growth for the previous five fiscal years (FY06 – FY10) was 0.7%.

It is important to point out that, for FY12, the Lottery has reported a transfer to the State of $708M. That figure is not relevant to the performance calculation under the PMA. Northstar's commitments to the State are based on Lottery profit as defined in the State's Private Manager Agreement. The final PMA profit calculation will be completed once the unanticipated impacts are accounted for and the State completes its annual audit.

- 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 Profit[1] 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

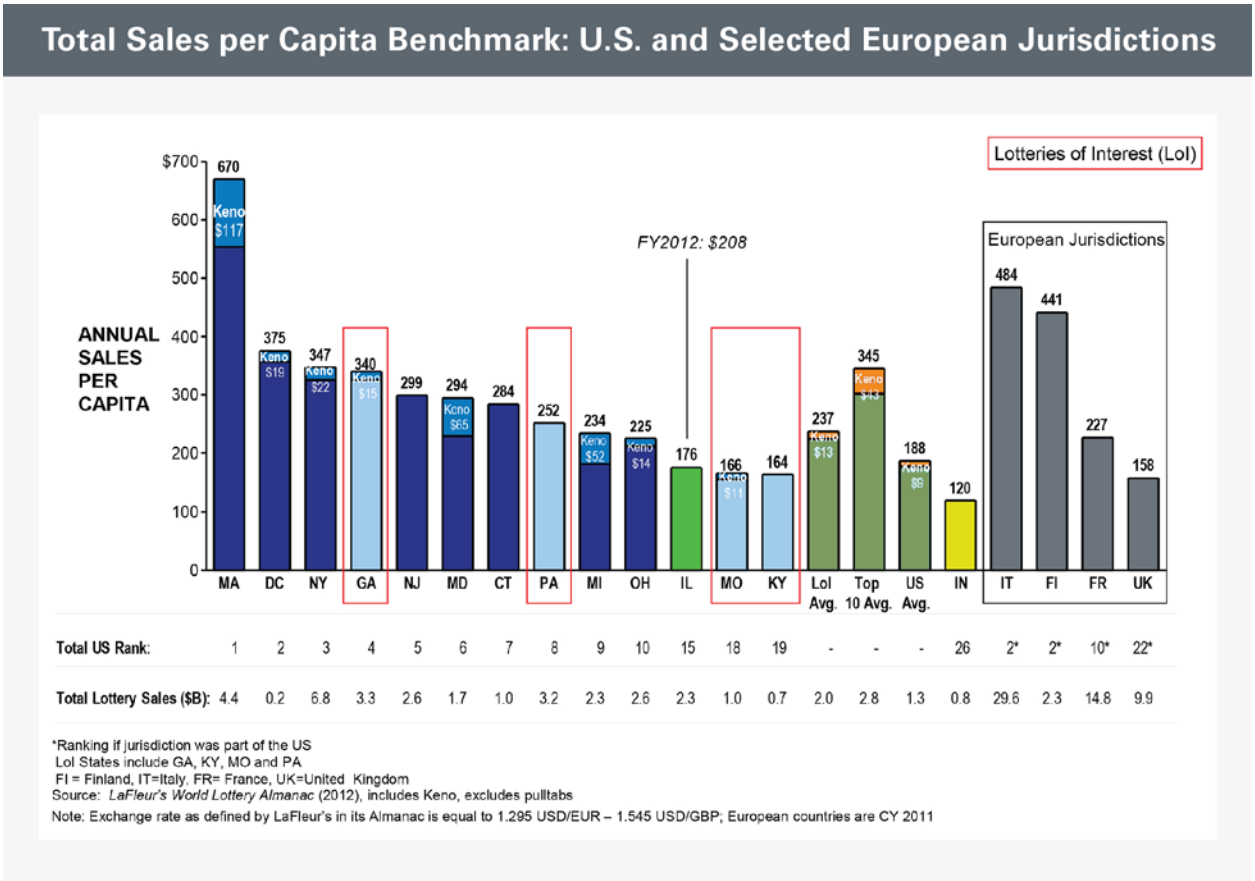
Our extensive on-the-ground research (which we will make available upon contract award), conducted in June/July 2011, includes:

- 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]

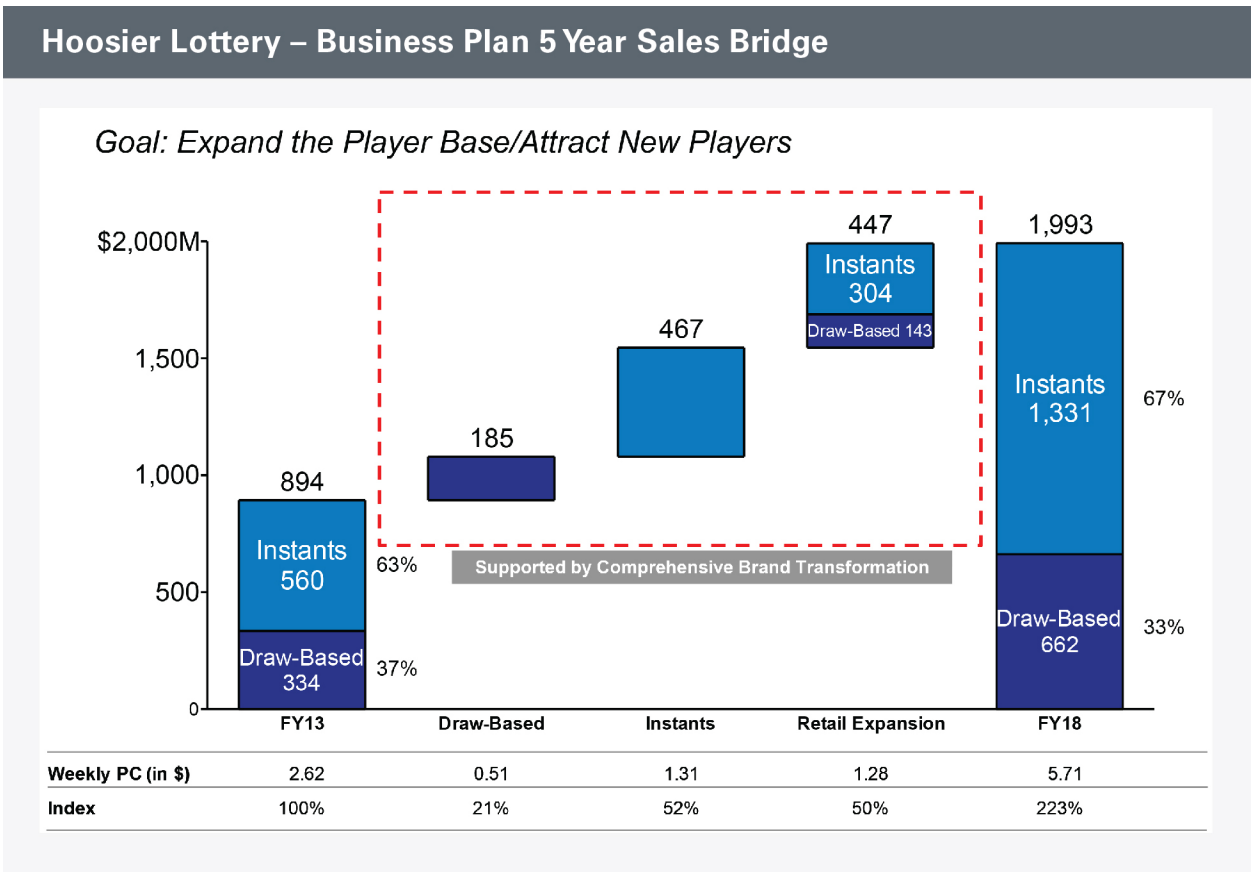
The **Major Growth Drivers** insert on the following page further details our in-depth analysis of the Indiana market, along with the principal actions embedded in our Plan. We elaborate on both later in our Response.

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**.

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:

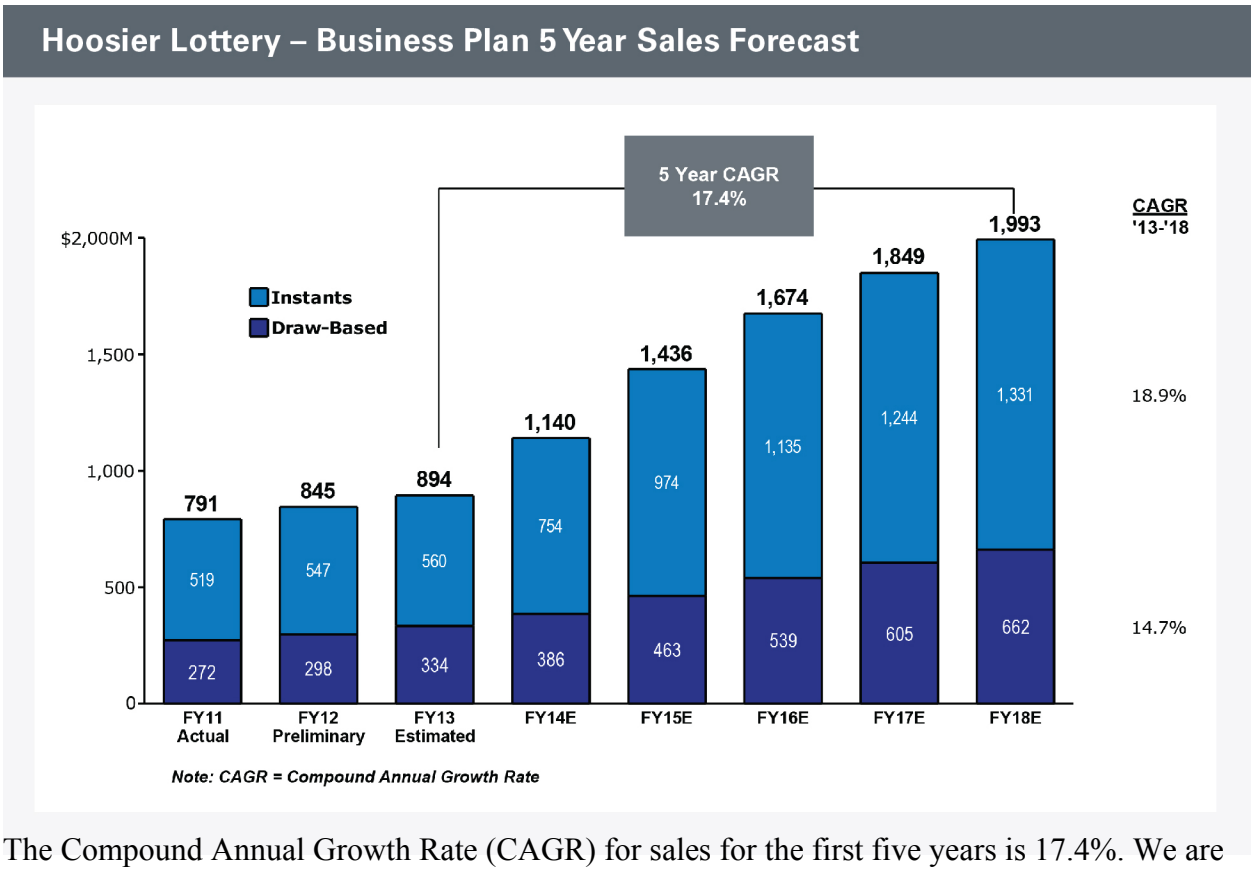


Major Growth Drivers

	Customer Base/ Brand Perception	Draw-Based Game Portfolio	Instant Game Portfolio	Retail Distribution Network	Communication
Situational Assessment	☑ 58% agree "*Lottery makes a positive contribution to State*" ☑ 53% agree "*games are run fairly/honestly*" Opportunity to Improve	☑ Quick Draw is US top-performing daily keno game ☑ Hoosier Lotto is 6th best in-state lotto game Opportunity to Improve	☑ #23 in US based on instant sales per capita ☑ Consistent instant game launch cycle ☑ Strong, disciplined in-store positioning Opportunity to Improve	☑ Excellent penetration of corporate chains (≥ 54% of total retailers) Opportunity to Improve	☑ Commitment to corporate chain communication. ☑ $13M spent in advertisement in FY12 - 90% on TV (outdoor < 8%, radio < 3%) - > 75% of TV are 30-sec. spots (< 25% are 15-sec. except Terre Haute) Opportunity to Improve
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:

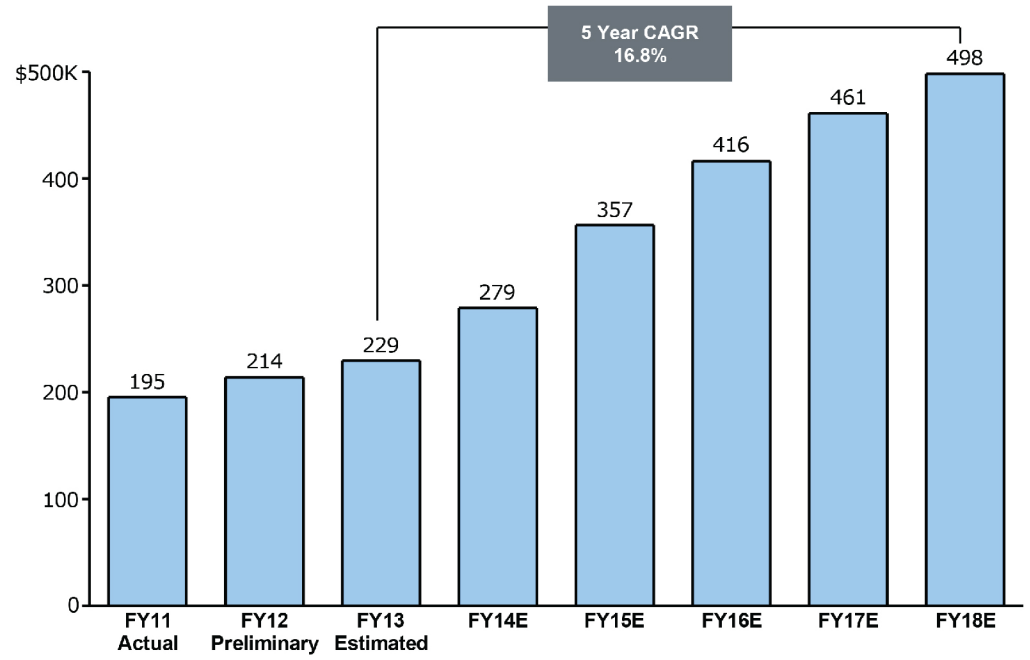
- Notwithstanding a three-month delay in contract signing, GTECH's Northstar grew sales in Illinois by 18% in its first year (FY12). In FY11, the Illinois Lottery already registered sales per capita nearly 50% stronger than those of the Hoosier Lottery ($176 annual sales per capita vs. $120).

- 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:

Hoosier Lottery – Business Plan 5 Year Provider Net Income Forecast

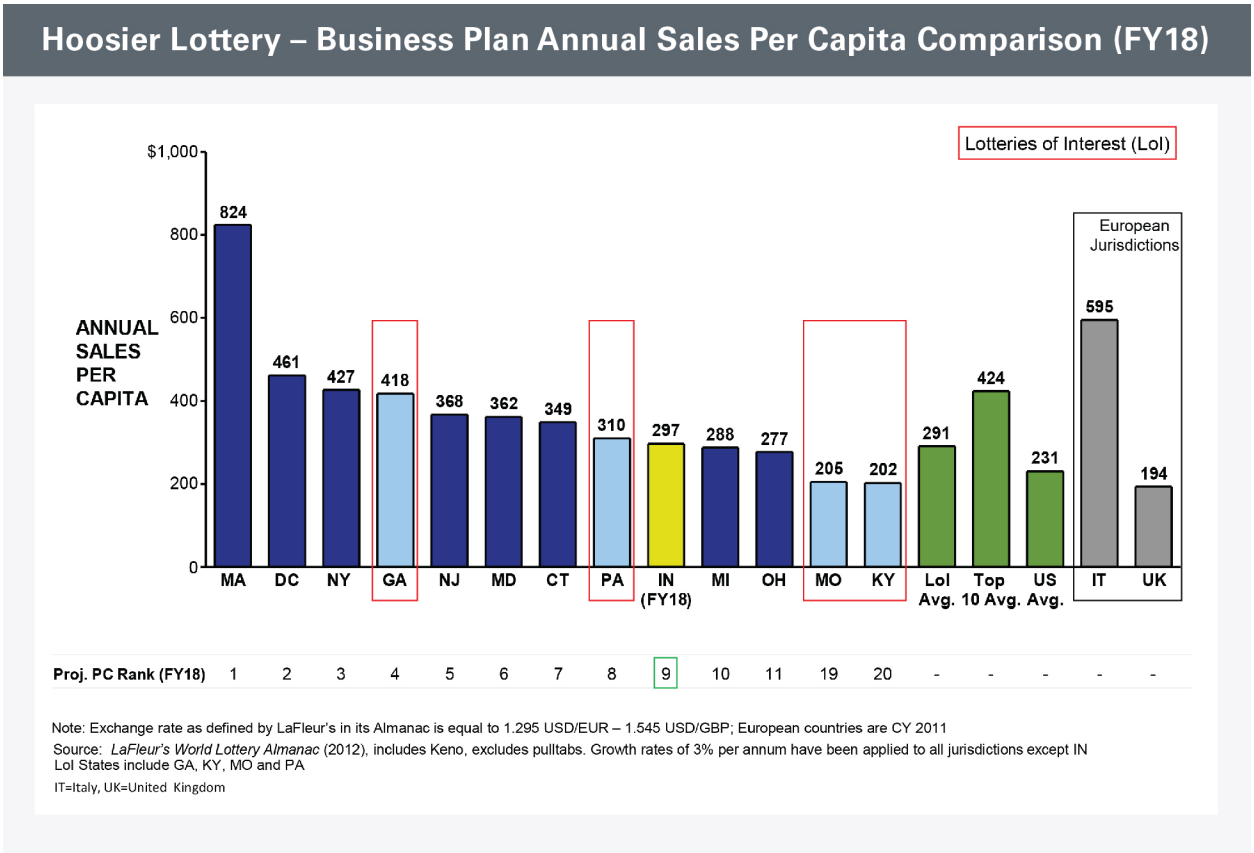


	FY11 Actual	FY12 Preliminary	FY13 Estimated	FY14E	FY15E	FY16E	FY17E	FY18E
YoY growth	4.3%	9.5%	7.3%	21.5%	27.9%	16.7%	10.8%	8.1%

**Provider Net Income as defined in the ISA is all revenue derived from the Lottery, less paid Prize Claims, commissions to Lottery Retailers and Operating Expenses determined in accordance with GAAP.*

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.

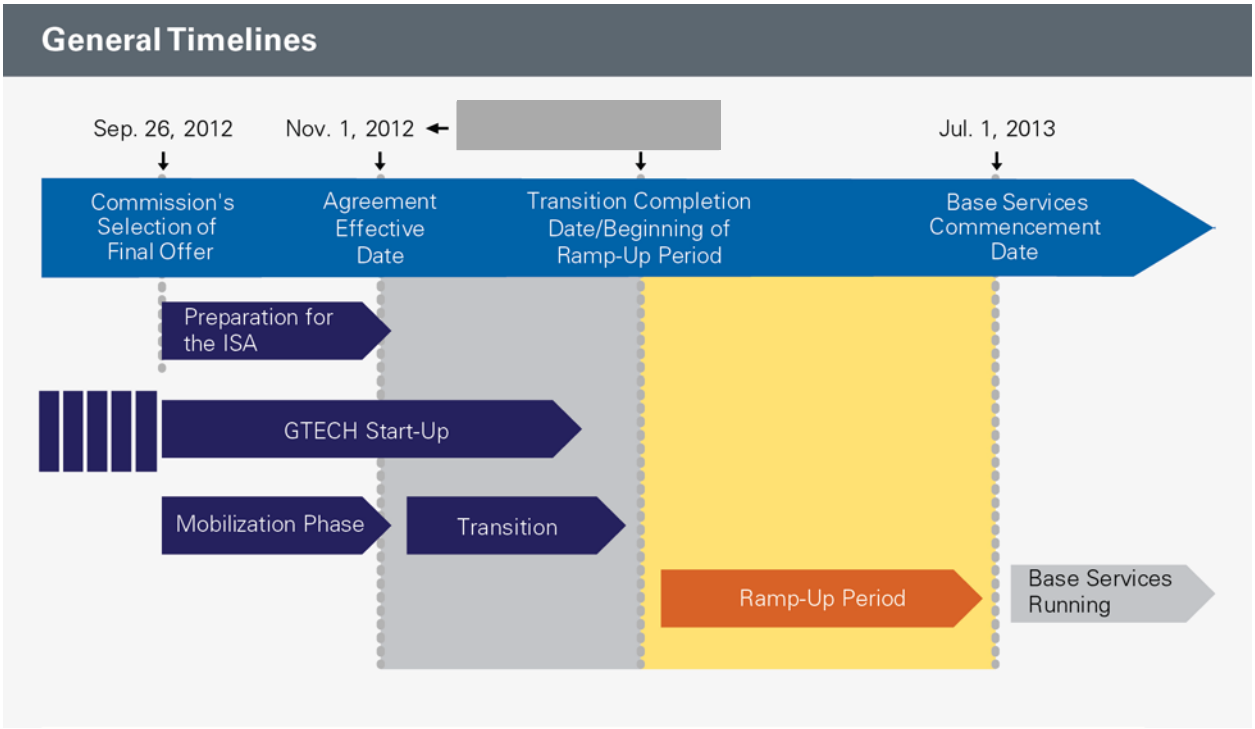
Minimal Execution Risk

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:

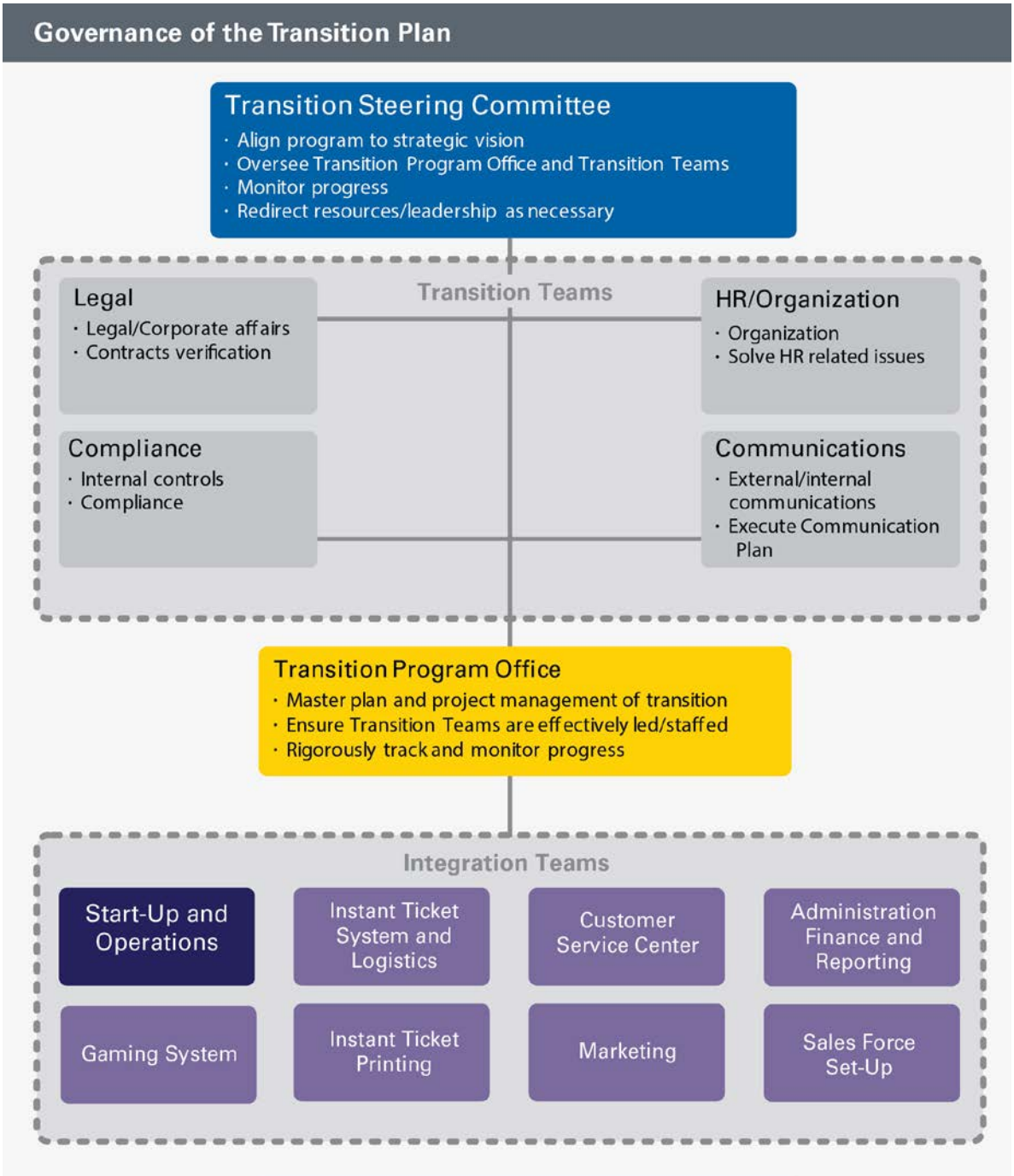
- We are the only Offeror that has managed a U.S. lottery's transition from a State-run to a private-manager model. As illustrated in the following figure, we have a well-ordered timeline that takes into account the Start-Up Phase, Transition Phase, and Ramp-Up Period.

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:


Governance of the Transition Plan
Transition Steering Committee
· Align program to strategic vision
· Oversee Transition Program Office and Transition Teams
· Monitor progress
· Redirect resources/leadership as necessary
Transition Teams
Legal
· Legal/Corporate affairs
· Contracts verification
HR/Organization
· Organization
· Solve HR related issues
Compliance
· Internal controls
· Compliance
Communications
· External/internal communications
· Execute Communication Plan
Transition Program Office
· Master plan and project management of transition
· Ensure Transition Teams are effectively led/staffed
· Rigorously track and monitor progress
Integration Teams
Start-Up and Operations
Instant Ticket System and Logistics
Customer Service Center
Administration Finance and Reporting
Gaming System
Instant Ticket Printing
Marketing
Sales Force Set-Up

- 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. In addition, we will be guided in this process by a distinguished Advisory Board representing diverse geographical and community interests in Indiana.

Advisory Board

Jo Ann M. Gora has served as Ball State University's president since 2004 and began serving a four-year term on the American Council on Education's Board of Directors in 2011. She is on the advisory committee for the executive arm of the Association of Governing Boards' Council of Presidents, of which she is a member. Ms. Gora was a charter member of *The New York Times*/*Chronicle of Higher Education* higher education cabinet. She chairs the Mid-American Conference Presidents' Council and co-chairs the Central Indiana Corporate Partnership, while serving on the boards of First Merchants Bank, Ball Memorial Hospital, and the Indiana Chamber of Commerce.

George F. McGinnis is a retired American professional basketball player, most notably with the Indiana Pacers of the American Basketball Association. A spokesperson for the Hoosier Lottery during its inaugural launch, Mr. McGinnis is visible in the community as a volunteer for numerous causes. He regularly speaks at Indiana schools, and is a volunteer for the annual Sickle Cell walk. Mr. McGinnis is also a local business owner, having founded GM Supply Company of Indianapolis in 1992.

Ian Rolland has been a community leader in the Fort Wayne area for more than 40 years. The former chairman and CEO of Lincoln National Corp., Mr. Rolland was recently honored by Governor Mitch Daniels with the 2012 Sachem Award, one of the state's highest honors. Well known for his philanthropic work and dedication to the community, Mr. Rolland sits on the board of more than a dozen non-profits and charities. He has chaired the board of regents for the Indiana Academy, and serves on the boards of prominent corporations, including NiSource and Bright Horizons Family Solutions. He also served as a director of the University of St. Francis from 1976 to 1995, and is treasurer for its board of trustees. He is a member of other higher education boards and is past board chair for DePauw University.

In addition to the three Hoosiers already identified, GTECH is seeking two additional board members to complete our goal of a five-member Advisory Board.

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.

Bobby Hatam, as Senior Director of Operations and Technology, will bring years of experience in technology, operations, business development, and management. Bobby joined GTECH in 1998, and led key technology, customized solution, and retailer base expansion and optimization initiatives for the California Lottery, in addition to his leading role through its 2003 conversion. Currently, as GTECH's Account Development Manager (ADM) for the Washington Lottery, he is responsible for creating new value and overseeing all provided services, and was responsible for the 2011 implementation of 1,000 next generation self-service terminals.

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.

Alan Eland, Senior Vice-President and Chief Operating Officer of GTECH North America, leads the company's growth efforts to provide lottery technology, service solutions, and operational management support to customers throughout North America, and is responsible for GTECH Printing Corporation (GPC), and Client Services. Since joining GTECH in 1985, he has held several roles of increasing responsibility. He was responsible for Speilo's day-to-day operations as Vice President and General Manager for GTECH's Gaming Solutions organization; oversaw the launch of the Texas Lottery and served as Account General Manager for GTECH Texas; and served as Regional Vice President, Eastern U.S. Operations, where he managed GTECH's largest region.

Stefano Monterosso, as GTECH's Senior Vice-President, Marketing Operations, oversees the collaboration between GTECH's business units and marketing teams, with the goal of further integrating product development, advertising, and marketing. He brings more than 20 years of engineering, business development, analytics, and consulting experience, having worked for Procter & Gamble supporting retail development and promotional programs; the European Space Agency in the Netherlands in mission analysis for future spacecraft launches; the United Nations in New York City; and the Italian National Bank in Information Technology. Prior to joining GTECH in July 2011, he served for 16 years as Associate Partner with Bain & Company in Rome, where he contributed to a number of successful growth initiatives – including the development of Lottomatica's lottery, betting, and gaming machines, and the Lottomatica Group's successful Sport Betting (2007), Gratta e Vinci (2009), and Illinois Private Manager (2010) bids. In his current role, Mr. Monterosso is responsible for the expansion of GTECH's operator sales, as well as the development of consumer and retail insights for a full range of global gaming opportunities.

Connie Laverty O'Connor, in addition to her role as Transitional CEO for the Hoosier Lottery, will continue her involvement as a member of the Board of Directors. As Senior Vice President and Chief Marketing Officer of GTECH Corporation, Mrs. Laverty O'Connor helps to drive the company's overall strategic direction. She is responsible for the review and enhancement of marketing processes, measurements, and information systems, and identifies market trends and long-range market opportunities for product development, content development, sales, and potential acquisitions. Mrs. Laverty O'Connor spent more than 30 years with the New York Lottery – her final 14 as Director of Marketing and Sales. She then served as Chief Operating Officer of the Georgia Lottery Corporation before joining GTECH in 2006.

Scott Gunn, Senior Vice-President of Global Government Relations and U.S. Business Development, is responsible for GTECH's worldwide government relations leadership and strategy. He works with government officials and provides them with GTECH's perspective on the implications of lottery private management in the United States, and guides the company's network of government relations resources in the maintenance of appropriate relationships with policymakers. Mr. Gunn also leads GTECH's U.S. Business Development organization to ensure that we are aligned with, and positioned to support, our customers' objectives. Mr. Gunn will work closely with GTECH's Indiana Board of Advisors and our other local representatives to ensure GTECH's activities in Indiana are aligned with the views and direction of government policy makers.

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.

Please see the DVD included in this Response for more about the people, resources, initiatives, and community commitment that compose our vision for the Hoosier Lottery.

2.0 GTECH Overview

As summarized in the Executive Summary, GTECH and Lottomatica, together, represent the most successful lottery operator in the world, with combined experience as a lottery provider that extends across three continents, including experience as:

- The first private manager in the U.S., in Illinois.
- The world's largest lottery operator in Italy.
- Lottery operator in additional countries in Europe and Latin America.

GTECH is also an established extended services partner, providing lottery technology, operations, marketing, and sales force management to lotteries in the U.S. and in countries such as Ireland, Finland, and Chile. GTECH has a global presence and conducts business with customers throughout North America, South America, Europe, Africa, Asia, and Australia.

The following figures represent GTECH's expansive experience, from operator to technology supplier for lotteries around the world.

Figure 2.0 – 1:

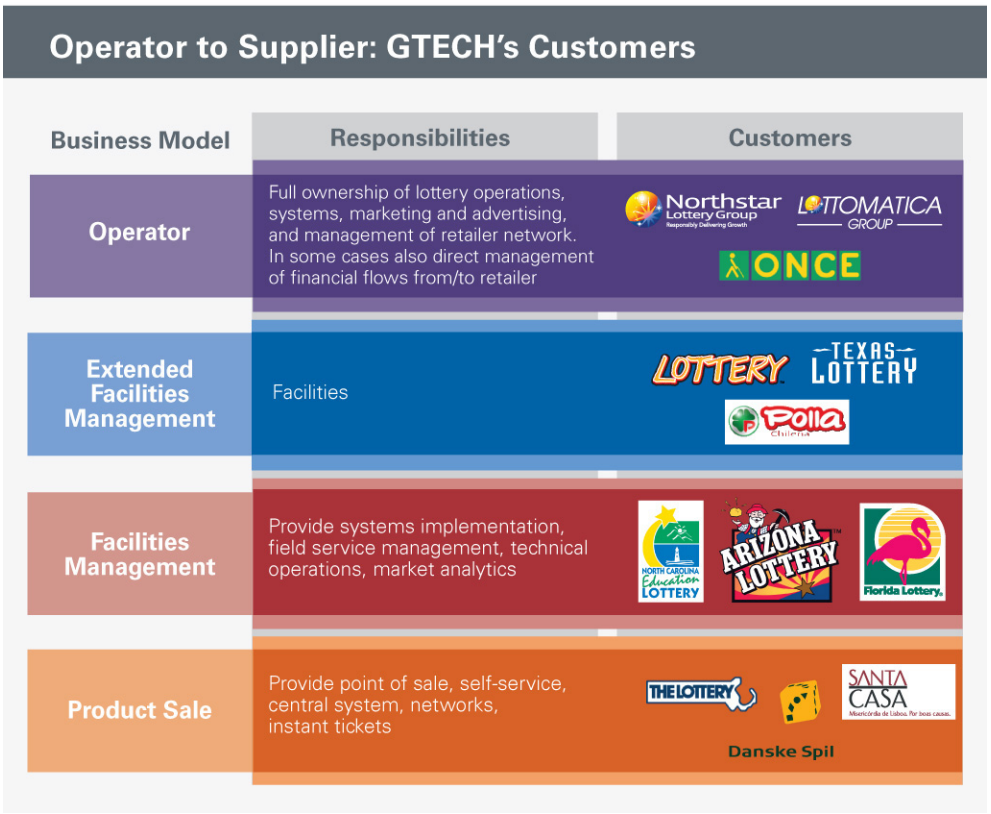
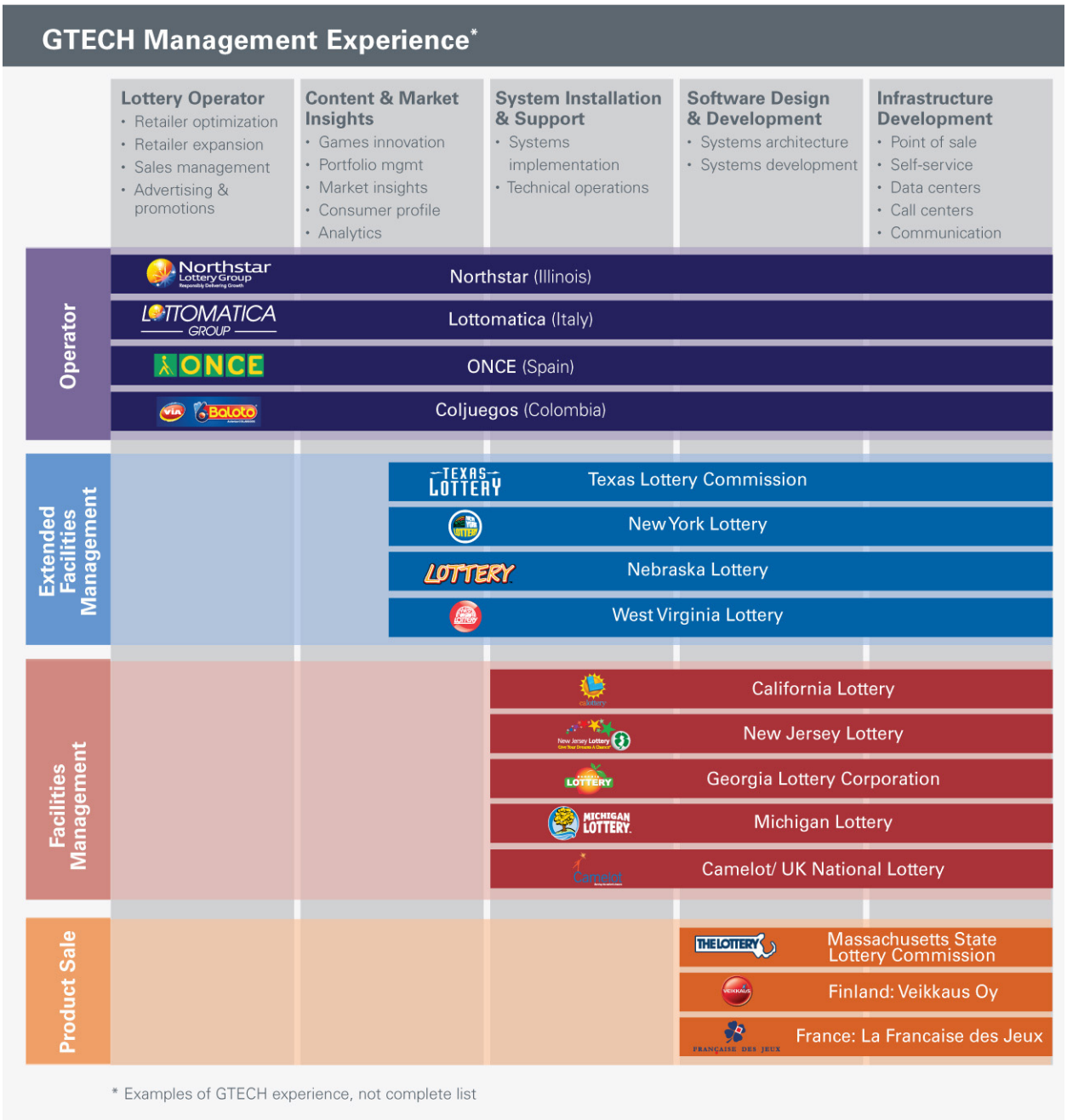


Figure 2.0 – 2:



For more information on GTECH's management experience, as well as results, case studies, and examples, please see Section 6.0, Supporting Experience.

GTECH began operations in 1980. It has since evolved into a global, full-service lottery technology, marketing, operations, and game development company. As part of the Lottomatica Group, GTECH offers an integrated business model that includes lottery operations, gaming systems, instant game production and services, interactive gaming, sports betting, and video lottery terminals.

A full-service provider of lottery solutions and services, GTECH has access to a full range of solutions through four principle business units:

- **GTECH Lottery:** Provides a full range of operational, technological, and marketing services to government-sponsored lotteries, including private management and full operator services.
- **GTECH Printing Corporation:** Provides instant tickets and related services, including game design, consultancy, and instant ticket production, to government-sponsored lotteries.
- **GTECH G2:** Provides games and operational services that utilize Internet and mobile distribution channels. Its portfolio includes lottery, bingo, poker, sports betting, and casino games.
- **SPIELO International:** Operates and provides solutions, products, and services relating to video lottery terminals and associated systems for the government-sponsored market. Supplies video and traditional mechanical reel slot machines and systems for commercial gaming markets.

GTECH also works closely with Lottomatica's Italian operations division, which operates throughout Italy and has a record of success in responsible gaming, instant tickets, draw games, sports betting, gaming machines, interactive gaming, and commercial services.

GTECH is a financially sound and fiscally responsible company. It has 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 and are the **only investment-grade company in the industry**; Lottomatica's credit ratings are detailed in the section entitled Demonstration of Availability of Financial Resources (the section is located behind the tab with the same name).

With its financial strength and stability, GTECH is well positioned to serve as the Provider to the Hoosier Lottery for the duration of the term contemplated by the RFI. GTECH has available financial resources that it can and will make available as the Provider sufficient to permit the Provider to provide the Services and meet its obligations under the Integrated Services Agreement and the GTECH Base Business Plan.

An Offeror's ability and willingness to operate with a high degree of transparency is as important to the Hoosier Lottery's long-term success as is the Offeror's experience and past performance. We understand that a successful relationship between the Provider and the Commission will require the highest level of transparency, as well as considerable collaboration. We also understand that the service level provided by the Provider can impact all of the stakeholders to whom the Commission is accountable (including Lottery Retailers, players, and the beneficiaries of the programs supported by Hoosier Lottery proceeds) and that those stakeholders will demand accountability from the Commission first and foremost. Working collaboratively, the Commission and GTECH will ensure that all Hoosier Lottery operations are transparent, allowing the Commission to continue to effectively manage its business and maintain its positive reputation with all stakeholders.

GTECH operates in accordance with a comprehensive compliance program to ensure the integrity and accountability of its gaming operations and other activities. We have obtained and currently maintain more than 30 gaming licenses with gaming regulatory boards throughout North America. Neither GTECH nor any of its Key Persons have ever had a gaming license denied, suspended, or revoked.

With complex operations, games, marketing activities, and a robust Lottery Retailer network, the Hoosier Lottery deserves a Provider with the right experience and expertise to meet its needs. GTECH's capability as a lottery provider/operator, experience as an integrated gaming operations supplier, sound financial position, and transparent performance offers a holistic approach that is designed, along with the GTECH Business Plan, to enable the Commission to meet and exceed its business objectives.

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	1st – 3rd Quarter of FY12
Hoosier Lottery Tracking Study Dashboards	1st – 3rd Quarter of FY12
Hoosier Lottery Cross-Sell Analysis	Through 2010
Hoosier Lottery Satisfaction Insight Review	1st July – 31st October 2011 1st 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	3rd Quarter 2011 – 2nd 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] 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:

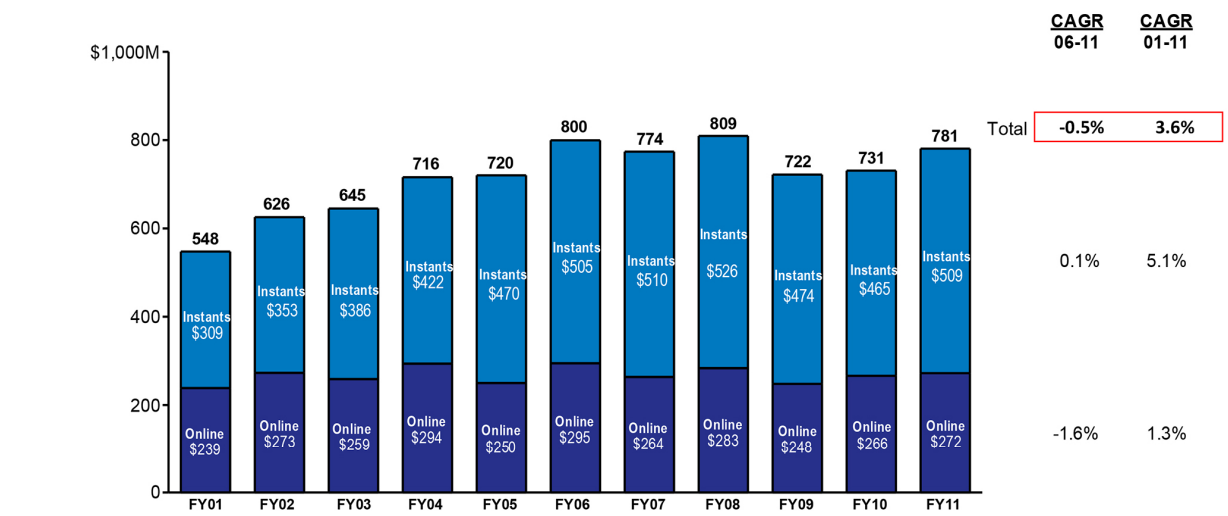
  - Promote sharing of GTECH's knowledge and experience with its partners to identify the best solutions.
  - Allow for quick and proper strategy implementation through coordination of business functions.
  - Minimize operational risks.
  - Enable more effective and efficient operations.

Situational Assessment

The Hoosier Lottery is a respectable brand with generally positive perceptions: 58% of Hoosiers agree that the Hoosier Lottery "makes a positive contribution to Indiana" and 53% believe that "games are run fairly/honestly."

Total sales in the last 10 years have grown at a Compound Annual Growth Rate (CAGR) of 3.6%. This has primarily been driven by instant ticket growth, which benefitted from a significant payout increase in the early 2000s, as illustrated in the following figure:

Figure 3.0 – 1: Hoosier Lottery Sales (FY01 – FY11)

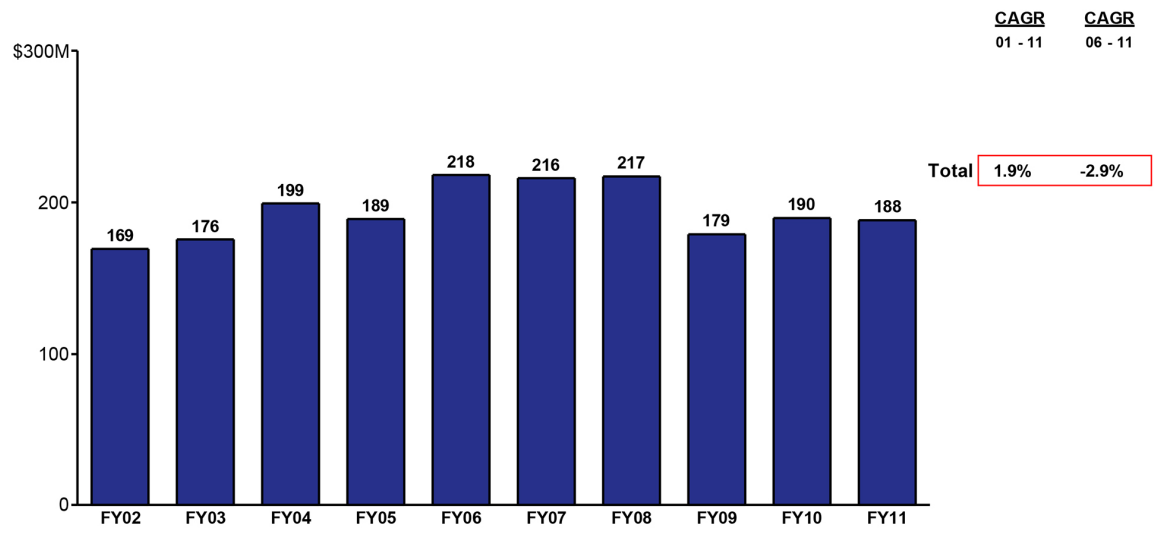


	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Online Payout:	50%	50%	48%	49%	48%	49%	49%	50%	51%	51%	52%
Instants Payout:	63%	63%	65%	66%	68%	67%	68%	68%	67%	68%	69%
Total Payout:	**58%**	**59%**	**60%**	**60%**	**61%**	**61%**	**61%**	**61%**	**62%**	**62%**	**63%**

Source: *LaFleur's World Lottery Almanac* (2012), Pulltab not included

In the last five years, Hoosier Lottery sales have stagnated. One compelling reason for the downturn in the positive growth trend is the economic decline in FY09 and FY10. The evolution of net income has been less favorable due to the payout increase in instant games and the shift of the sales mix toward less-profitable high-priced games.

Figure 3.0 – 2: Hoosier Lottery Profit (FY02 – FY11)



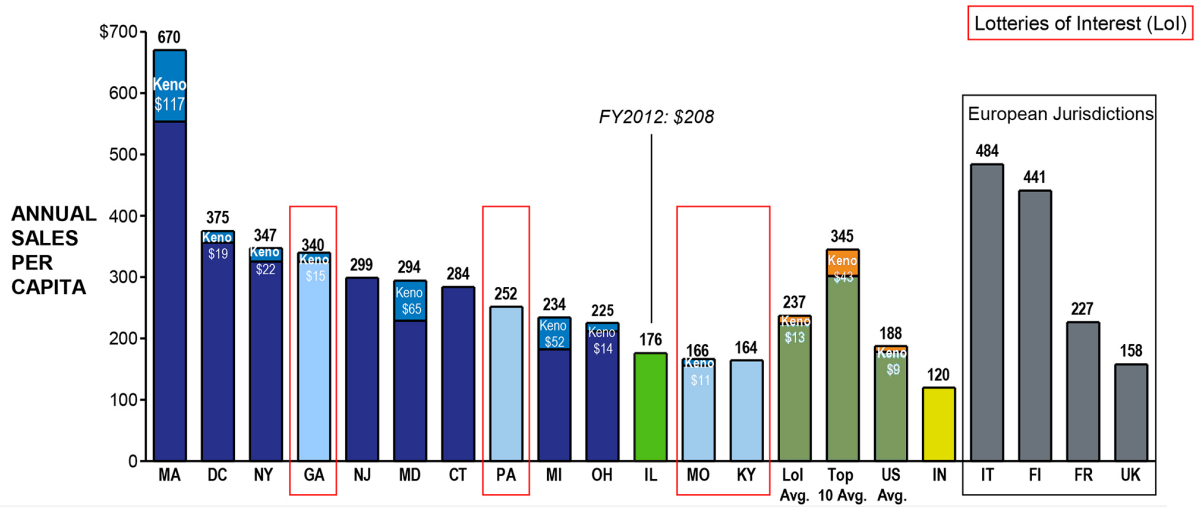
Total Sales ($M):	626	645	716	720	800	774	809	722	731	781

Source: *LaFleur's World Lottery Almanac* (2012), Pulltab not included

With total annual per capita sales of $120 at the end of FY2011, the Hoosier Lottery ranked 26th out of 44 lotteries in the U.S. This is:

- 36% lower than the U.S. average.
- 44% lower than the average of Lotteries of Interest, as defined by Hoosier Lottery, excluding other states' total keno sales, where present.

Figure 3.0 – 3: Benchmark of Annual per Capita Sales

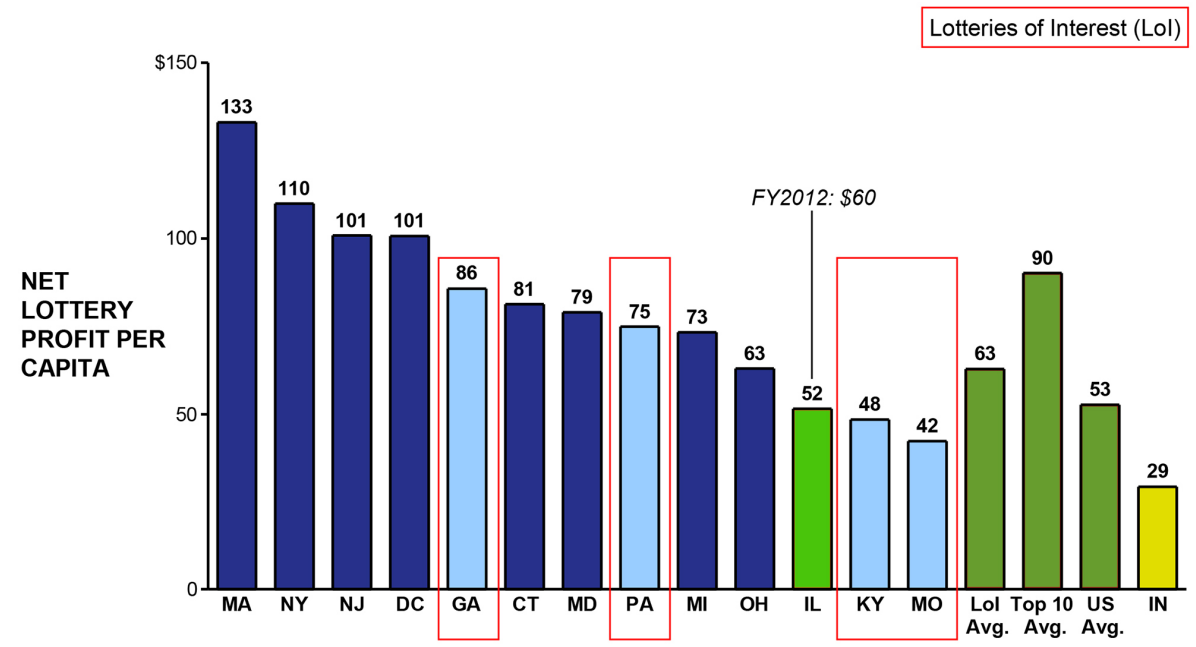


	MA	DC	NY	GA	NJ	MD	CT	PA	MI	OH	IL	MO	KY	LoI Avg.	Top 10 Avg.	US Avg.	IN	IT	FI	FR	UK
Total US Rank:	1	2	3	4	5	6	7	8	9	10	15	18	19	-	-	-	26	2*	2*	10*	22*
Total Lottery Sales ($B):	4.4	0.2	6.8	3.3	2.6	1.7	1.0	3.2	2.3	2.6	2.3	1.0	0.7	2.0	2.8	1.3	0.8	29.6	2.3	14.8	9.9

*Ranking if jurisdiction was part of the US
LoI States include GA, KY, MO and PA
FI = Finland, IT=Italy, FR= France, UK=United Kingdom
Source: *LaFleur's World Lottery Almanac* (2012), includes Keno, excludes pulltabs
Note: Exchange rate as defined by LaFleur's in its Almanac is equal to 1.295 USD/EUR – 1.545 USD/GBP; European countries are CY 2011

With total per capita profit of $29 in FY11, Hoosier Lottery ranked 27th U.S., 45% lower than the $53 U.S. average.

Figure 3.0 – 4: Benchmark of Annual Profit per Capita



Source: *LaFleur's World Lottery Almanac* (2012)
Note: Net Lottery Profit = Ticket Sales – Prizes – Agent Comm. – Expenses
LoI States include GA, KY, MO and PA

The opportunity to expand the market is also confirmed by indicators such as:

- **Playership in the Past Year:** Indiana's is 60% compared to the best-practice level of 75 to 80%.
- **Playership in the Past Months:** Indiana's is 47% compared to the best-practice level of between 60 and 65%.
- **Unaided Game Awareness:** Indiana's is 63% compared to the best-practice level of 78%.

Figure 3.0 – 5: Benchmark of Playership

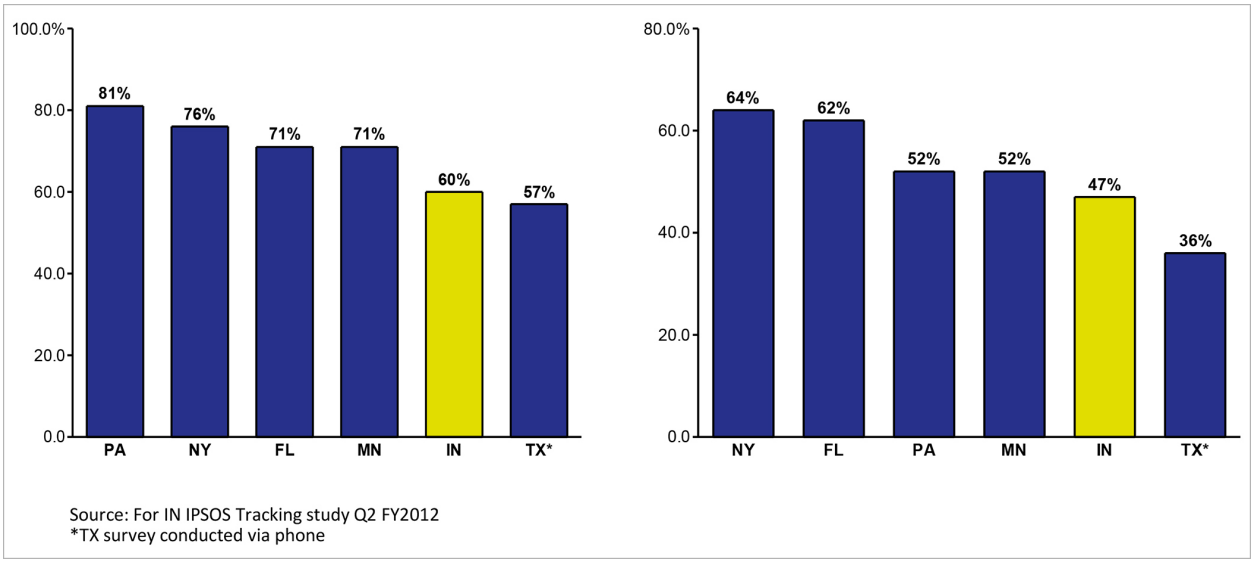
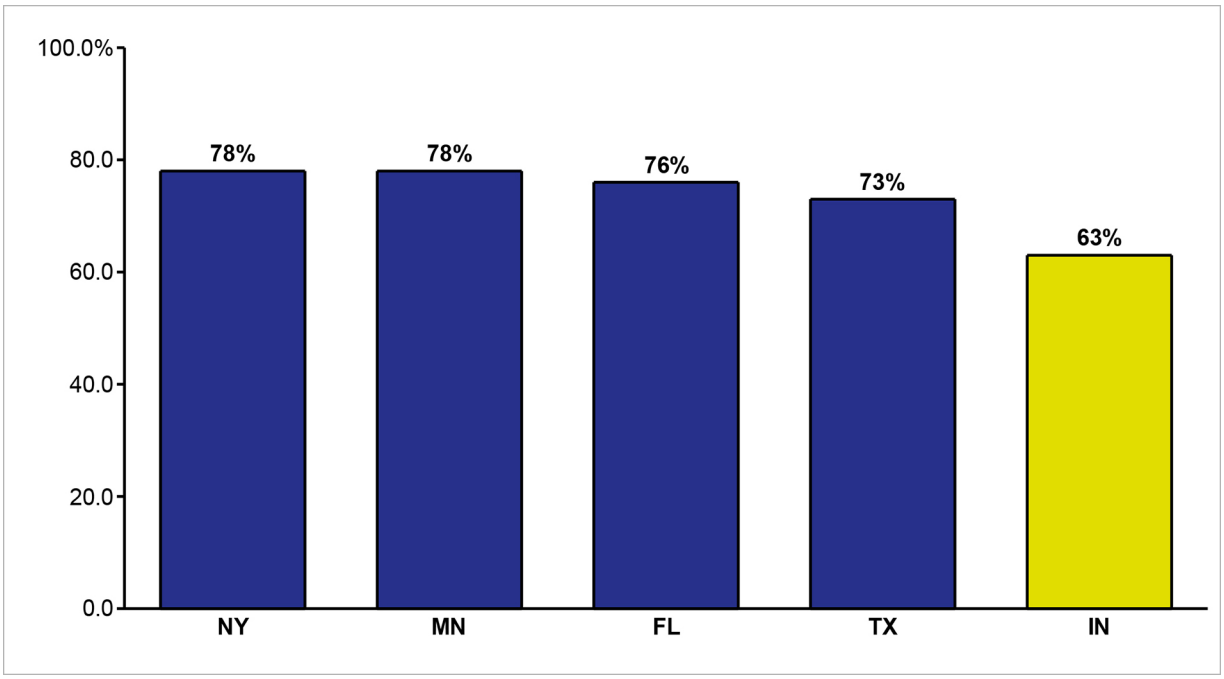
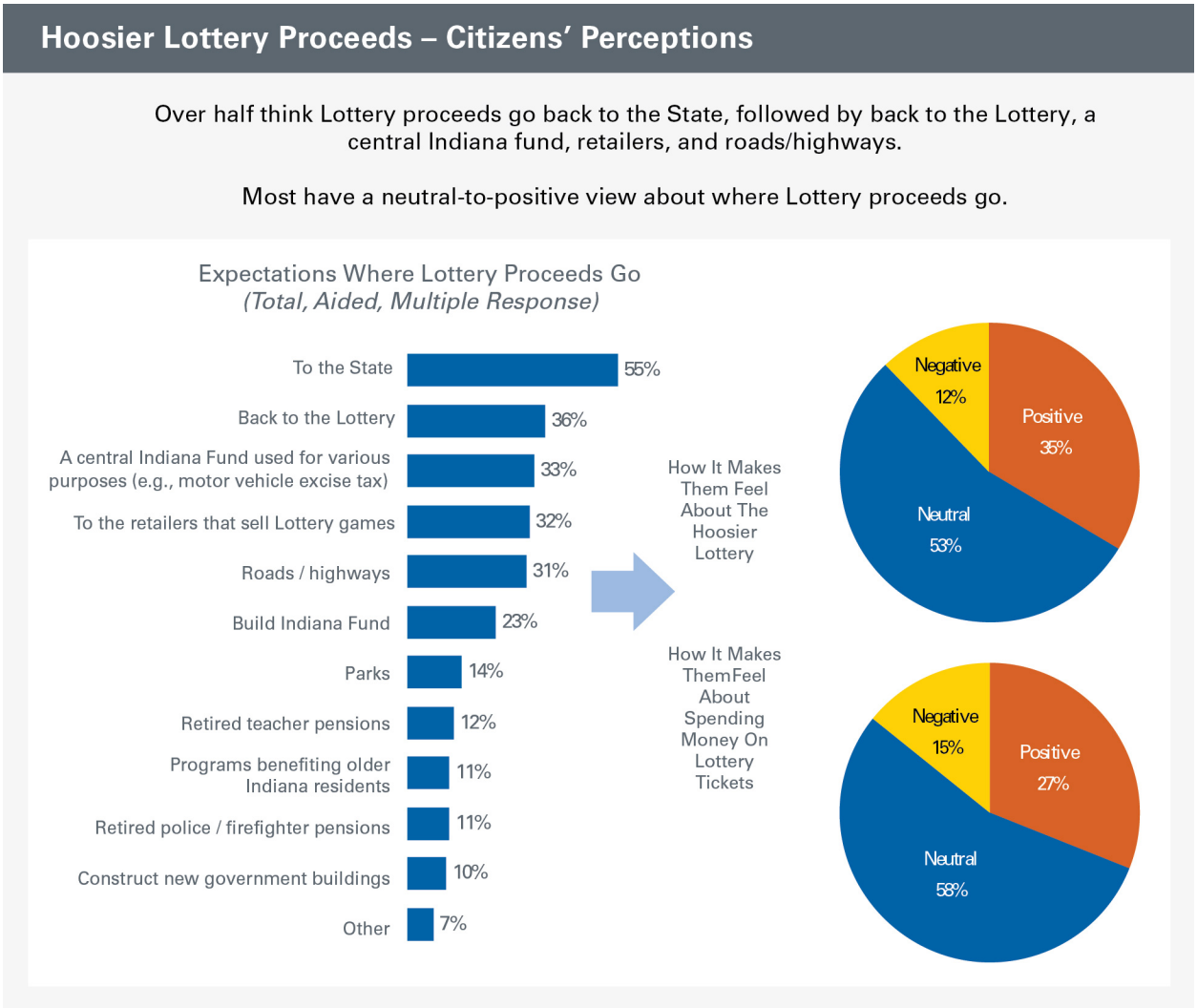


Figure 3.0 – 6: Benchmark of Game Awareness



One of the factors that impacts the perception of the Lottery among Hoosiers is that few of them, relative to other U.S. states, know where Lottery proceeds go, as highlighted in the following figure.

Figure 3.0 – 7:



Other key evidence from our Attitude & Usage (A&U) study is summarized in the table below.

Figure 3.0 – 8:

Indiana A&U Key Findings

Operational Credibility	• 53% Believe that the games are run fairly/honestly • 57% Agree that the Lottery markets its games to adults only
Lottery Image	• 50% Positive (20% of non-players have a positive opinion) • 50% Neutral/negative
Lottery Relevance	• 41% Believe the Lottery provides entertainment value for the dollar • 34% Fun and entertaining • 32% Innovative and modern
Lottery Brand	• 35% Believe the Lottery is for people like me • 48% Lottery is part of life in Indiana
Where the Money Goes	• 58% Agree that the Lottery makes a positive contribution to the State
Lottery Advertising Awareness	• 51% Recall of advertising/promotions in the past month • 61% Recall among current players • 42% Recall among non-players
Player Spending	• 27-42% Spending less past 6 months • 52-65% Spending the same past 6 months • 5-14% Spending more past 6 months
Game Awareness	• 78% Scratch-Offs • 75% Powerball • 71% Hoosier Lotto • 59% Mega Millions • 40% Daily 3 • 39% Daily 4 • 24% Tag 6 • 24% Mix and Match
Purchase Driver and Location	• 46% Impulse/unplanned purchase • 78% Purchase at C-store with gas • 41% Purchase at supermarkets/large grocery stores • 16% Purchase via ITVM
Play Motivators	• 63% *"The chance to win a little money"* • 53% *"Dream about winning big"* • 51% *Entertainment/fun* • 50% *Scratching the ticket* • 42% *Feeling lucky*

Source: K&R, Attitude & Usage research, July 2012

In our Business Plan, we will discuss additional factors that are preventing the Hoosier Lottery from reaching its full potential, including:

- The insufficient Lottery Retailer penetration of one Lottery Retailer for every 1,655 inhabitants compared to the U.S. best-practice level of approximately 1:1,000. (We provide details on this topic in the Retailer Expansion and Optimization section of the Business Plan.)
- The opportunity to improve exterior Lottery signage and visual merchandising materials.
- The fact that in-store jackpot signage is prominent in only a limited number of Sales Maker locations (approximately 11 locations statewide).
- The fact that some of the draw games offered in the current portfolio are marginal. We have identified alternatives that will increase sales/profit. (We provide further details on this topic in the Draw-Based Games Innovation section of the Business Plan.)
- The opportunity to improve the consistency of instant ticket inserts, extend the full-card display, and replace the miniature cards still found at some Lottery Retailers. (We provide further details on this topic in the Instant Game Innovation section of the Business Plan.)
- The need to update/improve old, faded vending machine graphics and Duratran.

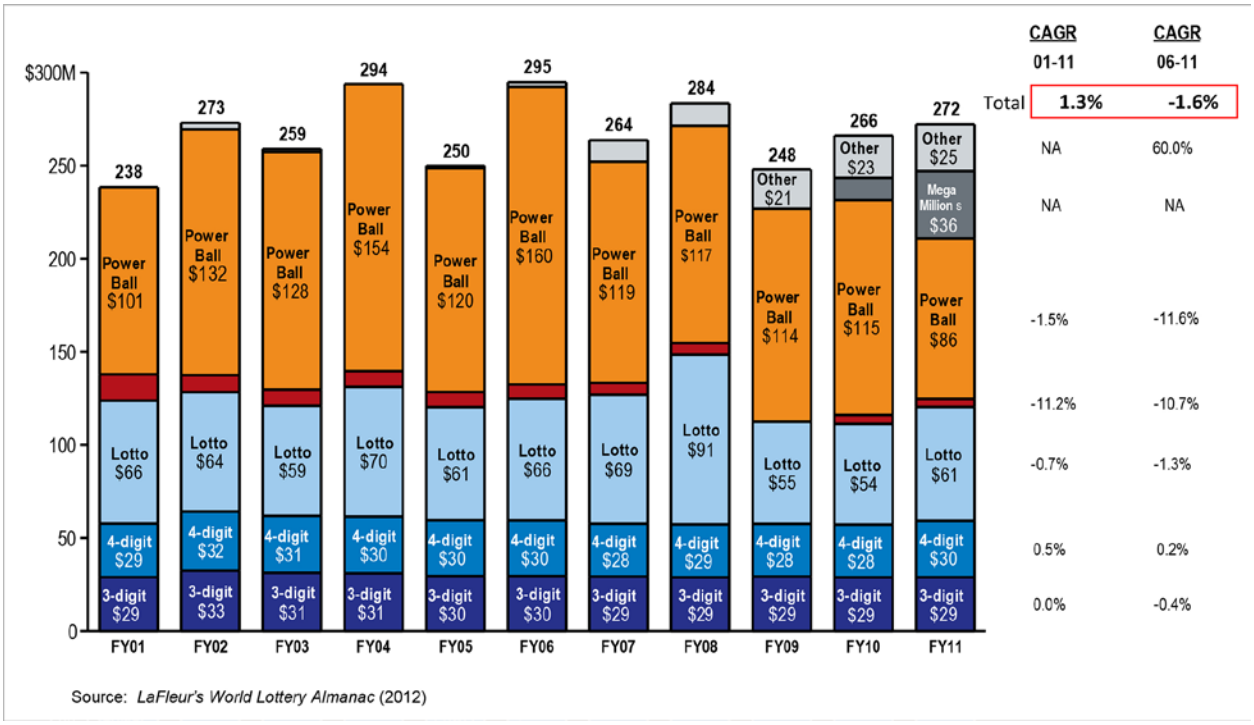
The above-mentioned findings suggest that there is an opportunity to increase Hoosier Lottery sales performance to improve its positioning compared to U.S. best-practice jurisdictions. The following sections of the Business Plan contain additional analysis and proposed actions that will support the long-term growth of the Hoosier Lottery and deliver the greatest value to the State of Indiana.

Draw-Based Game Innovation

Situational Assessment

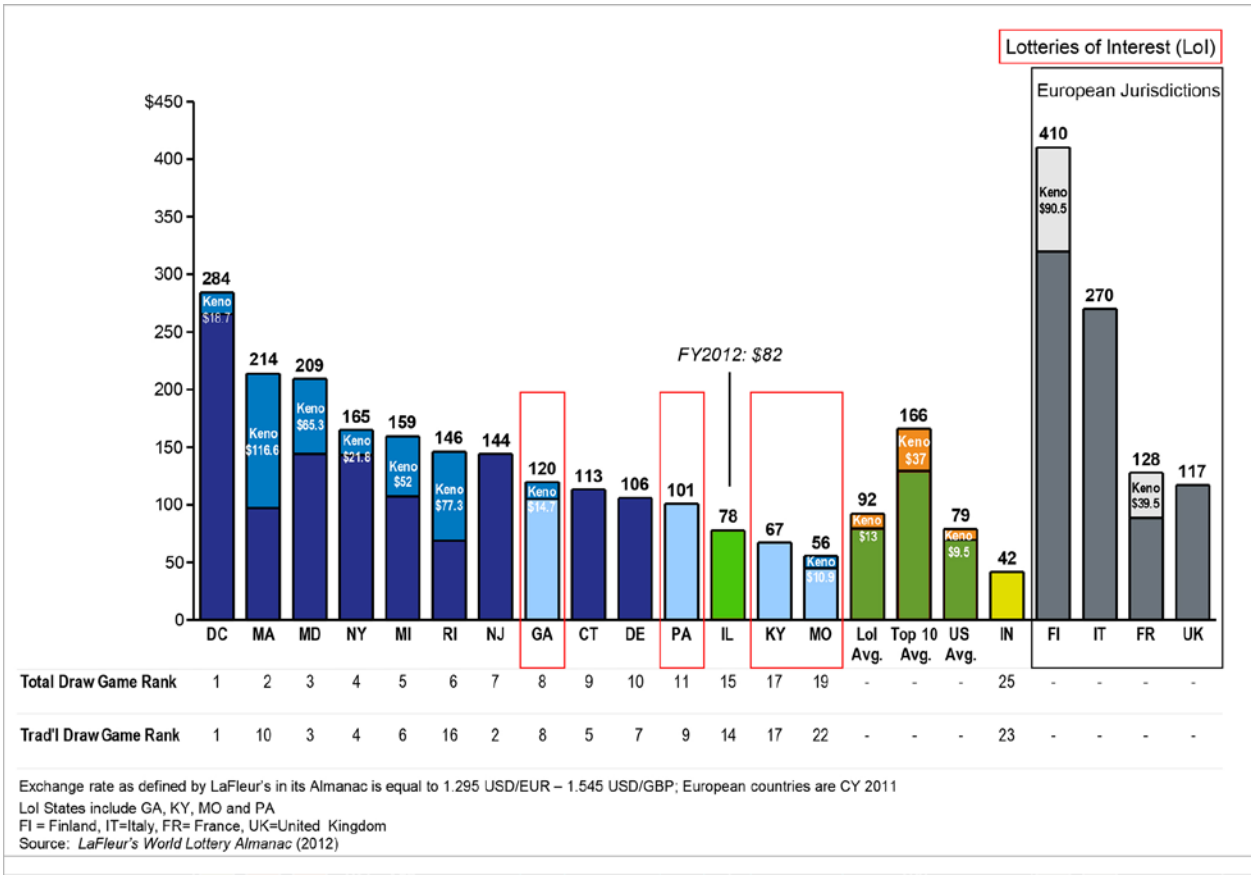
The Hoosier Lottery has achieved steady growth over the last three years, reaching $272 million in draw-based game sales in FY11. Driven by a strong in-state Lotto game, consistent daily numbers game performance, the top-performing daily keno game in the country, and a loyal following for the two multi-jurisdiction 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

Quartile	Jurisdiction	2011 Average Weekly Cash Sales
1	Florida	$0.36
	Connecticut	$0.31
	New Jersey	$0.31
	Pennsylvania	$0.28
	New York	$0.27
	Massachusetts	$0.25
	Illinois	$0.17
	Wisconsin	$0.16
	Georgia	$0.16
	North Carolina	$0.12
2	Nebraska	$0.11
	Kansas	$0.11
	Rhode Island	$0.11
	Ohio	$0.10
	Michigan	$0.10
	Minnesota	$0.10
	Missouri	$0.09
	South Carolina	$0.09
	Texas	$0.09
	California	$0.08
3	Montana	$0.08
	Colorado	$0.07
	Maryland	$0.07
	New Mexico	$0.07
	Washington	$0.06
	Tennessee	$0.06
	Virginia	$0.06
	South Dakota	$0.06
	West Virginia	$0.06
	New Hampshire	$0.05
4	Maine	$0.05
	Vermont	$0.05
	Kentucky	$0.05
	Arizona	$0.04
	Louisiana	$0.04
	Idaho	$0.04
	Delaware	$0.03
	Iowa	$0.02
	Oklahoma	$0.02
	Indiana	**$0.01**

Lotto

Quartile	Jurisdiction	2011 Average Weekly In-State Lotto Sales
1	Florida	$0.44
	Maine	$0.24
	Vermont	$0.23
	California	$0.22
	Oregon	$0.21
	Indiana	**$0.18**
2	Colorado	$0.17
	Illinois	$0.17
	New York	$0.16
	New Jersey	$0.16
	Washington	$0.15
	Connecticut	$0.15
3	New Hampshire	$0.14
	Louisiana	$0.14
	Texas	$0.13
	Delaware	$0.10
	Pennsylvania	$0.10
	Arizona	$0.09
4	Maryland	$0.09
	Michigan	$0.09
	Massachusetts	$0.09
	Ohio	$0.08
	Wisconsin	$0.08
	Missouri	$0.08
	Kentucky	$0.03

Daily Keno

Quartile	Jurisdiction	2011 Average Weekly Daily Keno Sales
	Indiana	**$0.06**
	New York	$0.03
	Michiga	$0.02
	Washington	0.02
	Ohio	0.01$
	Montana	0.01

Multi-State

Quartile	Jurisdiction	2011 Average Weekly Multi-State Lotto Sales
1	New Jersey	$0.81
	Rhode Island	$0.74
	District of Columbia	$0.73
	Delaware	$0.68
	New York	$0.66
	Louisiana	$0.59
	New Hampshire	$0.59
	South Carolina	$0.54
	Pennsylvania	$0.54
	Maryland	$0.54
	Connecticut	$0.52
2	Idaho	$0.50
	West Virginia	$0.49
	Michigan	$0.49
	Kentucky	$0.48
	Virginia	$0.48
	Massachusetts	$0.48
	Nebraska	$0.45
	Florida	$0.44
	Georgia	$0.43
	Iowa	$0.43
	North Carolina	$0.43
3	North Dakota	$0.43
	Arizona	$0.41
	Illinois	$0.41
	South Dakota	$0.41
	Ohio	$0.41
	Tennessee	$0.40
	New Mexico	$0.39
	Oklahoma	$0.39
	Missouri	$0.38
	Arkansas	$0.38
	Colorado	$0.38
4	**Indiana**	**$0.37**
	Maine	$0.37
	Vermont	$0.37
	Montana	$0.35
	Wisconsin	$0.32
	Minnesota	$0.32
	Kansas	$0.31
	California	$0.27
	Texas	$0.27
	Oregon	$0.26
	Washington	$0.26

Pick 3

Quartile	Jurisdiction	2011 Average Weekly Pick 3 Lotto Sales
1	District of Columbia	$1.63
	New Jersey	$0.93
	Georgia	$0.89
	New York	$0.86
	Maryland	$0.84
	Connecticut	$0.66
	Michigan	$0.63
	Ohio	$0.59
	Virginia	$0.57
2	South Carolina	$0.56
	Pennsylvania	$0.54
	Kentucky	$0.53
	Delaware	$0.52
	North Carolina	$0.50
	Illinois	$0.42
	Florida	$0.31
	Louisiana	$0.21
	Texas	$0.21
3	Missouri	$0.20
	Tennessee	$0.17
	West Virginia	$0.09
	Indiana	**$0.09**
	Wisconsin	$0.08
	New Hampshire	$0.08
	Maine	$0.08
	California	$0.07
	Minnesota	$0.05
4	Washington	$0.05
	Vermont	$0.05
	Iowa	$0.04
	Kansas	$0.04
	Arkansas	$0.04
	New Mexico	$0.03
	Nebraska	$0.03
	Oklahoma	$0.03
	Arizona	$0.02
	Idaho	$0.02

Pick 4

Quartile	Jurisdiction	2011 Average Weekly Pick 4 Lotto Sales
1	District of Columbia	$2.02
	Massachusetts	$0.99
	Maryland	$0.85
	New York	$0.79
	Michigan	$0.70
	New Jersey	$0.55
	Connecticut	$0.54
	Virginia	$0.51
2	Rhode Island	$0.45
	Delaware	$0.38
	Georgia	$0.37
	Pennsylvania	$0.37
	Ohio	$0.34
	Illinois	$0.29
	South Carolina	$0.27
	Florida	$0.24
3	North Carolina	$0.16
	Louisiana	$0.16
	Kentucky	$0.16
	Missouri	$0.10
	Indiana	**$0.09**
	Tennessee	$0.08
	New Hampshire	$0.07
	Maine	$0.06
4	West Virginia	$0.05
	Texas	$0.05
	Wisconsin	$0.04
	Vermont	$0.04
	Arkansas	$0.02
	Iowa	$0.02
	California	$0.01
	Oklahoma	$0.01
	Oregon	$0.01

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
Draw-Based Games	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

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:

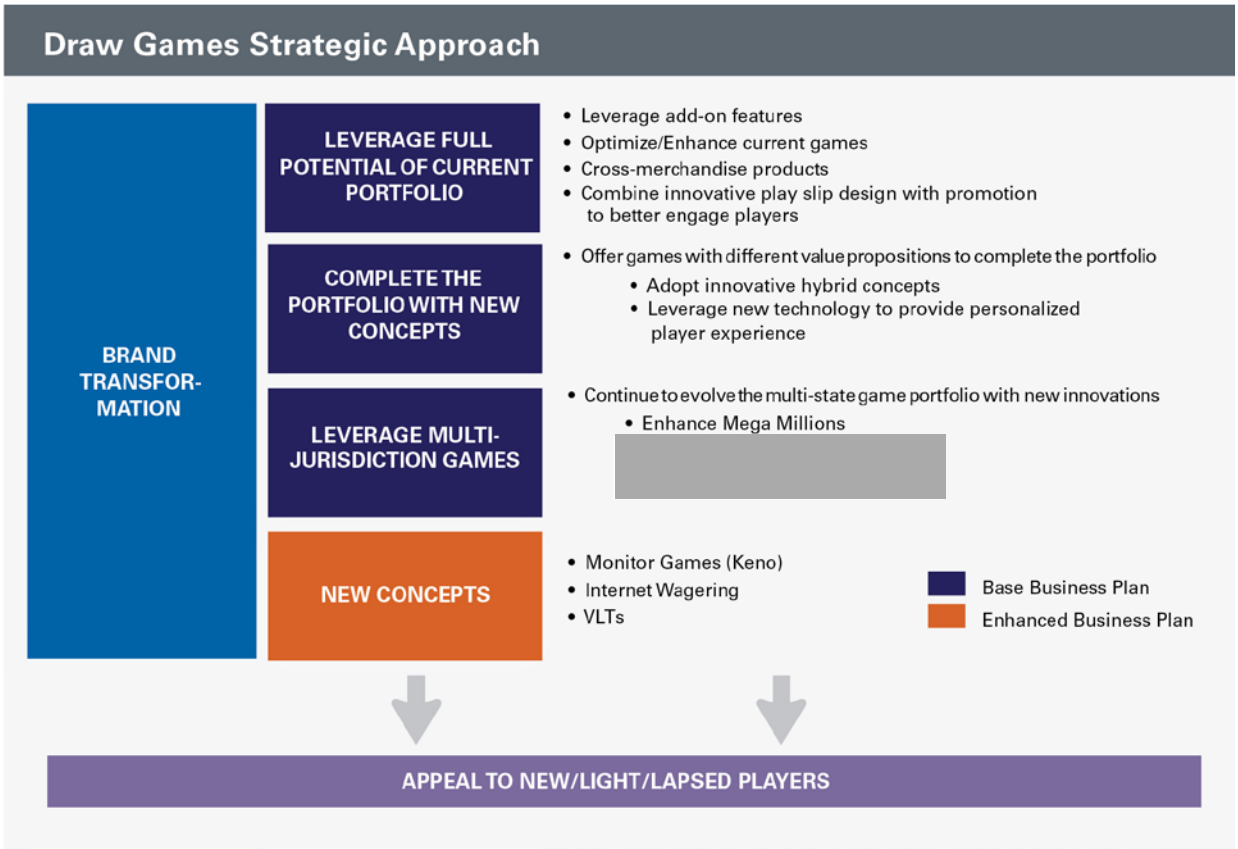
- Leverage the most appealing characteristics of the current draw games.
- Increase win-frequency.
- Introduce instant-win features to the draw games where indicated by market research.
- Introduce optional add-on games that give players more choice in the play style of draw games.
- Attract new players, 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%.

[redacted]

[redacted]

Leverage Full Potential of Current Portfolio

Leverage Add-On Features

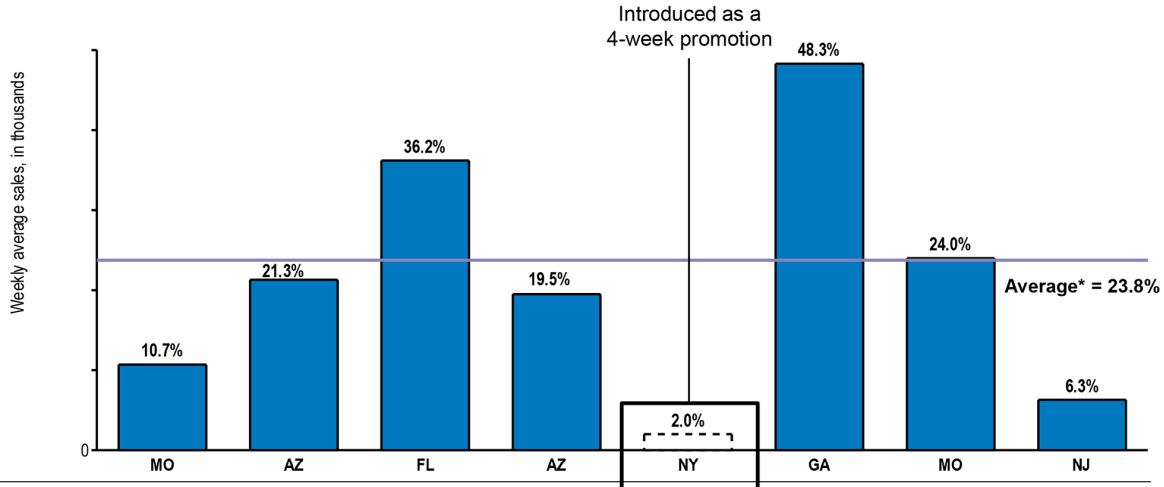
Add-on games are very effective for enhancing a draw game portfolio because they:

- 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.

[redacted]

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



	MO	AZ	FL	AZ	NY	GA	MO	NJ
Date:	2003	2006	2006	2008	2008	2009	2011	2011
Game Name:	Show Me 5 Xtra	Fantasy 5 EXTRA	Fantasy 5 EZMatch	Pick 5 $2 EXTRA	Take 5 Instant Win	Fantasy 5 EZMatch	Show Me Cash EZMatch	Jersey Cash 5 Instant Match
52 weeks pre-launch:	449	182	5,012	268	6,180	1,585	541	2,696
52 weeks post-launch:	498	221	6,824	321	6,303	2,351	671	2,866

*Not including NY

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]

[redacted]

[redacted]

Innovative Play Slip Design, Cross-Merchandising & Promotional Offerings

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]

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]

- [redacted]
- [redacted]

[redacted]

[redacted]

Figure 3.0 – 8:

[redacted]

[redacted]

- [redacted]
- [redacted]
- [redacted]
- [redacted]

[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.

[redacted]

Figure 3.0 – 9:

[redacted]

Examples of other promotions we will consider include:

- [redacted]
  - [redacted]
  - [redacted]
  - [redacted]
- [redacted]
- [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.

[redacted]

[redacted]

[redacted]

[redacted]

Figure 3.0 – 10:

[redacted]

[redacted]

[redacted]

[redacted]

- [redacted]
- [redacted]
- [redacted]

Figure 3.0 – 11:

[redacted]

Figure 3.0 – 12:

[redacted]

- [redacted]
- [redacted]

[redacted]

[redacted]

[redacted]

- [redacted]
- [redacted]
- [redacted]
- [redacted]

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] 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. 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.

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

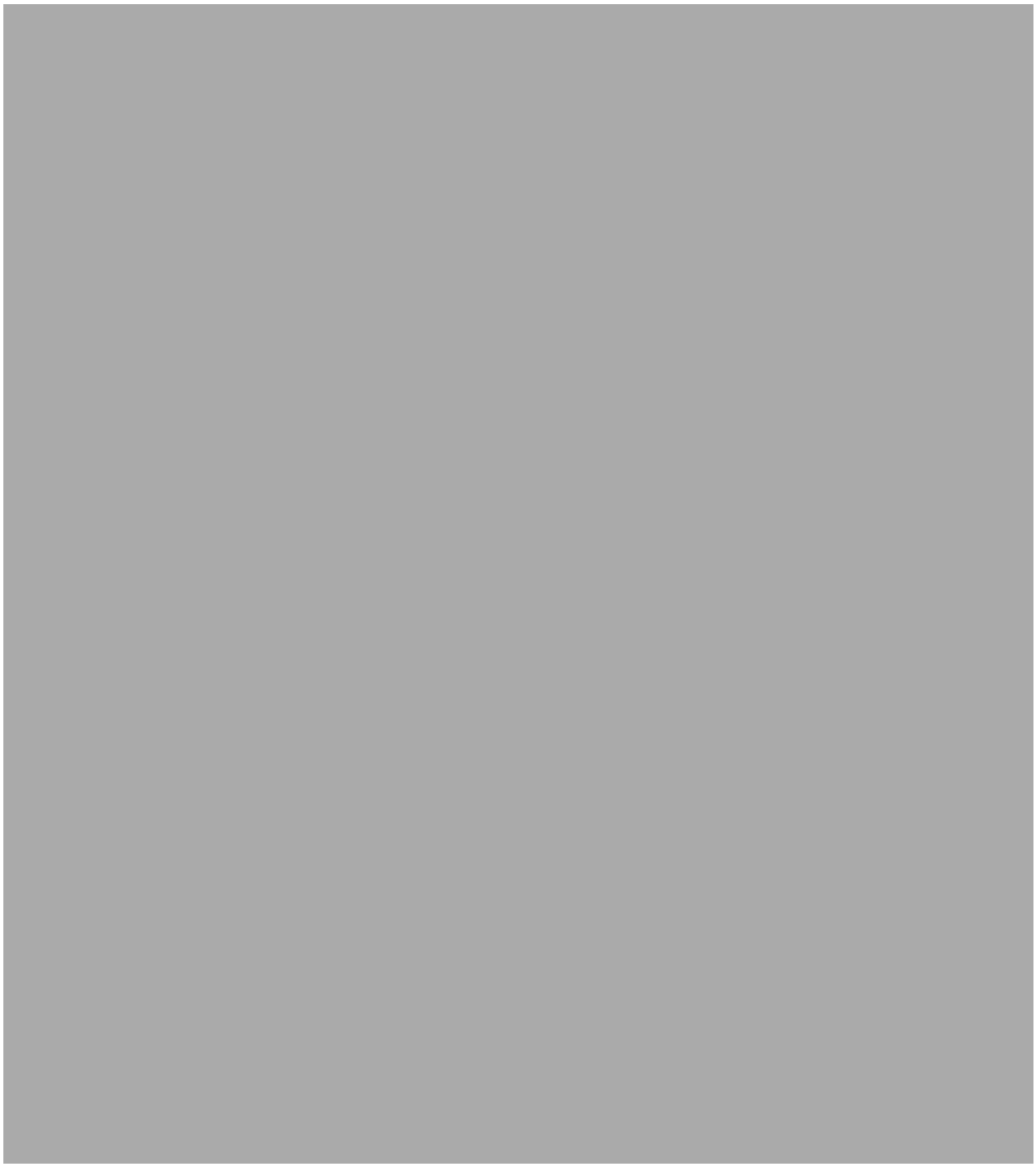
[redacted]

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:

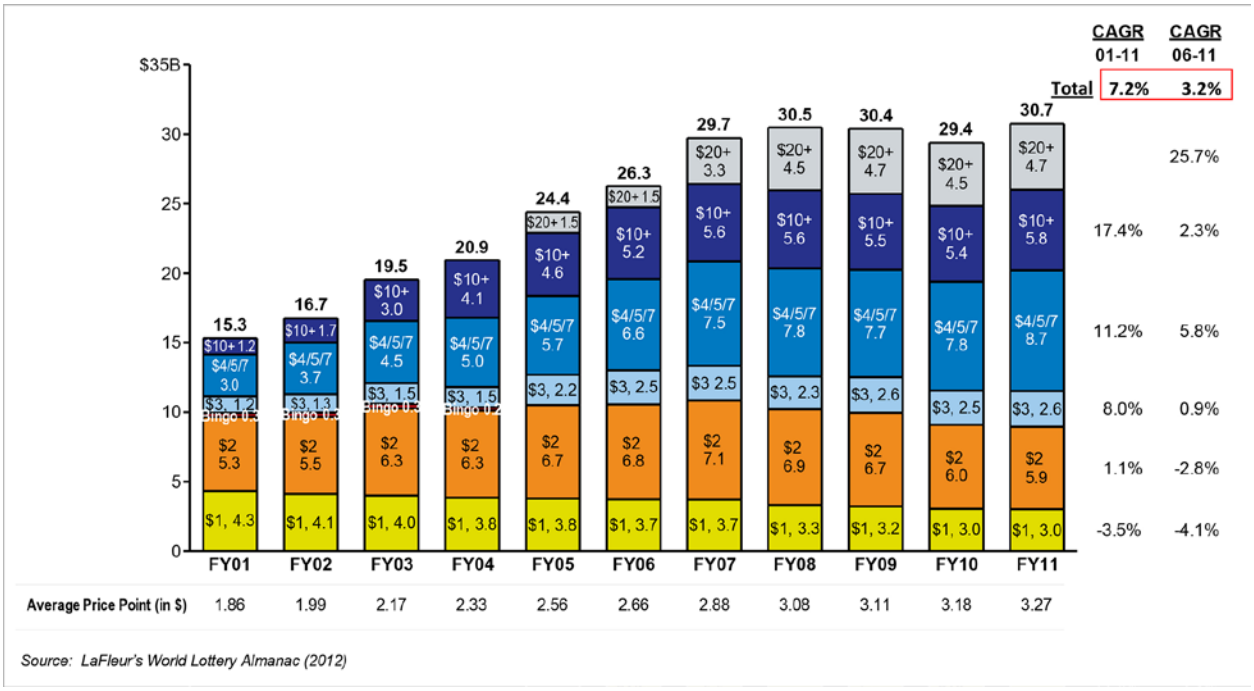
- The provider will assume its responsibilities for design of new games and management of the Lottery Game portfolio on [redacted], the beginning of the Ramp-up Period.
- The Hoosier Lottery will proceed with rollout of future new national and international multi-jurisdictional games approved by MUSL 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

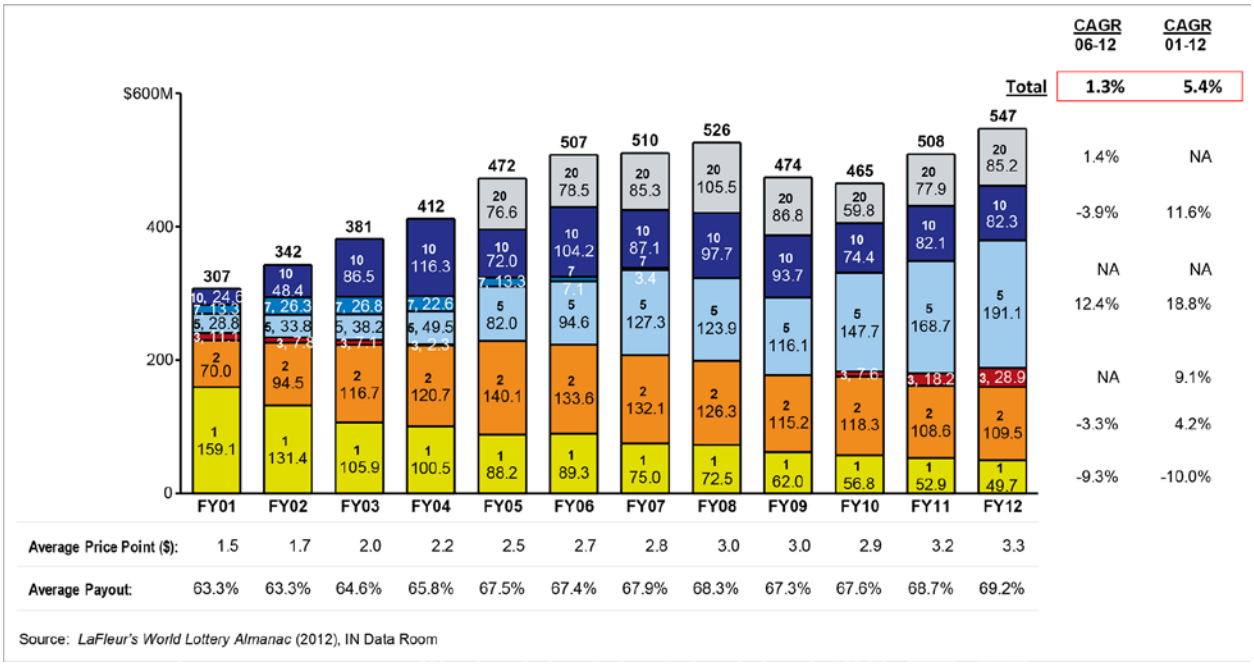
Per Cap Rank	Jurisdiction	Average Prize Payout	Instant Sales ($M)	Profit ($M)	Per Cap Profit	Avg. Selling Price
1	Massachusetts	76.9%	$ 3,008	$ 694.9	$ 105.5	$ 4.0
2	Georgia	71.2%	$ 2,161	$ 622.5	$ 63.4	$ 3.3
3	New York	68.5%	$ 3,546	$1,117.1	$ 57.4	$ 2.8
4	Connecticut	69.0%	$ 611	$ 189.4	$ 52.9	$ 4.4
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*

Hoosier Lottery's instant sales are also growing:

- 9% in FY10 vs. FY09.
- 8% in FY11 vs. FY10.

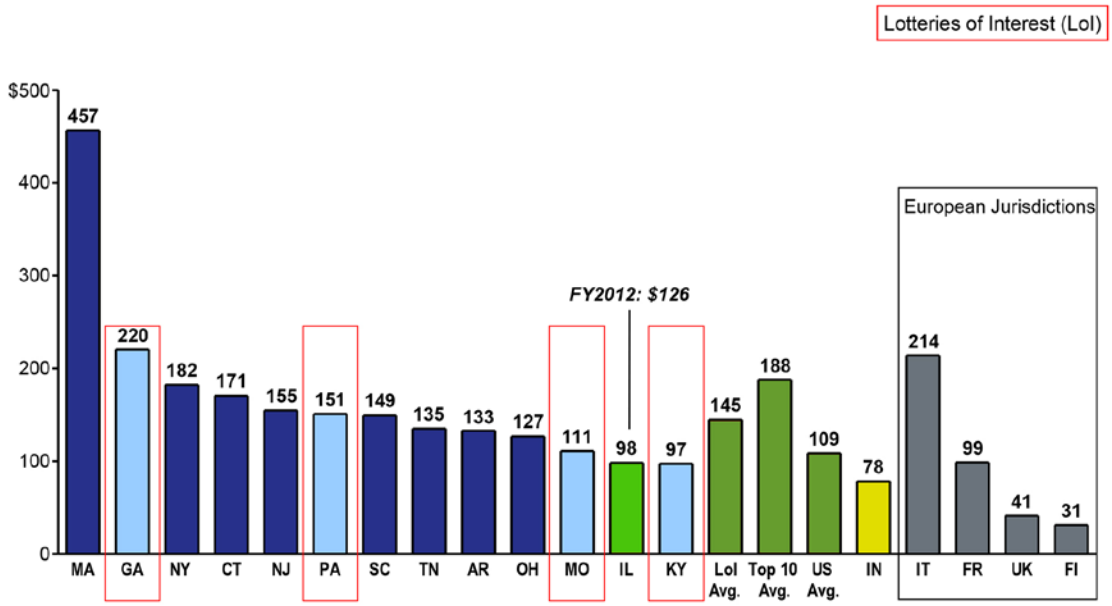
Figure 3.0 – 3: Historical Hoosier Lottery Instant Sales



As the figure above shows, the Lottery has been able to gradually increase the average ticket price to about $3.3; sales at the $1 and $2 price points have declined steadly over the last six years, while the $5 has grown since FY09, becoming the most sold price point.

With annual per-capita instant sales of $78 for FY12, the Hoosier Lottery ranks 23rd in the United States. As shown in the figure that follows, this is 28% below the average per-capita sales for the United States and 29% below the level of the Lotteries of Interest considered by the Lottery (Georgia, Kentucky, Missouri and Pennsylvania).

Figure 3.0 – 4: Instant Sales per Capita Benchmark



	MA	GA	NY	CT	NJ	PA	SC	TN	AR	OH	MO	IL	KY	LoI Avg.	Top 10 Avg.	US Avg.	IN	IT	FR	UK	FI
Avg. Price Point ($):	4.0	3.3	2.8	4.4	3.1	3.9	4.1	3.0	3.0	3.5	2.9	3.4	3.4	3.3	3.5	3.3	3.2	4.8	NA	NA	NA
Average Instant Payout:	77%	71%	69%	69%	66%	69%	68%	NA	69%	69%	68%	69%	65%	67%	70%	67%	69%	70%	70%	62%	53%

Note: Exchange rate as defined by LaFleur's in its Almanac is equal to 1.295 USD/EUR – 1.545 USD/GBP; European countries are CY 2011
Source: *LaFleur's World Lottery Almanac* (2012), pulltabs excluded
LoI States include GA, KY, MO and PA
FI = Finland, IT=Italy, FR= France, UK=United Kingdom

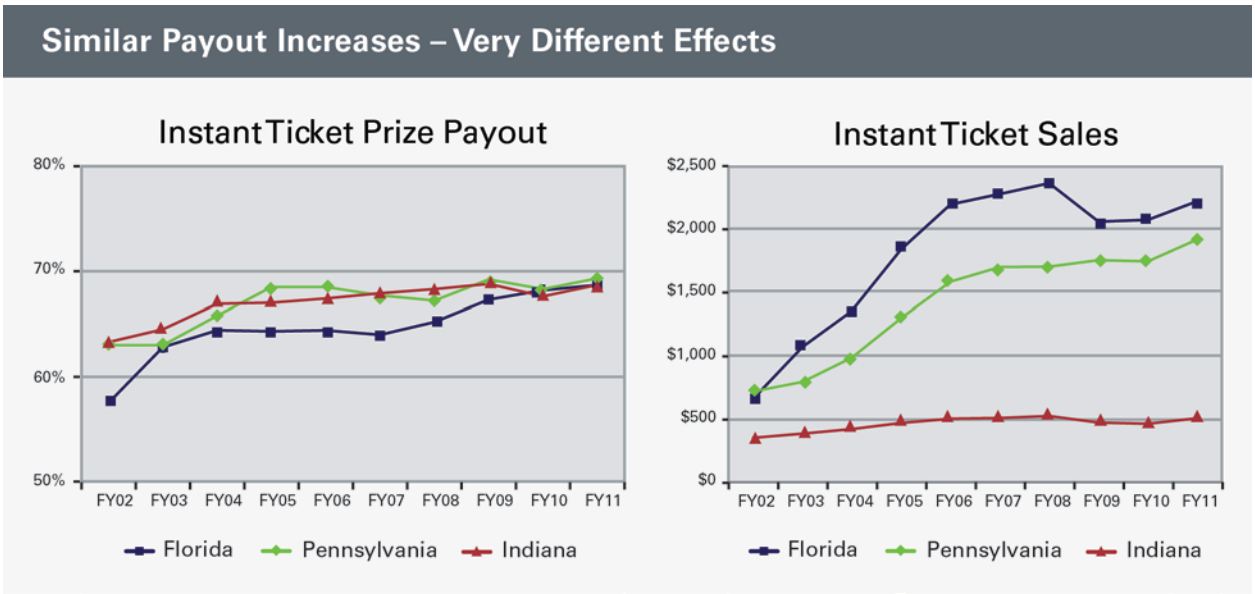
Based on our industry experience and assessment of the Lottery's current instant program, the data in the previous figures supports our belief that there is still great potential for growing instant sales in Indiana; instant tickets represent our key focus for expanding the player base and increasing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

Payout Is Not Significantly Different from Top 10 US Jurisdictions

In particular, the figure entitled "FY11Average 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 maximim potential excitement and entertainement 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

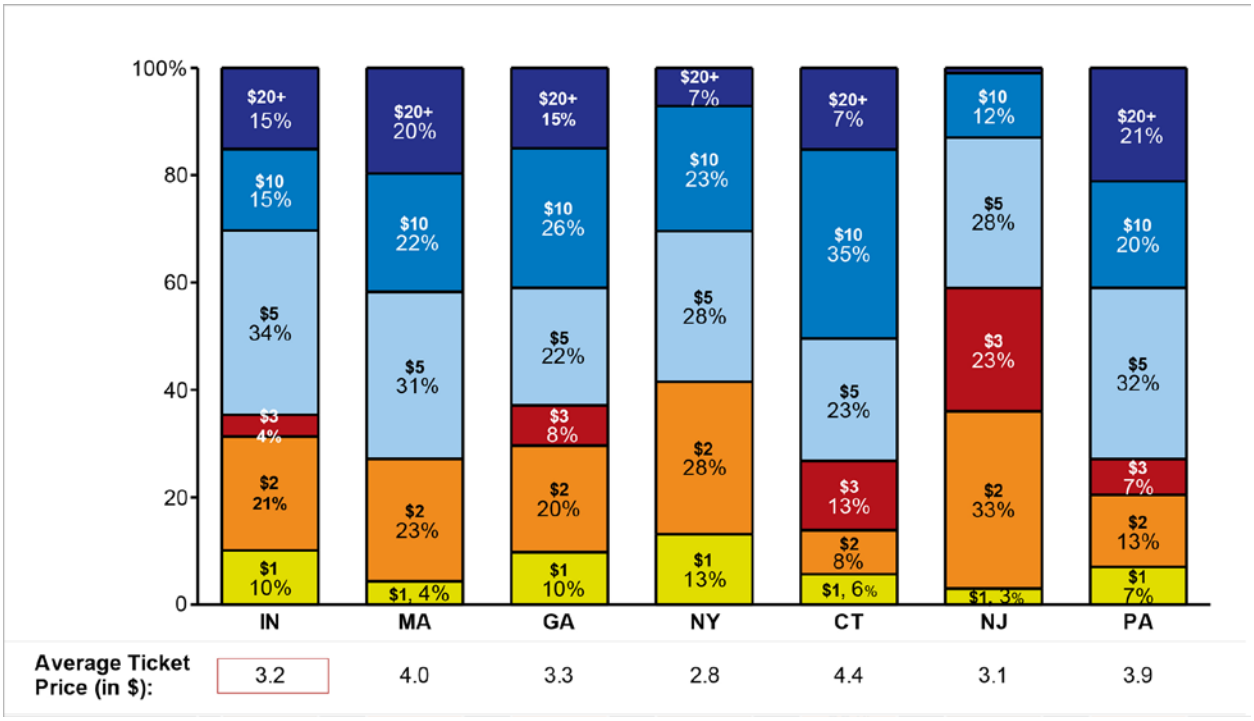
In comparing sales per capita across the portfolio with those of the top 10 U.S. instant ticket programs, it appears that, relatively speaking, the Hoosier Lottery is particularly weak in sales at the $3 and $10 price points:

- 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:

Key Instant Characteristics Benchmark

PAYOUT%

	IN	PA	MA	NY	GA	CT
$1	61.2%	60.1%	70.0%	62.1%	63.0%	63.9%
$2	64.6%	62.6%	71.7%	63.0%	68.5%	64.3%
$3	67.2%	65.5%	–	–	68.5%	67.8%
$5	69.3%	70.4%	75.4%	67.5%	69.9%	69.2%
$10	73.1%	73.9%	80.4%	74.0%	75.0%	68.5%
$20+	76.3%	73.7%	80.4%	78.0%	77.0%	70.3%

TOP PRIZE ($k)

Price point	IN	PA	MA	NY	GA	CT
$1	0.5 - 6	1 - 5	2 - 10	0.5 - 5555	2.5 - 12	1 - 3
$2	10 - 30	19 - 26	5 - 50	10 - 50	24 - 40	5 - 25
$3	50	30 - 60			100 - 150	15 - 30
$5	75 - 200	70 - 100	200 - 1000	250 - 1000	150 - 577	50 - 350
$10	500	200 - 250	1000 - 10000	2000 - 3000	250 - 1000	NA
$20+	1000 - 5000	1000	10000	5000	2500 - 7000	20 - 200

OVERALL ODDS

Price point	IN	PA	MA	NY	GA	CT
$1	4.76	5.03	4.80	4.83	4.69	4.06
$2	4.63	4.68	4.82	4.76	4.21	3.95
$3	3.77	4.11	–	–	3.89	3.74
$5	3.97	4.23	4.49	4.46	3.84	3.78
$10	3.53	4.10	3.49	4.04	3.34	3.73
$20+	3.04	3.32	2.99	3.39	3.09	3.65

TOP PRIZE ODDS

Price point	IN	PA	MA	NY	GA	CT
$1	173 - 728	240 - 480	144 - 504	50 - 686	480 - 1210	62 - 250
$2	120 - 1000	120 - 600	252- 2100	420 - 3024	960 - 1500	375- 750
$3	720 - 900	240 - 1440			1140 - 1740	50 - 500
$5	150 - 727	480 - 1080	504 - 5040	1200 - 3000	780 - 2040	500 - 1500
$10	800 - 2200	480 - 800	2520 - 5040	2520 - 6000	376 - 2400	19 - 562
$20+	303 - 2400	960 - 1440	4435 - 6552	2520 - 3582	2016 - 5040	19 - 375

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.

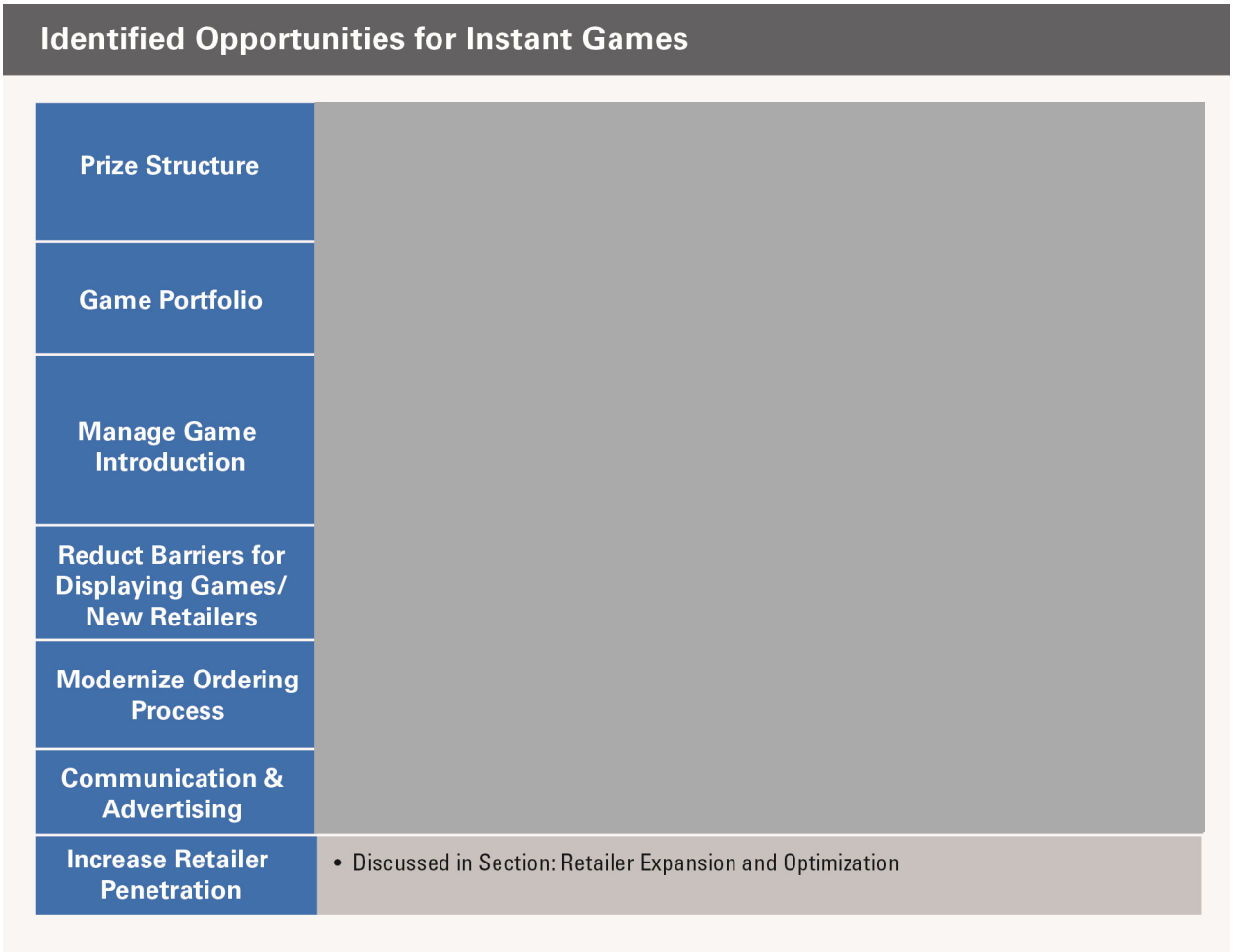
Identified Opportunities

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:

Opportunities for Improvement in Prize Structures

$5

Prize Level	Fat Wallet	Gold 7s	PA	FL
$20 / 30/ 40			26.09	40.43
$50			150	400
$100			179.11	285.71
$150 - $250			2,500	2,400
$500			7,500	1,200
$1,000			15,000	3,000
$5,000 / $10,000			510,000	120,000
Top Prize Amt. / Odds			$100,000 / 1,020,000	$250,000/ 1,360,000
Overall			1 in 4.26	1 in 4.00

$10

Prize Level	Monopoly	$ Mania	PA	FL
$20 / 30/ 40			12.00	10.62
$50			100	169
$100			60.00	88.89
$150 / $200			666.67	600.00
$500			1,143	1,200
$1,000			1,000	12,000
$10,000 / $20,000			80,000	60,000
Top Prize Amt. / Odds			$200,000 /480,000	$1 Mill / 900,000
Overall			1 in 3.58	1 in 3.36

$20

Prize Level	100M$ Cash	Lucky Millionaire	PA	FL
$25 / 30/ 40			7.50	10.00
$50			30	30
$100			37.50	31.58
$150 / $200			146.34	200.00
$500			600	500
$1,000			1,334	2,000
$5,000 / $20,000			24,000	23,721
Top Prize Amt. / Odds			$1 Million /1,440,000	$3 Mill / 2,040,000
Overall			1 in 3.30	1 in 2.95

Note: numbers indicate odds of winning

[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] 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.

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: 100,886.36	1: 1,157.43	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	27,855,714	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: 364.07	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: 1,535.86	1: 3,153.54	1: 2,376.76	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: 1,218,285.58	1: 123,611.65	1: 670,004.69	1: 86,924.79	1: 757,173.54
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.

$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: 597.42	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	: 12,701.22	1: 126,208.18	1: 2,769.90	1: 57,264.55
Chance of Winning $10,000 & up	1: 171,529.17	1: 372,677.50	1: 59,733.33	1: 118,485.90	1: 245,798.53	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: 1,200,855.65	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	$3,216,000	$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: 15.44	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: 154,629.29	1: 1,606.47	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: 561,096.36	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	4,800,000	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.

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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:

Hooiser 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.

[redacted]

GAME SIZES

[redacted]

[redacted]

[redacted]

[redacted]

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. [redacted]

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	[redacted]	[redacted]
$2	200	$400	[redacted]	[redacted]
$3	100	$300	[redacted]	[redacted]
$5	100	$500	[redacted]	[redacted]
$10	50	$500	[redacted]	[redacted]
$20	50	$1,000	[redacted]	[redacted]

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.

[redacted]

[redacted]

[redacted]

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

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

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]

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
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]

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.

The Transition

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 Adview, 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:

Instant TV Spots in 2010 – 2011

2010

- Colts Cash – 17 weeks
- Colts Touchdown – 15 weeks
- Cash Harvest – 8 weeks
- Hoosier Lottery Instant – 6 weeks
- Lucky Dog – 4 weeks
- Monopoly – 4 weeks
- The Price is Right – 4 weeks
- Quick 50/Quick 100 – 4 weeks
- Wild/Lucky/Super 7s – 4 weeks

- $2,086,875 on Spot TV in 2010
- Instant Campaigns- **45.7%** of 2010 Spot TV spend
- **Top Supported Instant Games:**
  1) $177,650 – Cash Harvest
  2) $153,935 – The Price is Right
  3) $151,300 – Monopoly

2011

- Hoosier Harvest – 9 weeks
- Hit 100 – 4 weeks
- 124k Gold Rush – 4 weeks
- Hoosier Lottery Instant – 4 weeks
- Hot Cash/White Ice 8s – 4 weeks
- Moneybag Multiplier – 3 weeks
- Wheel of Fortune – 4 weeks
- Triple Winning 7s – 4 weeks
- Muscle Car Money – 4 weeks
- Mustang Mania – 4 weeks
- Triple Winning – 4 weeks
- 5 Million Club – 3 weeks
- Money Money Money – 3 weeks
- Cash Crop – 2 weeks
- Colts Touchdown – 2 weeks
- Colts Cash – 1 week

- $2,761,591 on Spot TV in 2011
- **44.4%** of 2011 Spot TV spend
- **Top Supported Instant Games:**
  1) $169,490 – Hot Cash/White Ice 8s
  2) $157,930 – Moneybag Multiplier
  3) $139,230 – Wheel of Fortune

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 million when compared to FY12 reported sales.

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

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 fined 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. [redacted]

Background Patterns

[redacted]

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!

[redacted]

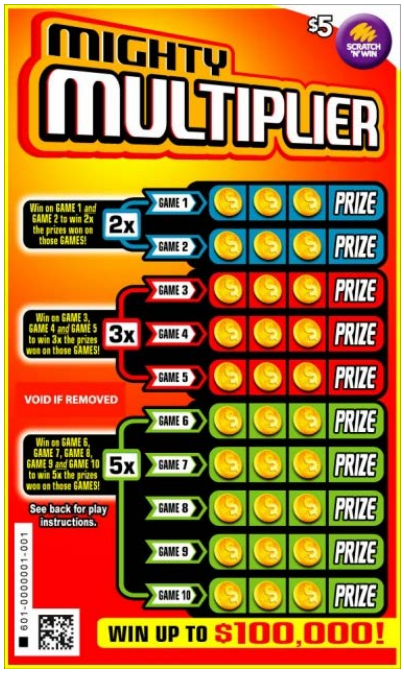
Figure 3.0 – 30: Alternative Branding Styles

Lottomatica (Italy)

Lottomatica (Italy)

Pronostico (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]

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] 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

GTECH®

APRIL 2013 New Games

MAY 2013 New Games

JUNE 2013 New Games

JULY 2013 New Games

SEPTEMBER 2013 New Games

NOVEMBER 2013 New Games

JANUARY 2014 New Games

FEBRUARY 2014 New Games

APRIL 2014 New Games

MAY 2014 New Games

JUNE 2014 New Games

RESERVE GAMES

[redacted]

Launch Date			Print Run	Potential Revenue	Proposed Payout
[redacted]					
	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]					
	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]					
	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]					
	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]					
	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
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	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]					
	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]					
	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]					
	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]					
	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

[redacted]

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						
Overall Odds						
Size of Ticket						
# of Wins						
Product Philosophy						
Payout						

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

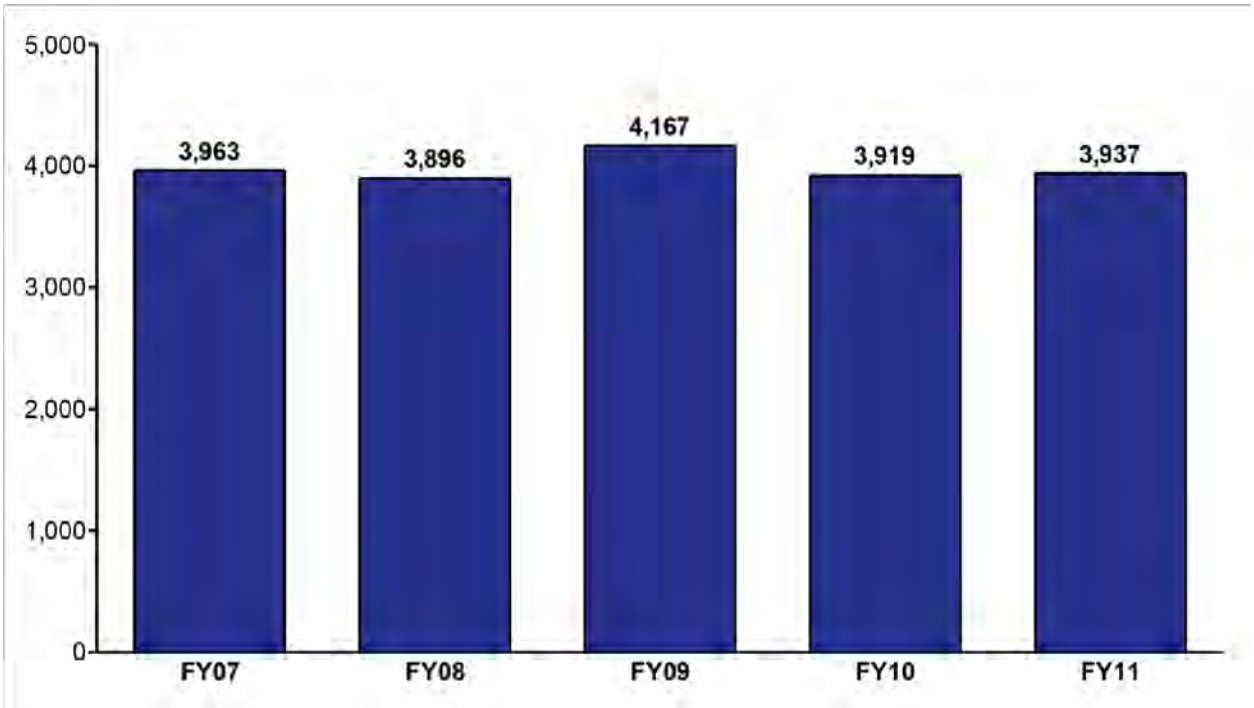
Situational Analysis and Strategy

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.

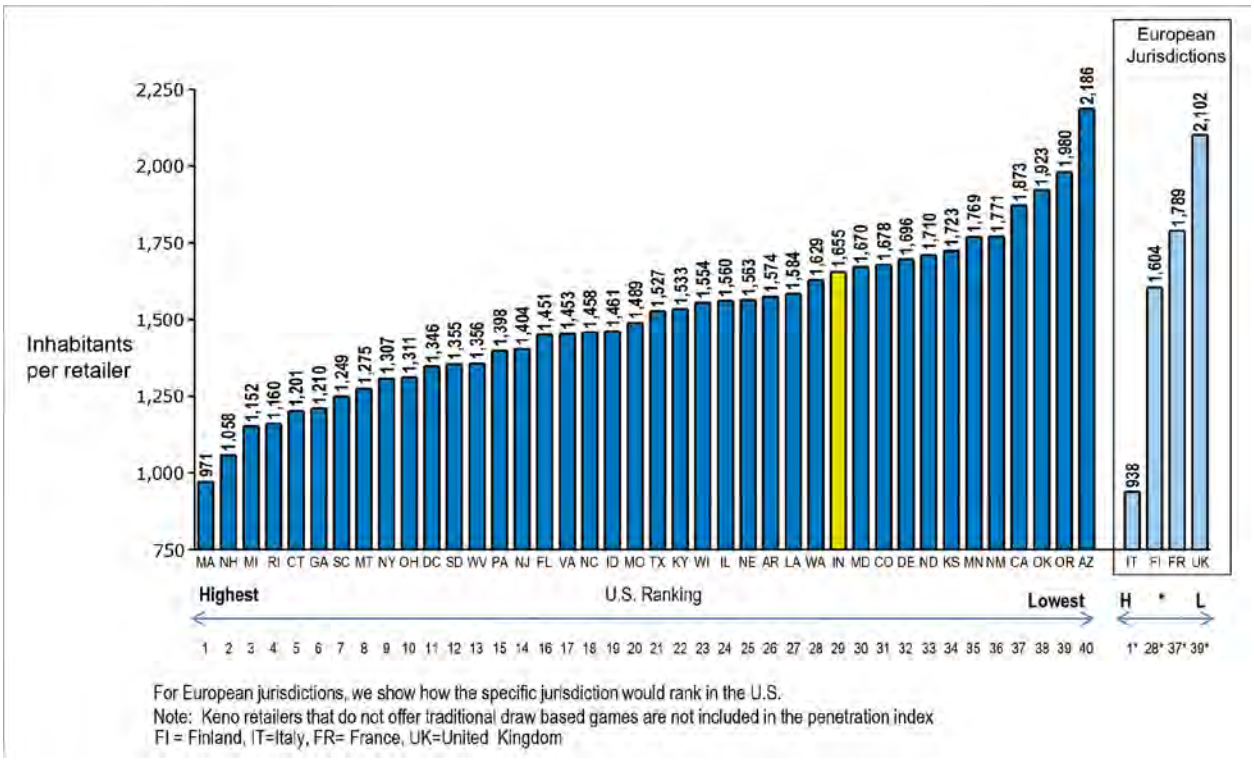
At the end of FY11, the Hoosier Lottery's retail network consisted of 3,937 locations. As the following figure shows, the number of Lottery Retailers in Indiana has not significantly changed in the past five years:

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 independent retailers, which will bring the average penetration to 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			
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 (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 and 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

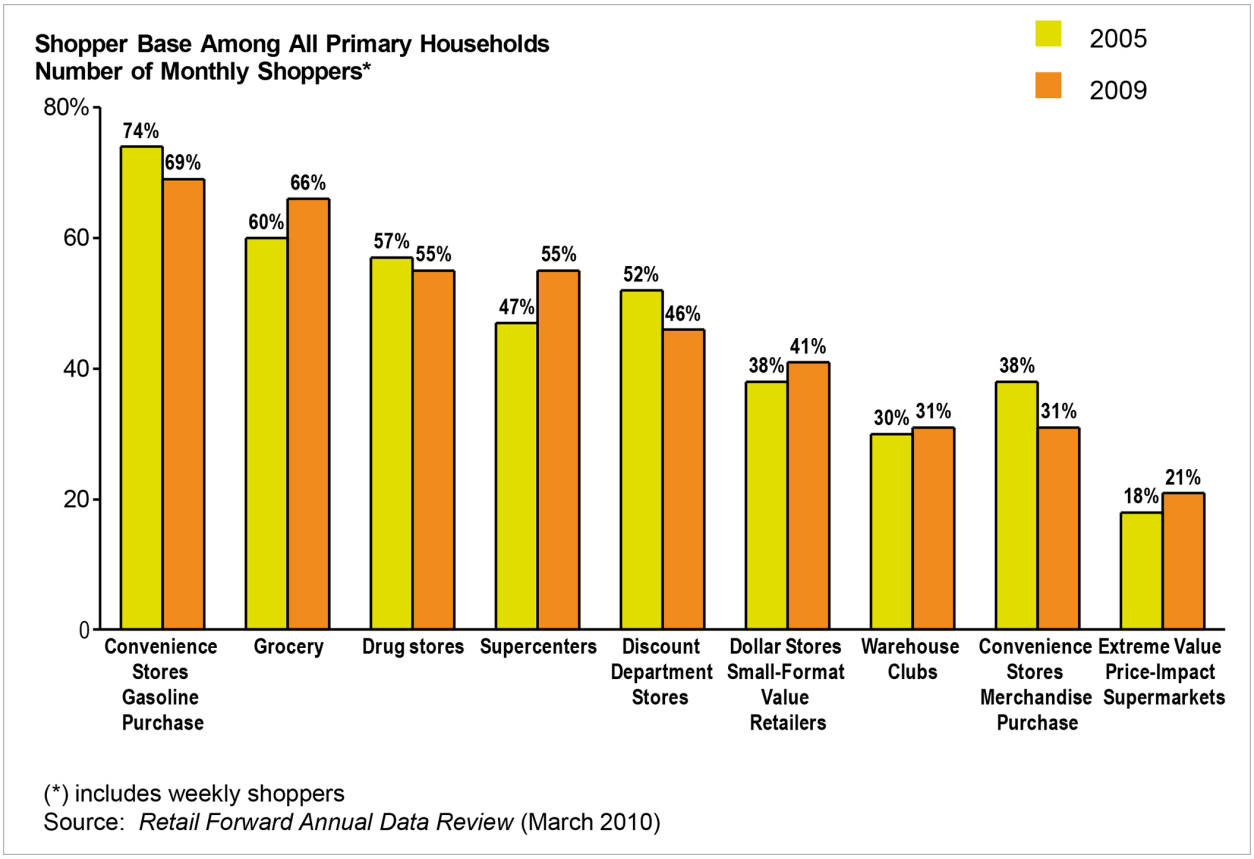
In addition to retail penetration, another characteristic GTECH has considered when developing its Business Plan is trade style mix. Relevant differences exist among U.S. lotteries in terms of different retail mixes that exist in various jurisdictions. For example:

- 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.

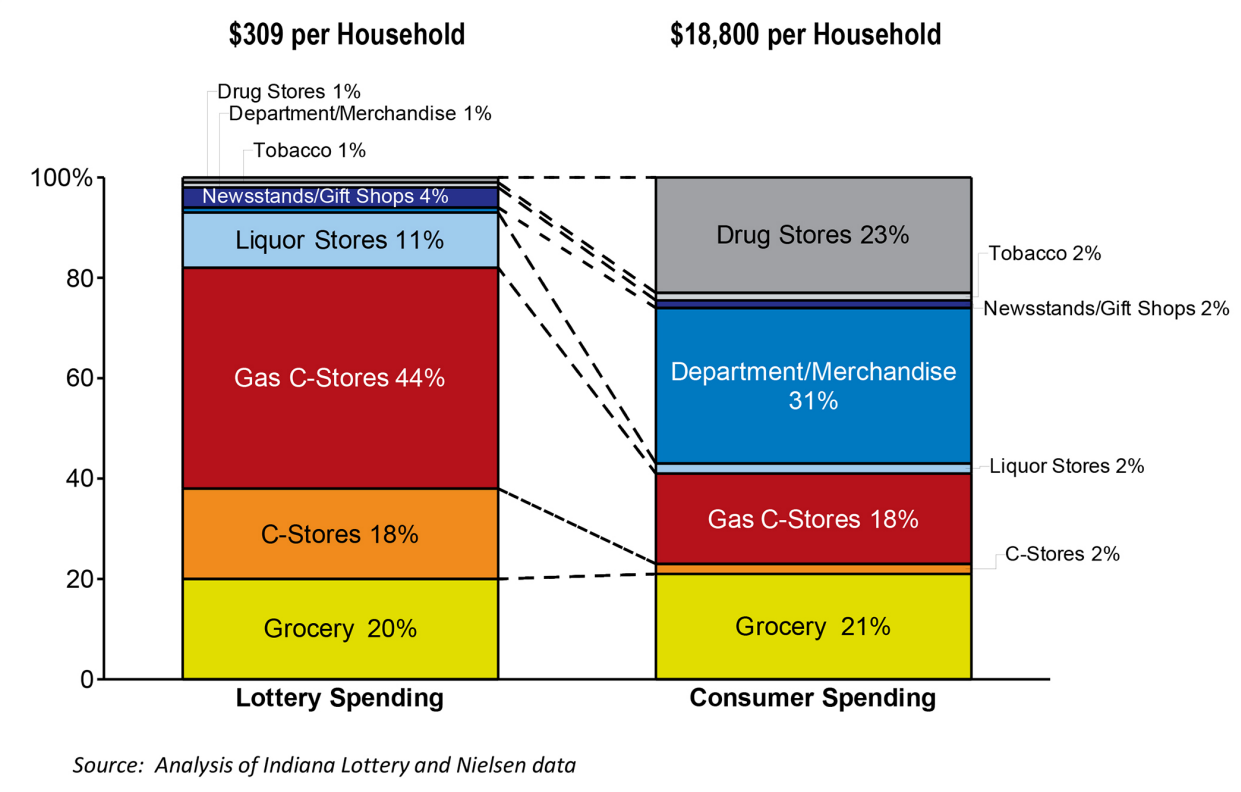
Figure 3.0 – 6: Evolution of Consumers' Purchasing Patterns



(*) includes weekly shoppers
Source: *Retail Forward Annual Data Review* (March 2010)

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:

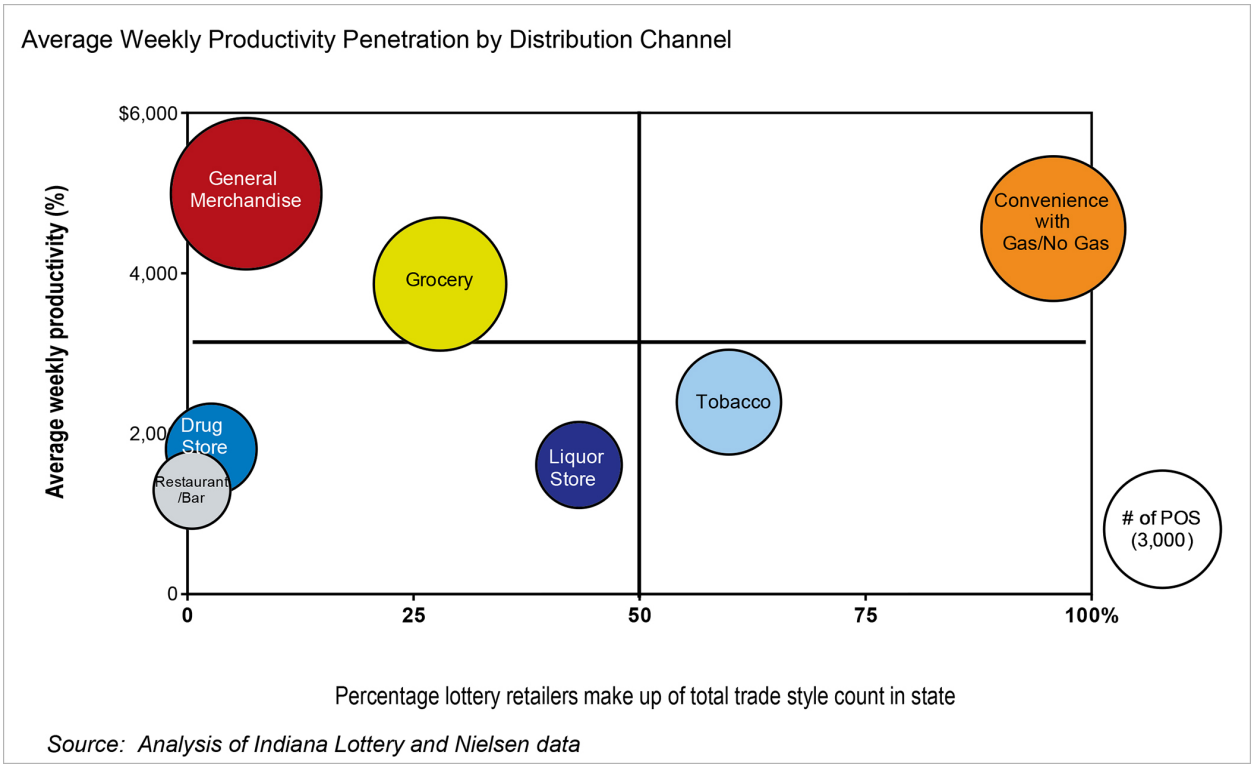
Figure 3.0 – 7: Lottery Spending vs. Total Household Spending



Source: Analysis of Indiana Lottery and Nielsen data

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:

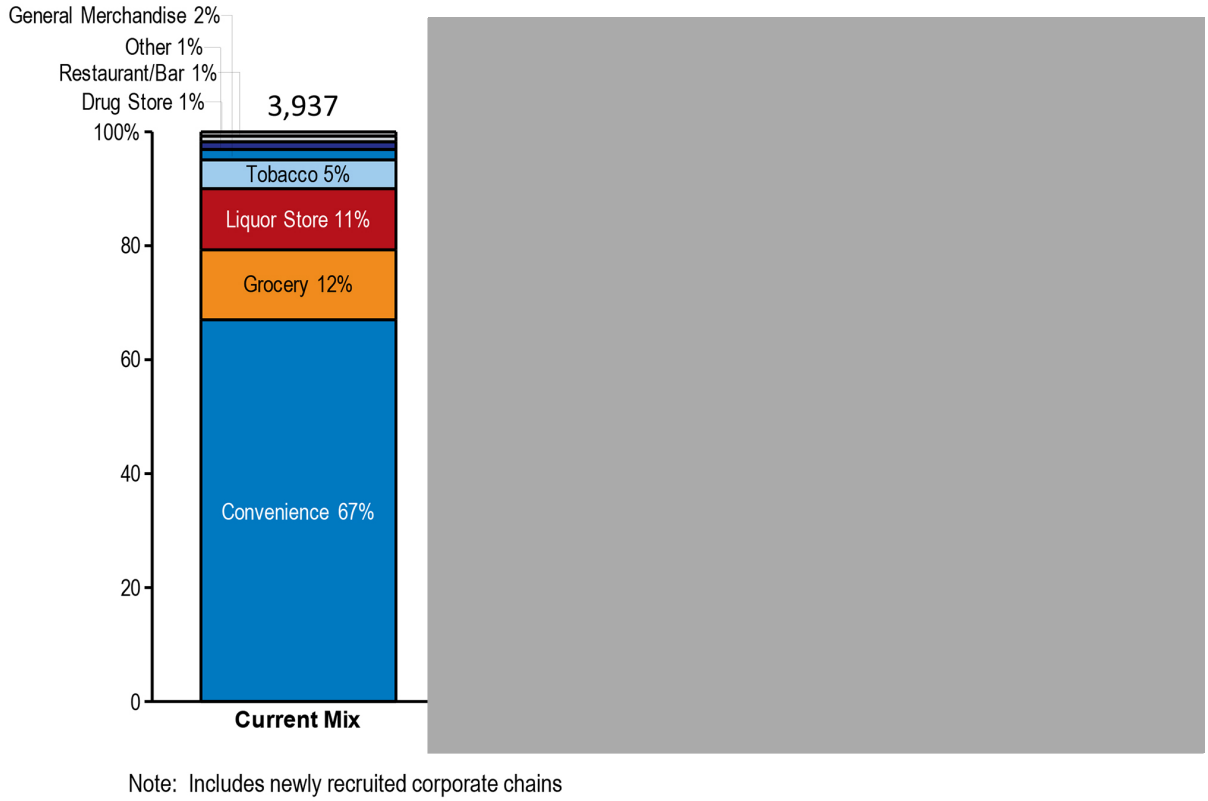
Figure 3.0 – 8: Correlation Between Productivity and Penetration of Retailers



Source: Analysis of Indiana Lottery and Nielsen data

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



Note: Includes newly recruited corporate chains

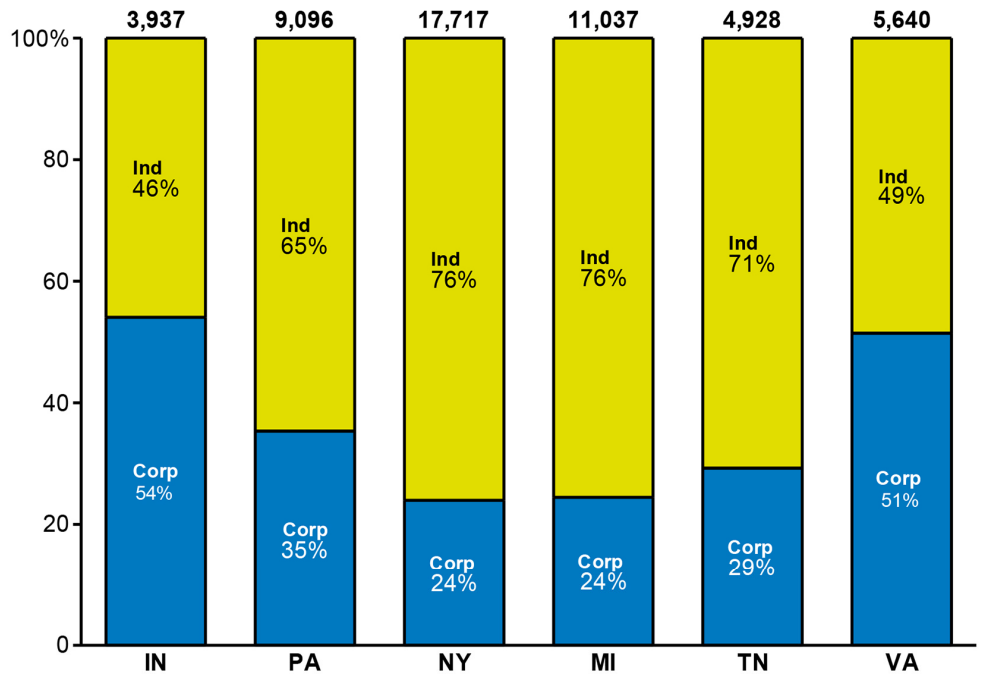
One of the major trends in U.S. consumer purchasing habits is a shift away from independent stores toward big-box corporate chains such as Wal-Mart and discount stores like Dollar General. This shift has impacted lotteries across the U.S. as big-box stores generally do not sell lottery because of:

- 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



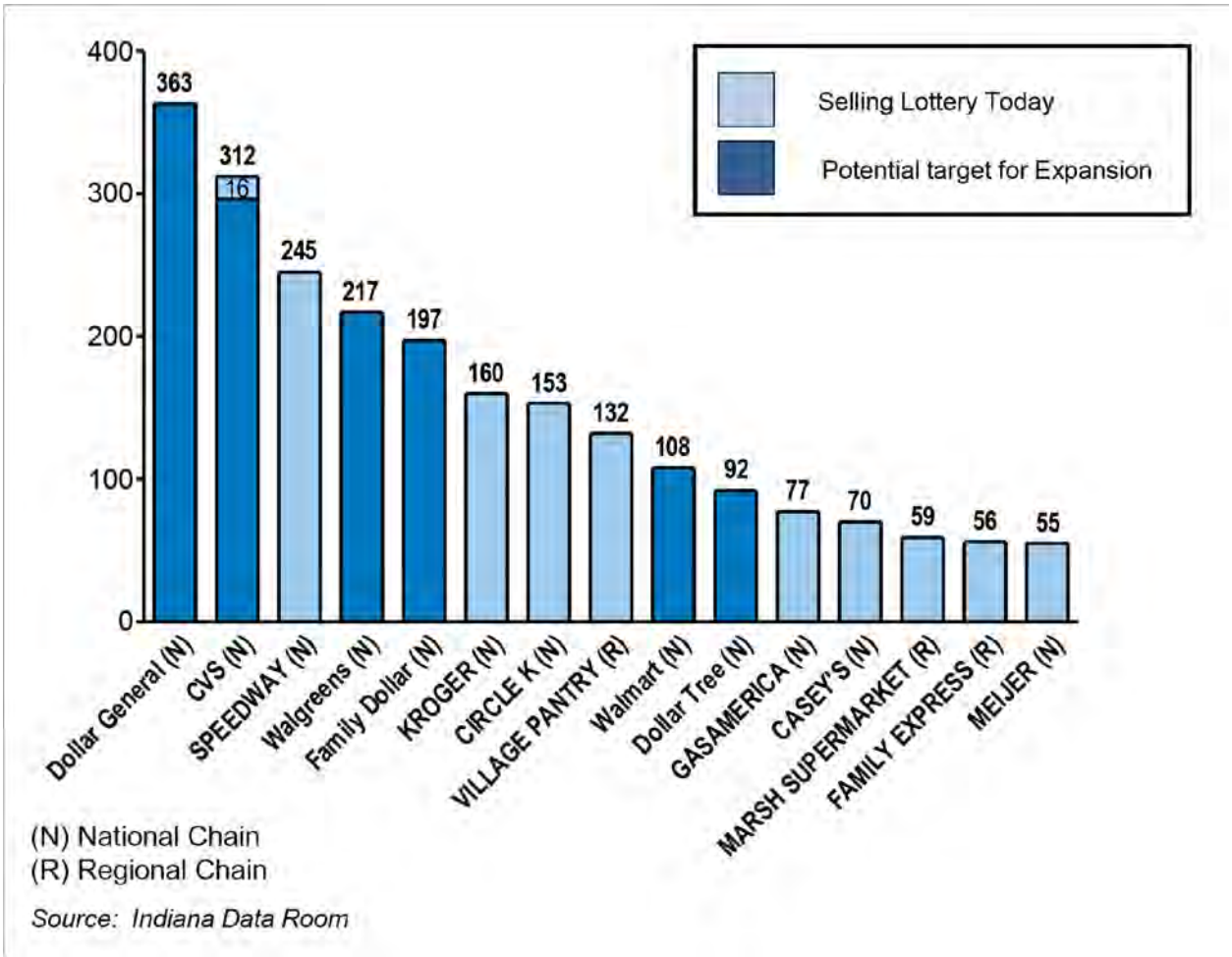
Corp Account Definitions-

IN: 10 stores or more, banking from the same account
PA: In course of definition
NY: 5 or more stores with common HQ
MI: 3 stores or more, banking from the same account
TN: 10 stores or more
VA: 10 stores or more, banking from the same account

Sources: IN: Indiana Data Room, FY12 Q3 retailer counts
PA: Pennsylvania Data room, May '12 counts
Other GTECH states: GTECH internal data

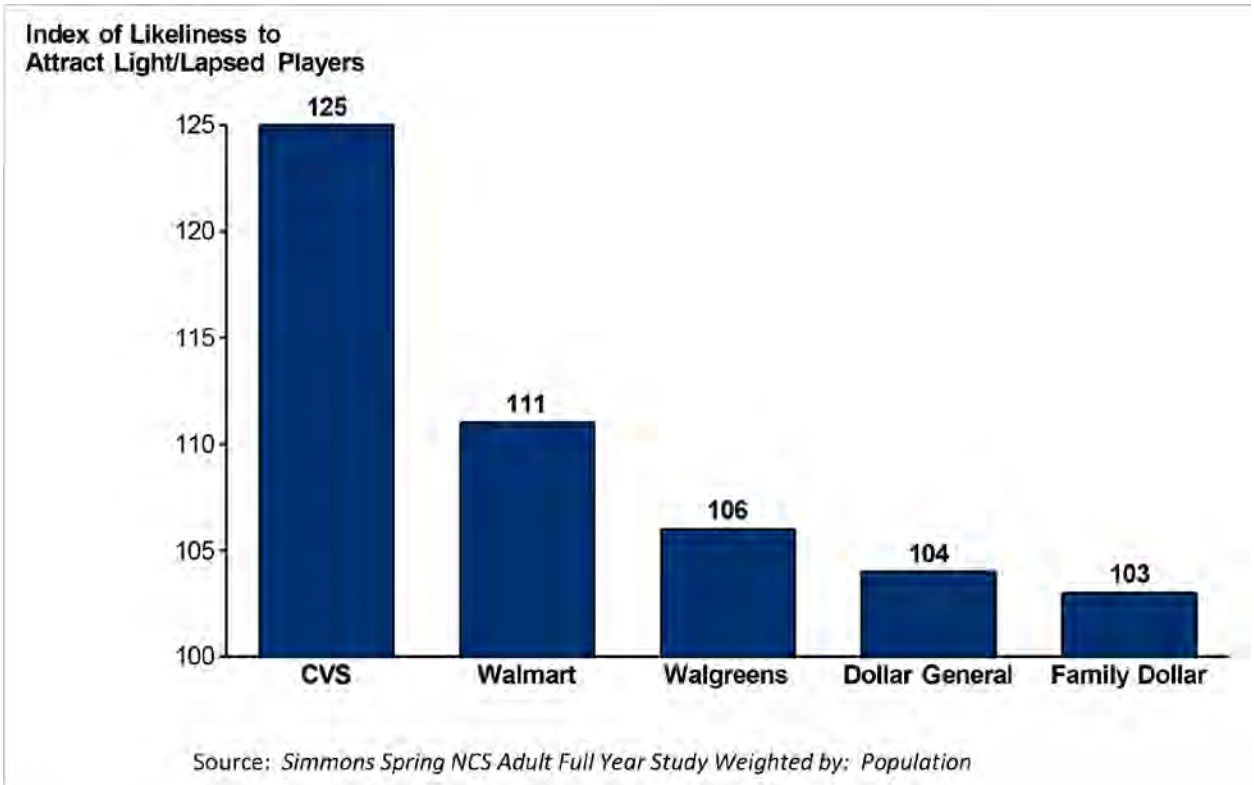
Considering the potential to increase the size of the overall network, there is still significant potential in multiple channels. The following figure highlights corporate chains in Indiana with the strongest presence and identifies the ones that are not yet selling Hoosier Lottery products.

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]

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

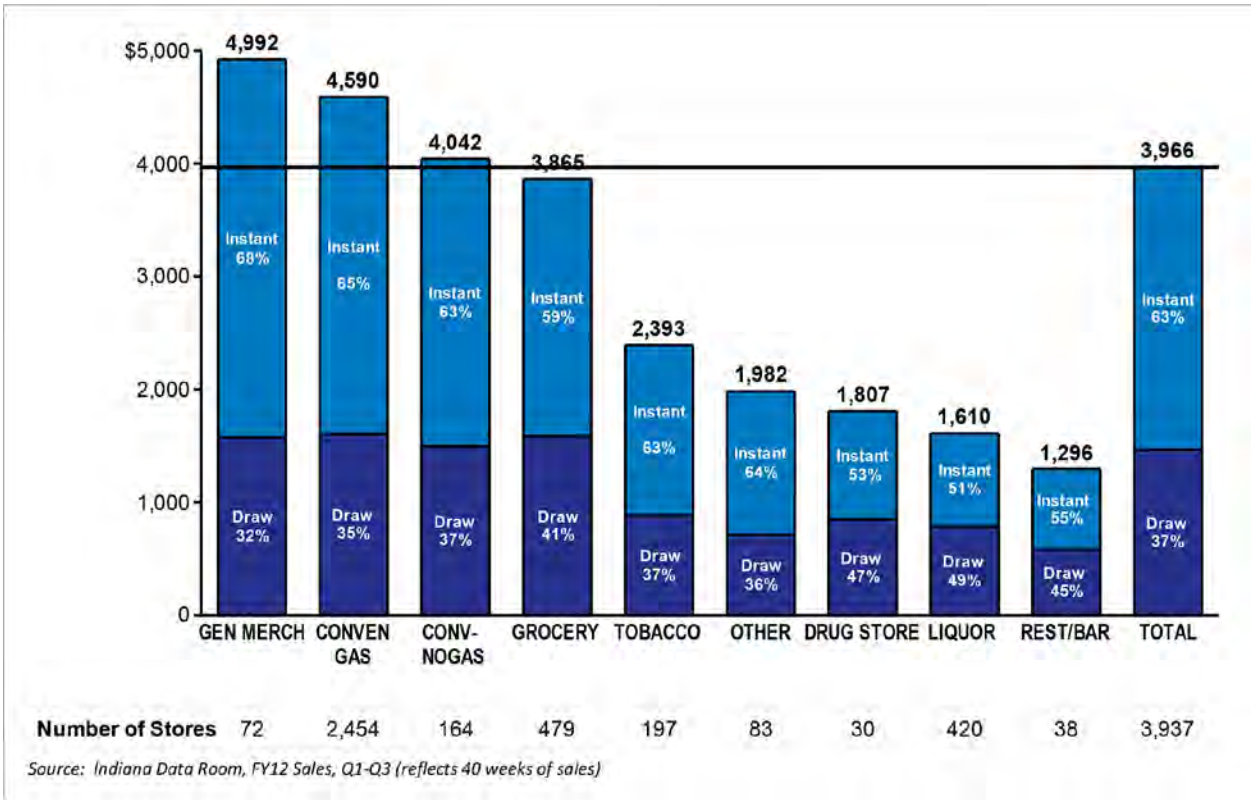
Hoosier Lottery Existing Retailer Base			
Account	**Store Count**	**Assessment**	**Opportunities to Explore**
Speedway	314	ITVMs in about 1/3 of locations. In some cases may be below sales threshold. Consistent 32-facing in all retailers.	
Kroger	162	Average of 18 facings at counter. 2/3 of the locations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

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

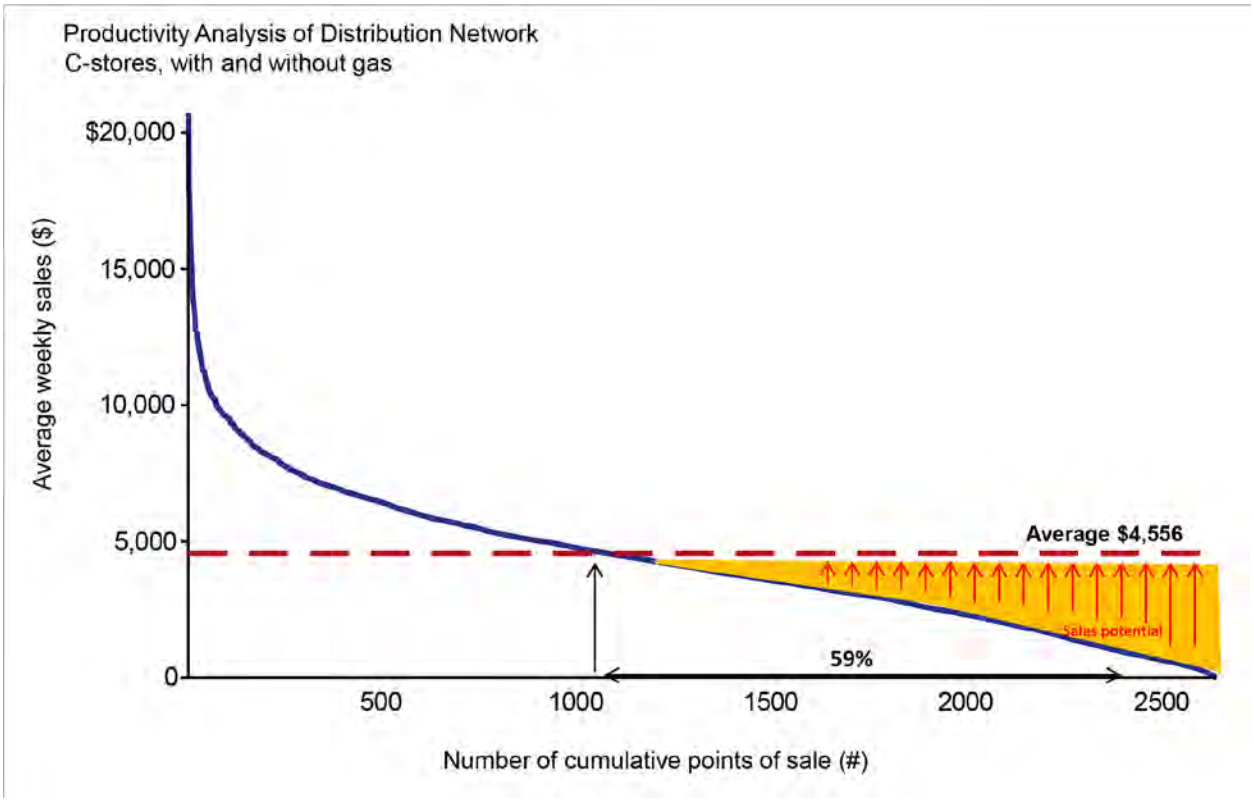


For instance, an analysis of convenience/gas store productivity reveals that:

- 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. [redacted]

Figure 3.0 – 15: Distribution Analysis of Network Productivity

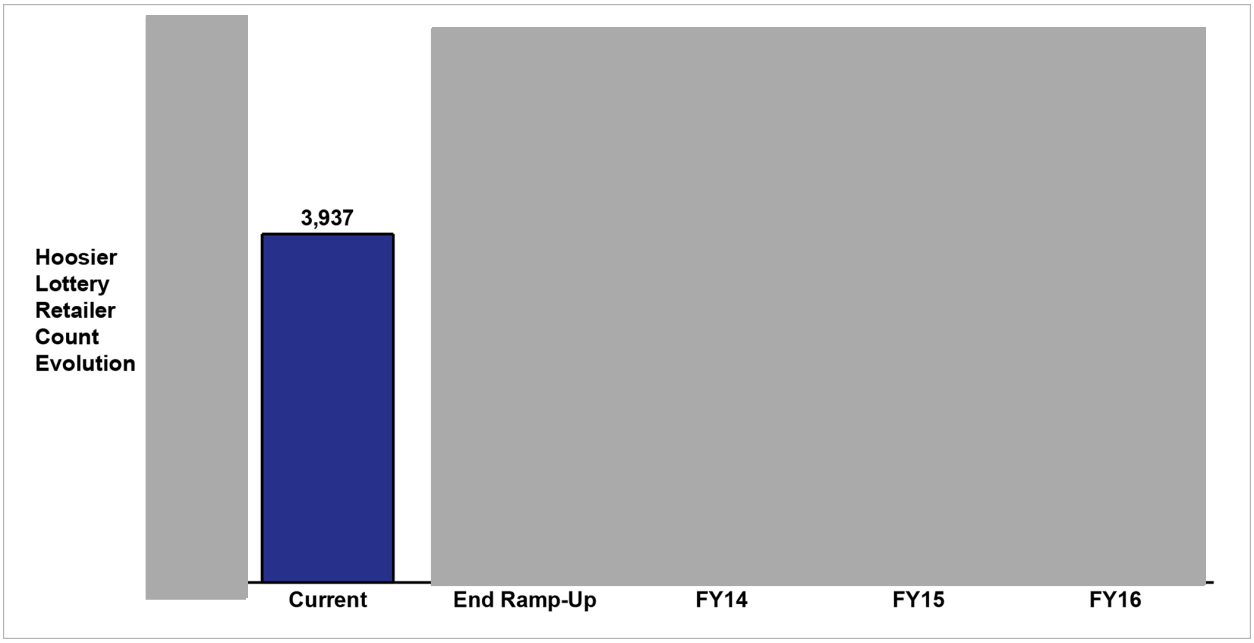


Retailer Recruitment

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



Recruiting Plan

Recruiting will start on [redacted], which is the start of the Ramp-up Phase. [redacted]. The following table reports the monthly schedule for the period, including only the target for recruiting independent retailers:

Figure 3.0 – 17:

Monthly Recruiting Process Schedule – Independent Retailers

[redacted]

[redacted]

Figure 3.0 – 18:

Monthly Recruiting Process Schedule – Corporate Retailers

- 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 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 and 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.

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]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [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]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]

[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:

Illinois Lottery Current Performance vs. Estimate Performance

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:

Analysis of Illinois Lottery's Current Performance Compared to Estimated Performance

- **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	
Maintain	LSR	
Defend	LSR	
Develop	Dedicated LSR	
New Retailers	Dedicated LSR	

Retailer Optimization Programs

Case Study: Double Blue Program in Texas

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.

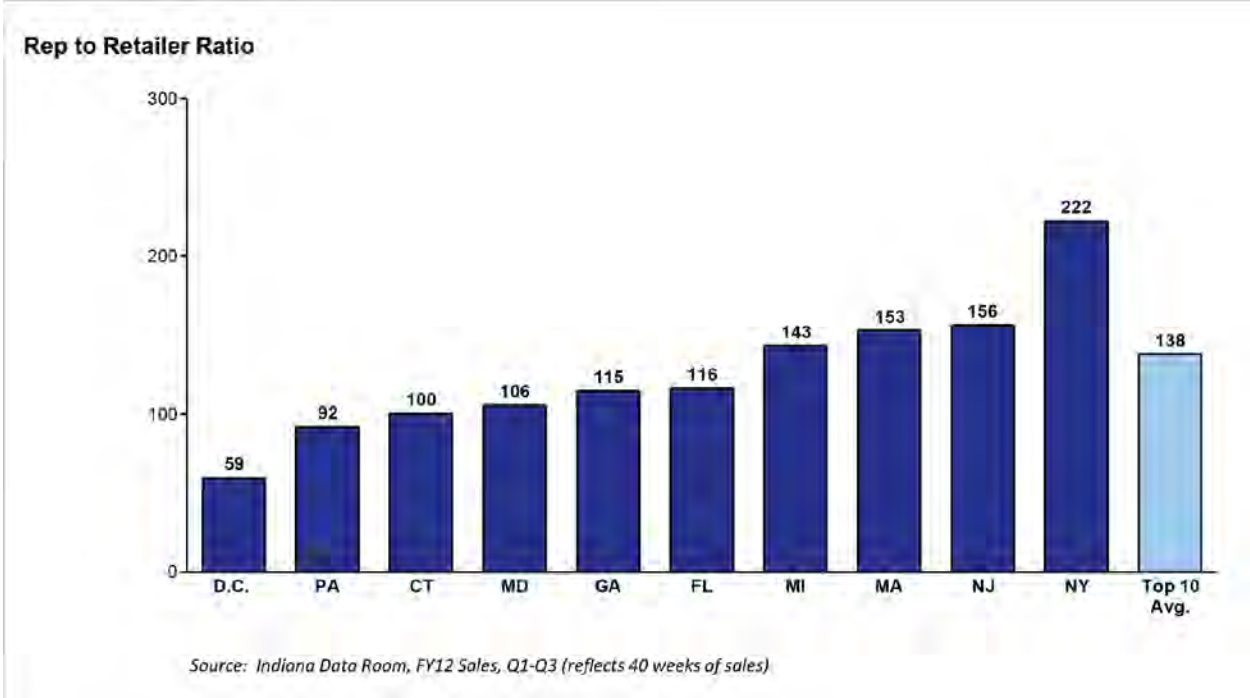
Based on this experience, we plan to lead, inspire, and motivate current Hoosier Lottery employees and GTECH's Provider staff to establish a nimble, flexible, entrepreneurial culture with superior execution at retail.

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. [redacted]
- **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. [redacted]
- **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. [redacted]

- **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; [redacted]
- **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]

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]

Promotions

[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]

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

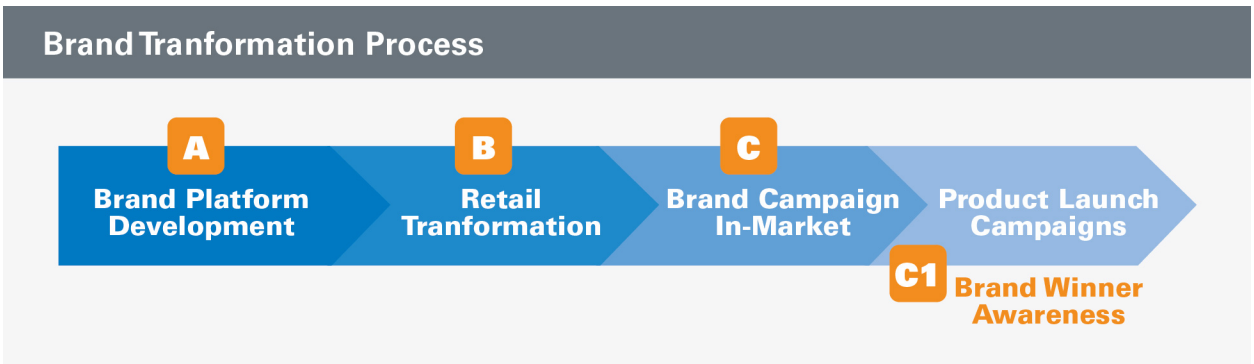
To address the current perception of the Hoosier Lottery as described in the Situational Assessment section of the Business Plan, GTECH created an in-depth, 360 degree marketing plan based upon six key strategies:

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:

The Hoosier Lottery's Mission

The Hoosier Lottery's Mission

To responsibly provide innovative and entertaining lottery games for the benefit of the citizens of Indiana.

The Lottery's Role in Hoosiers' Lives

Galvanize the State by being a beacon of optimism, entertainment, and energy.

The Lottery is...

Surprising	Responsible	Social
Approachable	Engaging	Secure
Relevant	Altruistic	Innovative
Playful	Civic-minded	Authentic

Hoosier Lottery Brand Promise

We will inspire Hoosier Pride among all residents of Indiana by encouraging optimism through winning experiences, creating engaging forms of play, and stimulating economic development for businesses statewide.

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]

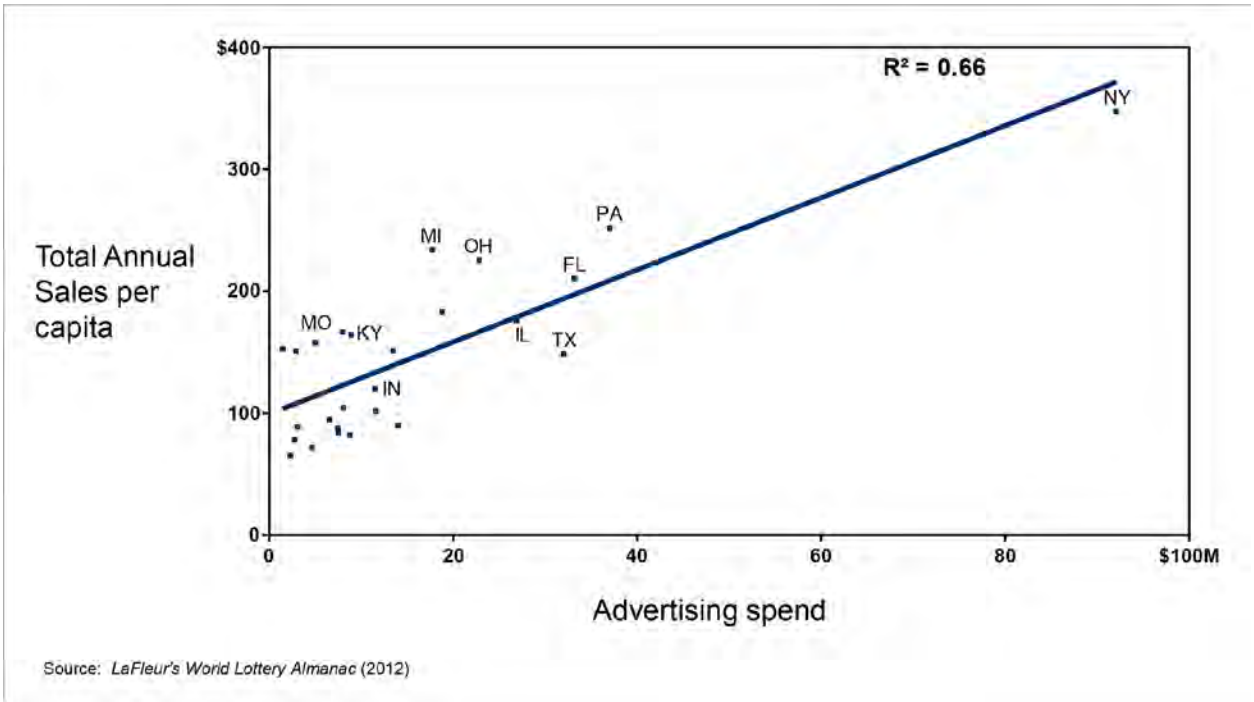
[redacted] A complete chronology of the launch plan is located later in this section, under the 360 Degree Tactical Plan heading.

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).
- **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.
- **Tier 3:** These represent opportunities to connect with specific Indiana consumers to enhance brand affinity among the given target group. 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:

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, [redacted]

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:

Gantt Chart of Tactical Plan

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

Figure 3.0 – 6: Outdoor Media Example

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

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

Figure 3.0 – 7:

Instant TV Spots in 2010 – 2011

2010

- Colts Cash – 17 weeks
- Colts Touchdown – 15 weeks
- Cash Harvest – 8 weeks
- Hoosier Lottery Instant – 6 weeks
- Lucky Dog – 4 weeks
- Monopoly – 4 weeks
- The Price is Right – 4 weeks
- Quick 50/Quick 100 – 4 weeks
- Wild/Lucky/Super 7s – 4 weeks

- $2,086,875 on Spot TV in 2010
- Instant Campaigns- **45.7%** of 2010 Spot TV spend
- **Top Supported Instant Games:**
  1) $177,650 – Cash Harvest
  2) $153,935 – The Price is Right
  3) $151,300 – Monopoly

2011

- Hoosier Harvest – 9 weeks
- Hit 100 – 4 weeks
- 124k Gold Rush – 4 weeks
- Hoosier Lottery Instant – 4 weeks
- Hot Cash/White Ice 8s – 4 weeks
- Moneybag Multiplier – 3 weeks
- Wheel of Fortune – 4 weeks
- Triple Winning 7s – 4 weeks
- Muscle Car Money – 4 weeks
- Mustang Mania – 4 weeks
- Triple Winning – 4 weeks
- 5 Million Club – 3 weeks
- Money Money Money – 3 weeks
- Cash Crop – 2 weeks
- Colts Touchdown – 2 weeks
- Colts Cash – 1 week

- $2,761,591 on Spot TV in 2011
- **44.4%** of 2011 Spot TV spend
- **Top Supported Instant Games:**
  1) $169,490 – Hot Cash/White Ice 8s
  2) $157,930 – Moneybag Multiplier
  3) $139,230 – Wheel of Fortune

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

[redacted]

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]

Figure 3.0 – 8: Jackpot Awareness – Examples

[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*: Nielson 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.

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 [redacted]

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

Figure 3.0 – 13:

Marketing Budget Expense Breakdown

[redacted]

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.

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.

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.

Figure 3.0 – 2: Names and Qualifications of Key Employees

Name	Title	Years and Experience Highlights
Connie Laverty O'Connor	CEO (Transitional)	**30+ years of lottery and management experience and leadership** • Northstar Lottery Group, Transitional CEO, (1st US operator/private manager contract): 20 months • Vice Chair, Northstar Board of Managers; participant in Board of Advisors: ongoing • GTECH Senior Vice President and Chief Marketing Officer: 6 1/2 years • Georgia Lottery: Chief Operating Officer: 15 months • New York Lottery: - Deputy Operations Director: 8 years - Director of Marketing, Sales, Advertising & Product Development: 13 years • 2008 recipient of the Public Gaming Research Institute (PRGI) Lottery Industry Lifetime Achievement Award; 2010 recipient of PGRI Hall of Fame award
Jessica Powell	Vice President of Marketing	**18 years of lottery, marketing, and advertising experience** • Northstar Lottery Group, Vice President of Marketing: Integrated 20 member PR, advertising and promotions team; oversaw interactive marketing launch: 1 year • Gaming Experience: Account Executive for tourism and gaming clients, including 3 years at DDB Worldwide as Account Supervisor for the NY Lottery: 7 years • Marketing and Advertising: 10 years

Name	Title	Years and Experience Highlights
Michele Argentieri	Vice President of Sales	**14 years of lottery sales, promotions and education experience** • Northstar Lottery Group, Vice President of Sales: Integrated unionized sales force and Northstar sales force to build a successful team: 20 months • GTECH, Sales Director, Best Practices: Led use of marketing & sales tools, based on industry practices of top-performing lotteries, to help lotteries maximize sales and revenue returns: 5 years • New York Lottery: - Sales Management: 5 years - Promotions and Education Program: 4 years
Bobby Hatam	Director of Operations and Technology	**14 years of lottery technology, operations, and management experience** • GTECH, Account Development Manager, Washington's Lottery: 2 years • GTECH experience in technology, operations, project management, and business development, including roles of Director of Operations, Technology Operations Manager, and Senior Engineer: 12 years

Chief Executive Officer (Transitional) – Connie Laverty O'Connor

The Chief Executive Officer (CEO) will lead the Provider organization in the delivery of integrated services and is the primary point of accountability for the Commission. The CEO oversees the strategic direction of the operation and allocates resources in support of the strategic objectives to maximize performance in a socially responsible manner. The CEO is responsible for the quality of operational services and effective cooperation between GTECH and the State.

We propose Connie Laverty O'Connor as the Transitional CEO for the Hoosier Lottery Provider. Connie recently spent 20 months as the Transitional CEO of Northstar Lottery Group, an Illinois limited liability company that is the private manager of the Illinois Lottery. She brings her experience and lessons learned to the Hoosier Lottery project. Connie led the teams responsible for the following achievements in Illinois:

- Successfully integrated employee teams to create a nimble entrepreneurial performance-driven culture.
- Recruited more than 2,500 retailers to expand and diversify the player base.
- Reengineered the instant program category resulting in a more than 28% sales increase.

Provider Organizational Chart

	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.

- Launched the nation's first Internet Lottery Pilot Program.
- Awarded more than $15 million in contracts to 42 WMBE firms, more than doubling the contract goal.
- Led the Illinois Lottery to achieve 15 months of record-breaking sales.

With more than 30 years of lottery sales, marketing, operations, and management experience, and a genuine passion for advancing the lottery industry, Connie currently leads GTECH's corporate marketing teams in supplying strategic and tactical marketing advice on game development, industry best practices, retailer network development, sales management, and promotion design and execution. She has been inducted into the Public Gaming Research Institute (PGRI) Hall of Fame, which recognizes individuals for their promotion of excellence and integrity in the industry.

After a permanent CEO is hired and her role as Transitional CEO ends, Connie will remain involved in the lottery and the Provider organization as member of the Board of Directors.

Vice President and Deputy General Manager

The Vice President and Deputy General Manager is responsible for ensuring compliance with and execution of the Integrated Services Agreement (ISA) on behalf of GTECH, including the Ramp-up and Transition periods. This Vice President establishes and maintains positive relationships with State Regulators, understands the implications of all regulations, and translates how any regulatory changes will require changes in business operations, and then implements those changes. The incumbent will be responsible for integrating a corporate social responsibility ethos into all procedures and commercial decisions made by GTECH, and leads GTECH's efforts to secure Level 4 World Lottery Association (WLA) accreditation for responsible gaming. This individual will direct the establishment of programs and training to ensure that all activities are conducted according to the principles of responsible play. This position will also oversee all subcontractor and vendor procurements of the Provider and ensure they are conducted according to the specifications of the ISA, with specific focus on participation of WMBE businesses.

Vice President of Marketing – Jessica Powell

The Vice President of Marketing is responsible for establishing a thoughtful and comprehensive marketing strategy designed to deliver every aspect of the Business Plan. This experienced and capable senior marketing executive will manage/enable the Hoosier Lottery's brand in the consumer imagination. The VP of Marketing will establish and lead an organization comprised of experienced marketing professionals working in close partnership with the Provider's advertising and communications agency. This person will provide strategic and tactical direction and expertise on consumer insights, game design and innovation, promotions development, marketing and advertising communications design and execution – and in doing so will leverage global lottery-industry best practices. All aspects of this comprehensive Lottery brand strategy will effectively communicate a well-balanced product mix, clearly conveying the benefits in a socially responsible manner, to maximize the value of the Lottery game portfolio and enable the full potential of the Hoosier Lottery market. This position will be measured by the acceleration of critical brand image metrics, relevance of the brand, and delivery of net income targets.

We propose Jessica Powell as the Transitional Vice President of Marketing. Jessica has a successful history as the Vice President of Marketing and Advertising with Northstar, the private manager of the Illinois Lottery, 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. Under her direction, the team achieved 15 consecutive record-breaking sales months totaling nearly $2 billion in FY11/12.

Jessica also brings her Illinois experience of managing the innovative user experience process and marketing program for the introduction of the first legal U.S. e-commerce website for the purchase of lottery tickets online. She also led brand transformation, repositioning the Illinois Lottery as a beacon of optimism and possibilities, increasing brand relevancy by an impressive 10 points in just 9 months of the base year business plan.

Vice President of Sales – Michele Argentieri

The Vice President of Sales establishes strategic and tactical plans designed to maximize revenues and deliver committed net income. The incumbent will be expected to inspire the sales and retail development staff to energize the Lottery Retailer network as well as recruit new quality retailers to embrace the Hoosier Lottery brand, leveraging proactive open and honest 360° communication and being highly visible throughout the six regions of the state. The VP of Sales is responsible for retailer recruitment, client relationship management, sales operations, and sales optimization activities through a team of customer-focused staff. This individual will develop and utilize sales analytics to drive actionable sales programs and will design and implement marketing campaigns and sales promotions, both aimed at delivering same store sales growth. The VP of Sales is also responsible for designing performance-driven incentive programs for Lottery Retailers and retail associates tied to sales and operational initiatives, as well as our strategic sales staff to optimize and expand the Hoosier Lottery retail network. This position oversees the development and management of effective relationships and daily sales activities with local corporate accounts, and leverages national account relationships at the group level for in-state corporate Lottery Retailer accounts.

We propose Michele Argentieri as the Transitional Vice President of Sales. 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. She was responsible for building a nimble, flexible, entrepreneurial culture focused on analytical and actionable data with superior execution at retail and driving transformational business change for the sales, recruitment, and retail optimization organization. Michele successfully melded the cultures of the unionized sales team under the Employee Use Agreement (EUA) with Northstar recruitment and sales force employees to achieve the following:

- 17.9% Year Over Year (YOY) total sales increase.
- 27% instant sales increase.
- 17% sales lift from retailer store merchandising optimization.
- Nearly $72 million in new sales.

Michele joined GTECH in 2007 bringing an extensive background in retail sales management, promotions, marketing, public relations, and education programs from her nine years with the New York Lottery.

Director of Corporate Affairs

The Director of Corporate Affairs will work in close alignment with the Lottery Executive Director and the Corporate Communications Director to ensure all messaging protects and preserves the integrity of the Hoosier Lottery brand. The incumbent is also responsible for representing a positive business image of the Provider in the community, working with the Lottery senior leadership. This position establishes the strategy for and leads external communications with various media outlets; creates and executes a social media plan; and develops and implements various outreach programs to create and sustain a positive brand image, particularly with respect to helping the Lottery become part of community life across the State.

Chief Financial Officer

The Chief Financial Officer (CFO) is responsible for overseeing all financial activities, including planning and controlling, budgeting, forecasting, balancing sales with revenue, and managing net income commitments. This position is accountable for the financial integrity of the business and for compliance with accounting standards and practices as well as regulatory and legal requirements. The incumbent designs and implements internal controls, maintains accounting records, and prepares financial reports for management and shareholders. This position will work closely and collaboratively with the Commission to ensure full transparency and to maintain the trust of the public and players.

General Counsel

The General Counsel (GC) is responsible for working closely with the Commission and managing all legal matters for Provider including legal strategy, contract negotiations, procurement compliance, legal compliance, regulatory compliance, and litigation. The GC serves as senior legal advisor to Provider's management team and counsels on the legal implications of all organization activities and problems. The GC establishes policies and procedures to comply with all legal and regulatory requirements, and is responsible for drafting, negotiating, and monitoring all legal contracts. This position oversees and directs engagements of outside counsel as required.

Vice President of Human Resources

GTECH embraces employees as our most valuable resources and therefore fosters a highly engaged workforce and unified workplace culture by facilitating open and continuous internal communication with all employees, at all levels. The Vice President of Human Resources ensures this mission is accomplished, and that a top-tier workforce is established, developed, and retained. This individual facilitates this through the creation and implementation of HR strategy and programs that enable the organization to achieve the Business Plan. This position is responsible for integrating the current Commission staff with Provider's own employees and establishing a common set of policies, procedures, and programs to ensure their continued development, and market competitive benefits and compensation, including performance-based incentives. The incumbent also complies with all State and Federal laws and regulations pertaining to employees.

Senior Director of Operations and Technology – Bobby Hatam

The Senior Director of Operations and Technology establishes and executes Provider's technical and operational services in accordance with the ISA. This position is responsible for working with all internal and external parties, across all disciplines, to deliver the marketing and sales initiatives in an efficient and cohesive manner, and to optimize the consumer and retailer experience. This person will ensure the overall performance of the information technology infrastructure and manage the systems integration of outsourced suppliers. The incumbent will also be responsible for designing and implementing ongoing enhancements to the technology platform to enable any new and innovative programs being deployed. The Senior Director of Operations and Technology optimizes the efficiency of the supply chain to ensure that the sales staff and Lottery Retailers have the necessary products and materials to achieve the Business Plan.

References

The Selection Team may contact any of the following individuals to discuss GTECH's performance working with each respective lottery.

Texas Lottery Commission: GTECH has been the lottery solutions provider and business partner to the Texas Lottery Commission since its inception in 1992.
Fiscal Year 2011 Sales: $3.8 billion.
Contact Person: Gary Grief, Executive Director, 611 East 6th Street, Austin, TX 78701.
Phone: (512) 344-5561.
Email: *Gary.Grief@lottery.state.tx.us*
GTECH is the primary vendor of the central gaming system and instant game system, which include a central gaming system, instant game system, 17,300 online terminals (Isys®), 1,696 Instant Ticket Vending Machines (ITVMs), instant ticket warehousing & distribution, network, telemarketing/ProCall, field sales staff, marketing services, and market research. The contact person provided, Mr. Grief, has been a member of the leadership team of the Texas Lottery Commission since 1992, and has a deep understanding of the products and extended services provided by GTECH to that lottery.
Current Contract Dates: August 2011 – August 2020.

California Lottery: GTECH has been the lottery solutions provider and business partner to the California Lottery since its inception in 1986.
Fiscal Year 2011 Sales: $3.8 billion.
Contact Person: Robert O'Neill, Director, 600 N. 10th Street, Sacramento, CA 95811.
Phone: (916) 323-0403.
Email: roneill@calottery.com
GTECH is the primary vendor of the online and instant gaming system, which includes a central gaming system, instant game system, 22,500 online terminals (Altura®), 4,000 ITVMs, network, call center, field service, telemarketing/ProCall, marketing services, and market research. GTECH has worked with the California Lottery for more than 25 years, providing lottery services and marketing support. More recently, GTECH has provided portfolio and instant-ticket-game management and marketing support to the Lottery as it grew sales by 50% over the last 3 years.
Current Contract Dates: October 2003 – October 2019.

Georgia Lottery Corporation: GTECH has been the lottery solutions provider and business partner to the Georgia Lottery Corporation since its inception in 1993.
Fiscal Year 2011 Sales: $3.6 billion.

Contact Person: Margaret DeFrancisco, President and CEO, 250 Williams Street, Suite 3000, Atlanta, GA 30303.
Phone: (404) 215-5020.
Email: *mdefrancisco@galottery.org*
GTECH is the primary vendor of the central gaming system and the instant game system, which include a central gaming system, instant game system, 9,500 online terminals (Altura), 1,000 ITVMs, network, call center, field service, telemarketing/ProCall, marketing services, and market research.
Current Contract Dates: September 2003 – September 2018.

Spain – Organization Nacional de Ciegos Espanoles (ONCE):
2011 Sales: $2.5 billion.
Contact Person: Cesar Palacios Garcia, Director de Nuevos Canales de Venta y Desarrollo Internacional.
Phone: +34.915.894.604.
Email: cepg@once.es
Contact Person: Angel Sierra.
Phone: +34.914.365.815.
Email: asierra-tgs@once.es
GTECH provides operational and management services, which include a central gaming system, currently 12,000 Altura GT1100 terminals (at completion of rollout, will be 18,000 terminals), retail merchandising, promotions, incentives, network, call center, marketing communications, product marketing, trade marketing, market research, and market analysis. In May 2010, GTECH (together with a local distribution partner) initiated the operatorship of the instant and draw-game portfolio of ONCE, and in the first 30 months of operations have more than tripled the player base and significantly improved lottery sales.
Current Contract Dates: October 2009 – December 2020.

Amministratione Autonoma Monopoli di Stato (Italian Gaming Regulator)
Contact Person: Antonio Tagliaferri, Director for Strategy, Piazza Mastai 11, 00153 Rome, Italy
2011 Sales: €17.0 billion.
Phone: +39.06.58572882.
Email: antonio.tagliaferri@aams.it
Contact Person: Roberto Fanelli, Piazza Mastai 11, 00153 Rome, Italy
Phone: +39.06.58573830.
Email: roberto.fanelli@aams.it

Colombia – Coljuegos:
Fiscal Year 2011 Sales: $186 million only for Lotto game.
Contact Person: Rodrigo Velez.
Phone: +57.1.486.3318.
Email: *rvelez@coljuegos.gov.com*
GTECH provides operational and management services, which include a central system, 9,800 terminals, network communications, call center, field service, and marketing. Products sold include traditional lottery as well as commercial services, including bill pay, electronic cell-phone top-ups, prepaid services, and wire transfers.
Current Contract Dates: April 2012 –April 2017.

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 – 3: DHR International Search Process

Search Initiated	
WEEKS 1-3 Kick Off Activities	• Assess Organization & Position • Meet Key Constituents • Develop Position Specification(s) • Develop Strategy
WEEKS 2-5 Candidate Identification	• 20-Day Market Analysis Presented • Contact Sources & Candidates • Screen Candidates • Conduct Preliminary References
WEEKS 6-9 Candidate Qualification	• Heavy Recruiting Continues • Conduct Interviews • Conduct Detailed References • Review Progress
WEEKS 9-12 Candidate Selection	• 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.

Diane Coletti

Diane Coletti leads the Boston office of DHR as Managing Director and Executive Vice President specializing in searches within the Life Sciences, Healthcare, and Technology markets. With more than 25 years of recognized excellence, Diane's fervor to understand a client's unique business and market drivers has made her successful in recruiting executives at the VP, Board, and C-level to lead innovative businesses. Diane's extensive search work encompasses recruiting leadership talent in a variety of functional areas, including marketing, product management, investor relations, commercialization, sales, strategic alliances, channel management, business development, corporate development, human resources, professional services, and finance. Diane has conducted more than 900 searches and interviewed thousands of executives throughout her two decades in executive search. Diane has advised hundreds of companies regarding company or functional leadership and role definitions and has recruited talent from across the United States and Canada. Clients include PerkinElmer, Charles River Laboratories, Covidien, Zimmer, Serica, Allergan, Health Dialog, AdvanSource Biomaterials, Avid Technology, Bose, AMSC, Xtalic, iDirect, and Netscout, to name a few. Diane's experience in running a company and her innate ability to understand market development and business strategy have been recognized by the many non-profit boards on which she serves.

CRAIG RANDALL

Craig E. Randall serves as the Office Managing Director in the firm's Chicago office. In this role, he is responsible for leading and executing senior level search assignments as well as leading the firm's Chicago office. Additionally, he is a key member of DHR's Venture Capital & Private Equity, Healthcare & Life Sciences and Financial Services Practice Groups. Serving as a Board and CEO-level advisor, Craig helps clients identify and recruit the proper mix of talent required to develop efficient businesses. His consultative methodology centers on working with senior executives to look at all aspects of human capital management. Craig's primary focus is to help Private Equity groups identify and recruit the right leaders to scale portfolio companies and to increase enterprise value. For nearly two decades, Craig has led client development and search execution for Private Equity groups and senior-level assignments for growth businesses. Specifically, he has led assignments for CEO, CFO, COO, division Presidents, and functional heads of sales, marketing, human resources, and supply chains.

He is an active member in the Chicago community, supporting numerous organizations, including the Children's Memorial Hospital, Boys and Girls Clubs of Chicago, and Steppenwolf Theatre. He currently serves on the Board of Directors for the Children's Memorial Hospital Foundation and DHR International.

Corporate Governance

The Advisory Board and Board of Directors who will oversee the activities of the Provider are introduced in this section.

Board of Advisors

Guiding the Provider's operations will be a distinguished Board of Advisors, comprised of civic and business leaders from around Indiana who represent the diverse geographical and community interests of the State. The insights and perspectives brought by Advisors Board members complement the lottery expertise brought by the Board of Directors, enabling the Provider to more effectively govern the organization and be responsive to community issues while optimizing the responsible growth of the Hoosier Lottery. The Board is currently comprised of three members. Drawing on the skills and insights of the current Advisors Board members combined with input from the CEO and the Board of Directors, we are in the process of recruiting two additional Advisory Board members.

We will look to the Board of Advisors to counsel the Provider in several areas of operations, including stewardship, to ensure compliance with responsible gaming initiatives; evaluation of responsible performance; maximization of the potential subcontracting opportunities for business enterprises owned by minorities, women, and people with disabilities; and optimization of the Provider's community engagement and philanthropic programs.

If chosen as the Hoosier Lottery's Provider under the ISA, GTECH commits 2% of Provider's annual profits to be returned to Hoosier charities, community projects, and social causes. GTECH believes it is important to contribute to communities in which we do business, and the Hoosier Giving Pledge is incremental to other social and community programs to which the company has committed and remains involved with, such as After School Advantage Programs. The administration, selection, and execution of the Hoosier Giving Pledge will be overseen by the Board of Advisors. This allows leaders who live across the State and are deeply in touch with needs in the community to deploy resources where they are needed the most and where the greatest positive impact can be realized.

The credentials and biographies of the current Board of Advisors members follow.

Jo Ann M. Gora

Since Jo Ann Gora became Ball State University's 14th president in August 2004, she has led the development and implementation of the University's Education Redefined strategic plan, the cornerstone of which is making immersive learning opportunities available to every Ball State student. In the first four years of strategic plan implementation, more than 12,000 students completed more than 750 immersive learning projects in 70 Indiana counties under the mentoring of faculty from every academic department at the University.

She also led the University's successful capital campaign, Ball State Bold, which supported the strategic plan's implementation and surpassed its $200 million goal by more than $10 million. In the eight years since her arrival, Ball State has been in the midst of an unprecedented era of campus improvement, spending approximately $418 million on major construction and renovation projects.

President Gora was one of 12 charter signatories to the American College and University Presidents Climate Commitment in 2006. She has led Ball State's sustainability efforts, including its geothermal district energy system, the largest of its kind in the country. In March 2012, the project's first phase was dedicated, allowing the University to shut down two coal-fired boilers and save $1 million annually. When the second and final phase is finished, the system will heat and cool more than 45 campus buildings, saving Ball State $2 million a year while reducing its carbon footprint by nearly half.

In 2009, President Gora earned the Mira Trailblazer Award from TechPoint for her significant and lasting contributions to technology innovation in Indiana. She is a member of the Association of Governing Boards' Council of Presidents and is on the advisory committee of the Association's executive search arm. She is a member of the American Council on Education's Board of Directors, chairs the Mid-American Conference Presidents' Council, and co-chairs the Central Indiana Corporate Partnership, where she previously chaired the governance committee.

George McGinnis

George McGinnis is considered one of basketball's greatest power forwards of all time. He began his career as an Indianapolis, Indiana, native. During his senior year in high school Mr. McGinnis was one of the most highly recruited athletes in the country, and in 1969 he headed to Indiana University. After turning professional, he played for the Indiana Pacers and the Philadelphia 76ers. He retired after twelve years as a professional athlete.

George McGinnis and wife Lynda are the founders of GM Supply Co., an Indianapolis business. He has developed an additional career as the spokesperson for the Hoosier Lottery, as a participant in commercials for Indiana Car and Truck, and as a radio and television commentator.

Mr. McGinnis is extremely active in giving back to the community and the state that have given him so much during his life and career in Indiana. He has served as the co-chairperson of the Indianapolis Local Organizing Committee (ILOC) for the past 7 years. The ILOC has been instrumental in the NCAA relocation to Indianapolis and the Men's Final Four games hosted by Indianapolis in 1997, 2000, 2006 and 2010. He also devotes time and money to charities devoted to helping young people in the community. Mr. McGinnis is a recipient of the Indiana Historical Society's Living Legend Award, and he also serves on the Advisory Board for Navistar.

IAN ROLLAND

Mr. Rolland is the retired chairman of Lincoln National Corp. in Fort Wayne. The Fort Wayne native began his career at Lincoln National Life in 1956, occupying executive-level positions until his election to senior vice president in 1973. He became president and a director of Lincoln National Corp. in 1975, and was named CEO two years later. In 1992 he was named chairman and CEO, retiring in June 1998.

He served as Director of the University of Saint Francis (1976-1995) and is treasurer for the board of trustees, to which he was elected in 1995. During his terms as director and trustee, he also served on the Executive Committee and chaired the Finance and Investment Committee. He and his wife, Mimi, are major contributors to the Rolland Art and Visual Communication Center and other university projects. Always a champion of education, he serves on other higher education boards and is past board chair for DePauw University.

Mr. Rolland has chaired the board of regents for the Indiana Academy and sits on the boards of prominent corporations, including NiSource and Bright Horizons Family Solutions. He is an advisory board member of CID Ventures and CID Partners. His professional associations include the American Council of Life Insurance (past chair), the Society of Actuaries (member and past president), the International Insurance Society (member and past chair) and the Health Insurance Association of America (past chair). He is a member of the American Academy of Actuaries.

Active in Fort Wayne community affairs, he is a board member for Anthony Wayne Services, the East Wayne Street Center, Arts United of Greater Fort Wayne, Junior Achievement (chair), Leadership Fort Wayne, the Courthouse Preservation Trust, and the Timothy L. Johnson Academy.

Board of Directors

The Board of Directors is comprised of five members of senior leadership from GTECH Corporation, several of whom bring their experience with the Northstar Lottery Group, LLC, in Illinois. Resumes for the Board of Directors are provided in **Appendix B, Resumes**.

Jaymin Patel – President and CEO of GTECH Corporation

Jaymin will serve as Chairman of the Board of Directors. He was appointed Chief Executive Officer of GTECH Corporation in January 2008 after serving as President and Chief Operating Officer. In May 2007, he was appointed to the Board of Directors and Executive Management Committee of GTECH's parent company, Lottomatica Group S.p.A., which is listed on the Milan Stock Exchange (LTO.MI). Jaymin is responsible for overseeing the strategic direction and global operations of GTECH, the market leader in providing technology, operations, and marketing solutions to government authorized gaming operators around the world. The company operates in 27 U.S. jurisdictions and 55 countries with more than 5,000 employees. Having joined GTECH in 1994, Jaymin has extensive international experience and has been instrumental in the company's business development initiatives and global operations. In particular, he has worked in emerging economies with particular emphasis in Eastern Europe, Latin America, and Asia Pacific.

Over the last several years, Jaymin has led the company's efforts to expand its business to become a gaming operator as well as a solutions provider. Northstar Lottery Group, which is 80% owned by GTECH, was awarded the first-ever private manager contract in the United States to operate the Illinois Lottery. Jaymin led the business development team that pursued the opportunity and currently serves as Chairman of Northstar Lottery Group.

Alan Eland – Senior Vice President and Chief Operating Officer, GTECH North America

Alan Eland is responsible for lottery operations in the United States and Canada and heads up GTECH Printing Corporation (GPC) and Client Services. Alan leads the Company's growth efforts to provide lottery technology, service solutions, and operational management support to customers throughout North America.

Alan is a senior business leader with diverse operations and sales management experience. He began his career at GTECH in 1985 and has held various roles of increasing responsibility throughout his 26 years with the Company. Prior to leading operations in the Americas, he was Vice President and General Manager for GTECH's Gaming Solutions organization where he was responsible for the day-to-day management of SPIELO. From 1998 through 2005, he also served as Regional Vice President, Eastern U.S. Operations, where he managed GTECH's largest region. Prior to that, Alan oversaw the launch of the Texas Lottery and later served as Account General Manager for GTECH Texas.

Stefano Monterosso – Senior Vice President, Marketing Operations, GTECH

Stefano Monterosso oversees the collaboration of GTECH's various business units and marketing teams, with the goal of further integrating product development, advertising, and marketing. Stefano is responsible for the expansion of operator sales, as well as the development of consumer and retail insights for a full range of global gaming opportunities.

Stefano has more than 20 years of engineering, business development, analytics, and consulting experience. Before joining GTECH in July 2011, he served for 16 years as Associate Partner with Bain & Company in Rome. During his time at Bain, he developed substantial relevant lottery and gaming experience across the world, contributing to a number of successful growth initiatives such as the development of the lottery, betting, and gaming machines business of Lottomatica and provided support to the Lottomatica Group in several key bids (Sports Betting in 2007, Gratta e Vinci in 2009, and the Illinois Private Manager in 2010). Previously Stefano worked for Procter & Gamble supporting retail development and promotional programs; the European Space Agency in the Netherlands in mission analysis for future spacecraft launches; the United Nations; and the Italian National Bank in Information Technology.

Connie Laverty O'Connor – Senior Vice President and Chief Marketing Officer, GTECH

Connie Laverty O'Connor will be the Transitional CEO for the Hoosier Lottery Provider and will continue her involvement as a member of the Board of Directors. She recently spent 20 months as the Transitional CEO of Northstar Lottery Group, an Illinois limited liability company that is the private manager of the Illinois Lottery. She remains active in Illinois as Vice Chair of the Northstar Board of Managers, and she is also a participant in Northstar Board of Advisors.

As Senior Vice President and Chief Marketing Officer of GTECH Corporation, Connie helps to drive the overall strategic direction of the Company while providing strong leadership and direction to the marketing function. She is responsible for the review and enhancement of marketing processes, measurements, and information systems that are necessary to operate effectively and achieve business objectives. Connie also identifies market trends and long-range market opportunities for product development, content development, sales, and potential acquisitions. Prior to joining GTECH in April 2006, Connie served as Chief Operating Officer of the Georgia Lottery Corporation. Prior to that, she spent more than 30 years with the New York Lottery; her final 14 years there were spent as Director of Marketing and Sales.

Scott Gunn - Senior Vice President Global Government Relations and U.S. Business Development

Scott is responsible for worldwide government relations leadership and strategy for the Company. He guides GTECH's global network of government relations resources to maintain appropriate government relationships and works to develop the Company's lines of business. Scott works with policy makers and government officials to provide them with the Company's perspective on the implications of lottery private management in the United States. Scott will work closely with GTECH's Indiana Board of Advisors and other local representatives to ensure GTECH's activities in Indiana are aligned with the views and direction of government policy makers.

Scott also leads GTECH's U.S. Business Development organization to ensure that GTECH is aligned with, and positioned to support, the objectives of Company's customers, and to pursue the most significant domestic business opportunities for the Company. Scott has worked for GTECH since 1994 in various positions in sales, business development, public affairs, and global operations. Most recently, he spent two years as the Vice President, Western Region Operations, overseeing activities of eight western region sites.

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.

Figure 3.0 – 4: Critical Strategic GTECH Resources

Name	Title	Years and Experience Highlights
Stefano Monterosso	Senior Vice President of Marketing Analytics	**17 years of lottery/gaming and consultant experience** • GTECH: Senior VP of Marketing Analytics, 1 year - Collaboration of GTECH business units and marketing teams - Integration of product development, advertising, and marketing • Bain & Company, Consultant, 16 years Gaming Initiatives: - Illinois Private Manager, 2010 - Gratta e Vinci (instant lottery), 2004-2011
Sue Strouse	Vice President of Retail Strategy	**12 years lottery, retail strategy, and retail recruitment experience** • GTECH, 12 years - Global retail strategy and execution - Recruitment of chain retailers - Created the DASH retail store support business for GTECH - Partnership with Driveline, the leading U.S. merchandising and services company • Northstar, Vice President of Retail Strategy, 10 months - National account recruitment, leading the efforts to bring Walgreens, CVS, Wal-Mart, and Family Dollar into the Illinois retail network - Lading the Walgreens pilot that began in Illinois April 17, 2012

Senior Vice President of Marketing Analytics – Stefano Monterosso

Stefano brings extensive insights from both the business and technical arenas. He will conduct an extensive audit of the Hoosier Lottery instant brand category and will make recommendations based on his discoveries. He oversees the collaboration of GTECH's various business units and marketing teams, with the goal of further integrating product development, advertising, and marketing. He is responsible for the expansion of operator sales, as well as the development of consumer and retail insights for a full range of global gaming opportunities. He brings more than 20 years of engineering, business development, analytics, and consulting experience to the Hoosier Lottery Provider.

Leveraging his extensive Bain experience with big data, he will perform an end-to-end audit of the instant category designed to determine each and every available lever for growth. He will work with Frank Kilinski and Nick Fazzano (both introduced in the following section) in this exercise.

Vice President of Retail Strategy – Sue Strouse

Sue brings more than 12 years of GTECH experience in global retail strategy and execution of new retail business models for recruitment of chain retailers for lotteries around the world. She created the DASH retail store support business for GTECH and drove the partnership with Driveline, the leading U.S. merchandising and services company.

Sue has also worked as part of the Northstar Executive team in Illinois since December of 2011. She established the Northstar Corporate Accounts Sales infrastructure including staffing, business plan development and execution of Northstar's strategic plan, which led to 23% growth in FY12 for the existing Illinois Corporate Accounts. Sue is also in charge of national account recruitment and is personally leading the efforts to bring Walgreens, CVS, Wal-Mart, and Family Dollar into the Illinois retail network. A first-in-the-country pilot with Walgreens started in Illinois on April 17, 2012.

Additional GTECH Resources Supporting the Hoosier Lottery

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

Figure 3.0 – 5: GTECH Additional Resources as Provider

Name	Title	Years and Experience Highlights
Don Stanford	GTECH Technology Fellow and Acting Chief Innovation Officer	**26 years lottery experience** • GTECH product development strategy and innovation, retail point of access development strategy: 26 years
Tim Simonson	Regional Vice President, U.S., Western Region	**9 years lottery experience** • Strategic advisor to operator opportunities, product marketing, business development and professional services: 9 years
Michelle Carney	Vice President, Portfolio Management, Business Proposals & Design	**12 years lottery experience** • GTECH, comprehensive marketing plans, future growth opportunities: 11 years • Northstar Consultant, strategic draw game development: 1 year
Andrew Gray	Managing Director, IGI Europrint	**29 years promotional products and gaming experience** • GTECH, consumer awareness campaigns and promotional products: 6 years • Worked with blue chip companies (Coca-Cola, McDonald's, Camelot, Barclays Bank, Tesco, etc.) on game idea production and promotion: 23 years
Paul Riley	Vice President, Product Marketing	**21 years lottery experience** • Leads interactive and flexible retail solutions
Frank Kilinski	Senior Director, Industry Best Practices	**31 years lottery experience** • GTECH, U.S. analytics, data mining, Best Practices: 5 years • New York Lottery, Director of R&D, Instants and draw-based: 26 years
Trevor Hayden	Director of Operations, GTECH Professional Services	**19 years gaming experience** • GTECH, Business and Operating plans for private management, business development, gaming operations: 6 years • MGM Mirage, Casino Montelago, The Venetian; Slot operations leadership roles: 13 years
Nat Worley	Senior Director, Marketing	**15 years lottery marketing experience** • GTECH, portfolio optimization, new game content, retailer programs, and strategic planning: 15 years

Name	Title	Years and Experience Highlights
Walter Gaddy	Instants Innovation	**19 years lottery and instants experience** GTECH Printing Corporation, Account Manager: 5 years • Florida Lottery, various roles culminating in 12 years as Instant Product Manager: 14 years
Nick Fazzano	Product Marketing Manager	**19 years total instant category experience** • GTECH, Instant Specialist: 16 years • Camelot Group Plc., Instant Ticket Logistics Manager: 3 years
Kathleen Lavigne	Marketing Analyst Manager	**17 years lottery, marketing analysis experience, and retail optimization experience** • Sales Forecasting • Retailer Optimization Program
Christopher McVay	Senior Marketing Analyst	**4 years lottery and marketing analysis experience** • Sales Forecasting Models • Lottery Marketing Database (LMDB)

Technology Fellow and Acting Chief Innovation Officer – Don Stanford

An original founder of the company, Don represents GTECH's Technology organization on the Senior Staff. In the past year Don has been consulting with the Global Technology Group and Marketing on strategically important technology product development initiatives, including the overall retail point-of-access development strategy. He brings his 33 years of experience in the gaming industry as well as his expertise in engineering and computer science.

Regional Vice President, U.S., Western Region – Tim Simonson

Tim leads cross-functional GTECH operations teams in serving U.S. clients in the Western half of the U.S. market and also serves as a strategic advisor for operator opportunities. Tim is focused on guiding the organization in delivering on GTECH's "customers first" philosophy regarding the full range of solutions including lottery central gaming system products and solutions, instant ticket games, interactive/digital channel solutions, and video lottery gaming services. Tim has been with GTECH for more than nine years, in roles including product marketing, business development and professional services concentrated in the U.S. marketplace.

Vice President, Portfolio Management, Business Proposals & Design – Michelle Rhodes Carney

Michelle will direct the writing of comprehensive marketing plans that align the business plan execution with the Hoosier Lottery's specific marketing and sales goals and a thorough sensitivity to the Indiana marketplace. She will assist in identifying future growth opportunities that can be integrated into strategic business plans with the goal of responsibly generating incremental revenue.

Michelle brings her experience as a consultant to Northstar, where she led the team that created the strategic draw game development plan. This plan resulted in the relaunch and rebranding of the lottery's cash game and the introduction of a new game that offers game attributes that were completely differentiated from any other product in the draw game portfolio.

Managing Director, IGI Europrint – Andrew Gray

Working with Michelle Carney, Andrew's specialty is developing promotional products for the lottery industry that help create awareness and stimulate sales of new and traditional lottery games. During his 29 years of experience in the gaming and promotions industry, he has worked with blue chip companies such as Coca-Cola, McDonald's, Camelot, Burger King, Pepsi, Barclays Bank, Tesco, and a variety of international newspapers and magazines to aid in game idea production and promotion.

Vice President, Product Development – Paul Riley

Paul leads the Interactive Group, which is responsible for development of this new distribution channel. GTECH has made a significant investment in developing a robust platform that will serve as the technological foundation for this new channel. Paul has been on the leading edge of this emerging opportunity. His team includes experts in the areas of Customer Relationship Management (CRM), banking, technology, security, and marketing.

Senior Director of Best Practices – Frank Kilinski

Frank brings to the Hoosier Lottery his knowledge of best practices in myriad areas, including instant ticket inventory management, game development, optimization, analysis, and prize structure development. He will provide enhancement recommendations based on analysis of product mix and the particulars of the Indiana market.

For the past several years, Frank has been promoting the growth of the Illinois Lottery as member of the management team of Northstar. Using his vast industry knowledge and his expertise in lottery best practices, Frank has worked to maximize the potential of the instants program in Illinois. Frank brings a wealth of experience from his 26 years working at the New York Lottery.

Transition Strategy – Trevor Hayden

Trevor brings extensive operations experience to his role of Transition Strategist for the organization. In his current role as Director of Operations for GTECH's Professional Services Group, Trevor formulates business and operating plans for provider and private management opportunities. As the former Director of Business Development, Trevor was responsible for VLT and system opportunities in Asia, Latin America, and Europe. As Director of Gaming Operations, Trevor tracked performance and market trends to forecast annual budgets.

Senior Director, Marketing – Nathanael Worley

Nat will provide corporate support for all marketing, sales, promotions, and game development activities in Indiana. He will be responsible for supporting the design and administration of marketing functions related to product portfolio optimization, new game content, retailer programs, and strategic planning.

Instants Innovation – Walter Gaddy

Walter will work to maximize opportunities to grow instant sales in Indiana. He will develop product plans and strategies consistent with the Hoosier Lottery's business and sales objectives. He will provide game design, prize structure development, portfolio management, and sales analysis. Walter also brings his expertise in the development of instant ticket conceptual designs, time lines, deliverables, point-of-sale material, advertising, and product launch schedules. Walter has more than 19 years of lottery experience in the areas of product development, marketing, and sales, including 14 years at the Florida Lottery, where he was the Instant Product Manager for 12 years.

Product Marketing Manager – Nick Fazzano

Working with Stefano Monterosso and Frank Kilinski, Nick will participate in the brand audit and provide assistance in the execution of the instant game plan. In addition, he will assist in the implementation of the new instant ticket management system for the Hoosier Lottery. He will advise the organization on how it can best take advantage of the capabilities of GTECH's ES instant system, analyze the instant operations program to identify potential improvements, and provide game development assistance.

Marketing Analyst Manager – Kathleen Lavigne

Kathleen will conduct retail optimization and expansion analyses using demographic and psychographic, retailer-specific information to assist in the development of predictive sales models for the Hoosier Lottery. She will also lead the team that will create case studies to help make accurate sales forecasts. Kathleen is the driving force behind the development and branding of the GTECH's Sales T.A.G. Program, a proven retailer optimization program that focuses on growing lottery sales at retailers with the most potential for sales growth.

Senior Marketing Analyst – Christopher McVay

Chris will develop comprehensive sales forecasting models for the Hoosier Lottery to aid senior management in strategic decision making. He will generate multiple case studies, which allow him to make educated recommendations about sales forecasts, impacts of new games or game changes, and other initiatives.

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.
- UPS.
- Barnes & Thornburg LLP.
- Borshoff.
- Heritage Ford.
- Pillow Logistics.
- BC Forward.
- Sondhi Solutions.
- Keystone.
- Keys to Work Inc.
- Imarcsgroup.

Transition Plan

Introduction

The Integrated Services Agreement (ISA) calls for a Transition Plan to be prepared and submitted by GTECH and approved by the Commission prior to the Agreement Effective Date. This document describes the Transition Plan that GTECH proposes to implement. The Transition Plan's ultimate goal is to secure a smooth transfer of operations to the Provider.

The Transition Plan includes:

- Composition, responsibilities, and milestones for each of the Transition and Integration teams, as described later in the plan.
- A detailed Activity Plan showing all Transition activities and deliverables to be completed by the Provider and the Commission. This plan includes all significant components and subcomponents of each activity and deliverable, as well as a complete timetable.
- Identification of all activities which are critical to the performance of the Transition Services (later referred as Transition Milestones).
- A plan and timetable for terminating, assuming, or replacing any Commission Contracts.
- A plan and timetable for the Transition of the technology services (detailed in specific Gantt charts later in the document).
- A plan and budget for Services during the Ramp-up Period. (Budget is reported in the Financial Section of the plan.)
- Identification of major Transition risks and mitigation actions.
- The process for implementing the State's right to delay the Scheduled Base Services Commencement Date.
- A plan and timetable for implementing the Provider's assumptions, undertakings, and other related performance obligations.
- A plan and timetable for interviewing and offering full-time employment for any Commission Personnel.

The Provider will make an offer of full-time employment effective immediately after the Transition Completion Date to all Commission Personnel employed by the Commission as of the Agreement Effective Date who are engaged in a function that has been identified in the Initial Annual Business Plan as being a function that Provider will provide as part of the Services from and after the Transition Completion Date.

The Provider shall provide Transition-related reports as described under the Process for Monitoring the Progress of the Transition Plan heading.

Regarding the expenses incurred during the Transition, we consider that:

- The Provider and the Commission will agree on expenses related to Transition Activities, as referred to in the ISA Section 3.1B, Transition Expenses.
- To the extent included in the Business Plan, the Management fee for Contract years through May 5 include a pro rata portion of any start-up overhead expenses for Providers business operations with respect to providing Transition Services.

Basis for the Preparation of the Plan

Transitioning Hoosier Lottery services to a Provider will be a complex process and one that requires thoughtful planning and experienced coordination and management. The only such transition previously executed in the United States was for the Illinois Lottery during its evolution into private management. The lessons learned during the Illinois start-up and Transition will be essential for ensuring that the transition of services from the Hoosier Lottery to Provider is completed transparently, responsibly, successfully, and efficiently.

Key lessons learned in Illinois are:

STARTING BEFORE THE AGREEMENT EFFECTIVE DATE

Provider will anticipate and begin working on many of the Transition activities before the Agreement Effective Date, such as hiring and staffing key personnel, starting negotiations with current key providers to the Hoosier Lottery (where appropriate and permitted), and assigning people to Transition and Integration teams.

Collaboration of the Parties from Day One

Many of the Transition activities will require active collaboration between the Commission and the Provider. The identification of people from the Commission and their assignment to Transition teams is a critical step in building the foundation of the Transition and cannot happen without collaboration. Having key Commission personnel available and committed to the Transition from the beginning is essential for achieving the defined schedule.

Access to Key Information and People

The Provider has based its Business and Transition Plans on a great deal of information and experience, including the information provided by the Commission. Some Transition activities, such as those relating to technology systems and operations, personnel strengths and areas for improvement, compliance procedures, and others, require a deeper knowledge of current lottery operations and resources. Having complete access to information and Commission personnel will allow the Provider to perform a full and comprehensive assessment, which will further strengthen its Transition activities and plan.

Using what we have learned in Illinois and our other experiences worldwide for comparable lotteries, GTECH has developed a Transition Plan that:

- Is based on a tight but realistic timeline that sets the completion of the Transition on [redacted] While minimizing the time spent in Transition, this schedule emphasizes the importance of limiting disruptions. The schedule also anticipates business growth initiatives during the Ramp-up Period, including retailer recruitment, branding innovation, and other marketing activities.
- Anticipates many Transition activities and begins work before the Agreement Effective Date, during a period we call the Mobilization Phase, described later in the Transition Plan.
- Identifies major risk areas and mitigation actions.

General Timeline of the Transition Plan

In developing the Transition Plan, we have made a number of assumptions with the goal of streamlining the overall process, including the following:

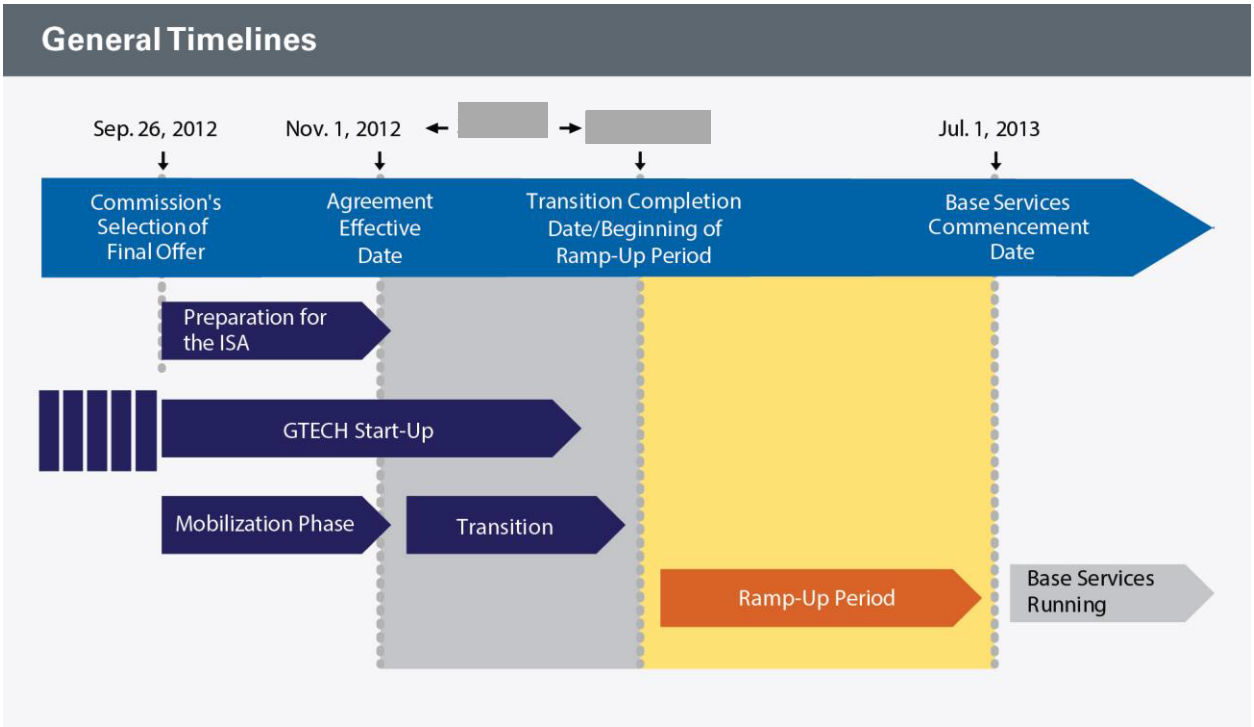
- Selection of the Final Offer on September 26, 2012.
- Execution of the ISA on or about November 1, 2012.

In this section, GTECH defines the following three periods:

- Mobilization Phase, beginning on September 26, 2012, and lasting through November 1, 2012.
- A Transition beginning November 1, 2012, and lasting [redacted]
- A Ramp-up Period beginning [redacted] and lasting through June 30, 2013.The following figure, General Timelines, illustrates the Transition Plan schedule, based on three major activities that will begin on the day following the Commission's selection, including the Ramp-up Period:

- **Preparation for Agreement:** Execution of all activities, such as negotiations regarding possible items not fully defined in the ISA, and the administrative and legal preparation for executing the ISA, that must be completed before the Agreement Effective Date.
- **Start-Up:** Organizational set-up of Provider, including set-up of headquarters, recruitment of non-Commission personnel and development of management support processes.
- **Transition Activities:** Hand-over to the Provider of key operating processes currently managed by the Commission or by other providers. The Commission will continue to control all significant Lottery-related business decisions and activities. This activity, which will begin during the "Mobilization Phase" between the Commission's selection of the final offer and the Agreement Effective Date, is specifically addressed in this section. These activities will end with the "Certificate of Transition," establishing the end of the Transition Period.

Figure 3.0 – 1:

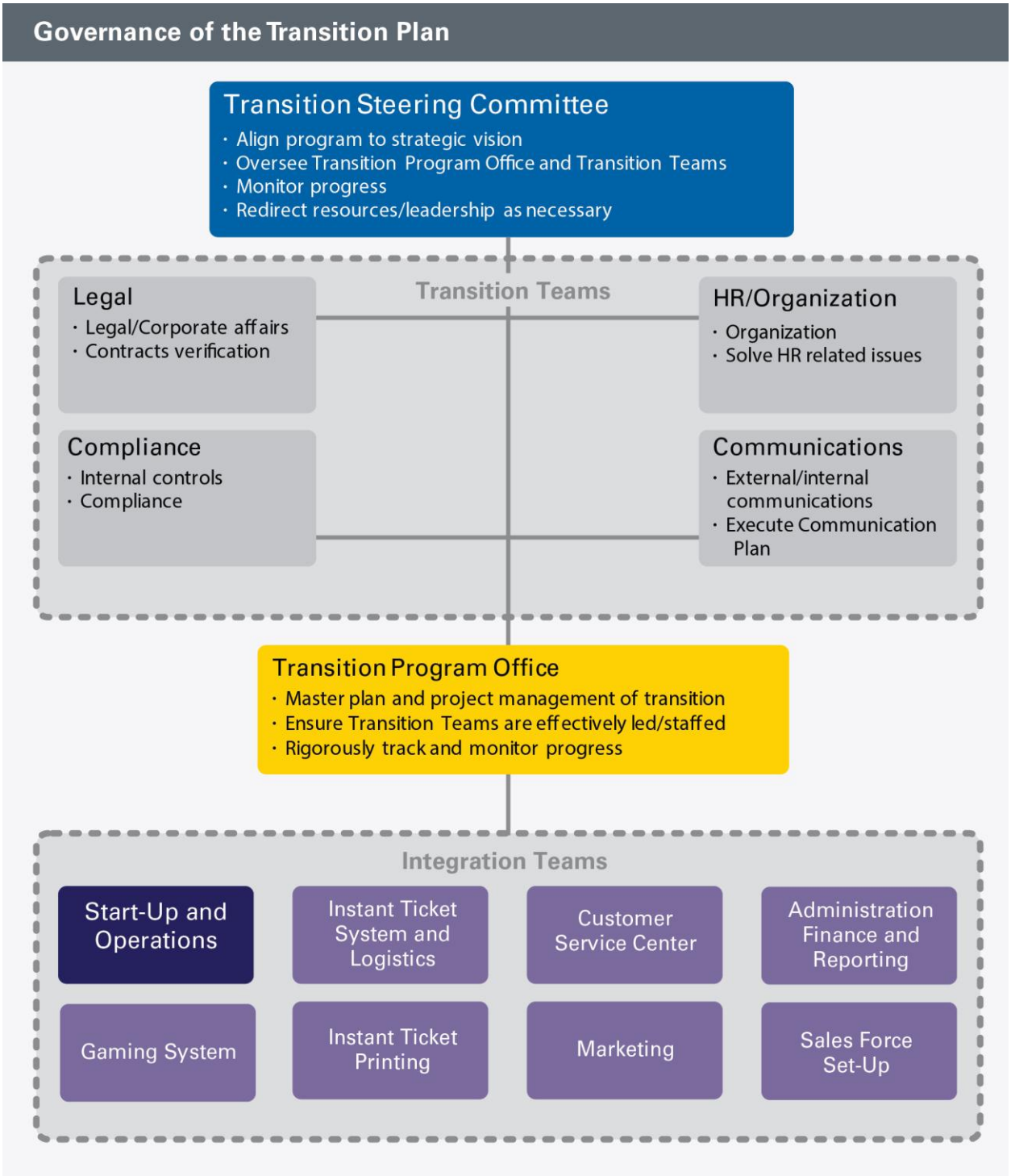


Governance of the Transition Plan

The Transition will require close coordination among the Commission, Provider, and current Lottery service providers. Cooperative efforts will also be needed for detailed planning, rigorous monitoring of the progress of the activities, identification of qualified Integration teams, and development of an effective governance structure.

The following figure depicts the governance and operational structures for management of the Transition.

Figure 3.0 – 2:



Achievement Through Cooperative Effort: The success of the Transition will be assured in part by the well- thought-out governance and operational structures in place.

Transition Steering Committee

The Committee will include key members of the Provider and representatives from the Commission. We propose that the Steering Committee be led by the Provider CEO. Its major responsibilities are:

- Review and approve cross-team comprehensive Master Plan.
- Approve Transition targets and milestones.
- Review and check milestone achievement.
- Decide on the most critical or contentious issues.
- Approve the submission of Transition Reports and the Provider Transition Notice to the Lottery.
- Discuss any issue arising from the Transition and mobilize the appropriate Transition/Integration teams or resources to address it in a timely fashion.

Committee meetings will be held at least monthly, but more often if necessary.

Transition Teams

The four Transition teams depicted in the following figure will be staffed with representatives of the Provider and the Commission.

Figure 3.0 – 3:

Transition Teams

	DESCRIPTION/OBJECTIVE	STAFFING	
		Lottery	GTECH
Legal	• Overview activities that can have legal/corporate relevance such as termination, assumption, and replacement of Commission Contracts	✓	✓
HR Organization	• Management of the transition of Commission personnel to the Provider • Solve any Human Resource related issues	✓	✓
Compliance	• Supervise and coordinate the set-up of controls, reports and backup procedures	✓	✓
Communication	• Coordination of communication efforts related to the Transition Plan and the Transition Phase, to internal and external stakeholders through the Communications Plan	✓	✓

These teams will deal with cross-functional issues that are particularly critical and need to be specifically addressed to ensure a smooth Transition and minimize any operational risks.

Each Transition Team will be responsible for overseeing the activities and plans of the Integration teams, providing support for what pertains to their responsibilities, to ensure the overall success of the initiative. They will develop a plan for their specific activities and work with the Transition Program Office to make sure all plans are synchronized with the Master Plan.

Transition Program Office

The different activities planned within each Integration Team are condensed in a single Master Plan, managed by the Transition Program Office. A single Master Plan guarantees:

- Consistency of plans among the Integration teams.
- Effective management of interdependencies.
- Identification of critical activities (those on the critical path).
- Risk analysis, in case of delays, and mitigation plan definition.
- Management of the plan and the updated progress/rescheduling.

The Transition Program Office will manage the Transition Master Plan and the process/timeline on a daily basis and oversee the Transition and Integration teams to ensure achievement of Transition milestones. The Program Office will set the agenda for the Transition Steering Committee, report activity progress, and propose major changes to the Transition Master Plan if dictated by issues arising from Transition activity.

The Program Office will also have the following responsibilities:

- Generate alignment among executives regarding activity progress.
- Maintain the Transition Master Plan to coordinate detailed work plans across Transition and Integration teams, check linkages between teams, and identify and maintain critical path activities.
- Verify overall resource requirements for the Transition and communicate additional resource needs.
- Work with the Steering Committee to ensure information flow and timely action related to any issues.

The Program Office will be led by a key member of the Provider.

Integration Teams

The Integration teams listed in the next figure are specialized by function, each focusing on a critical aspect of the business. They will be staffed with resources from the Provider.

Commission employees participate in some teams, particularly in the case of Commission personnel who are going to join the Provider as part of the ISA.

Figure 3.0 – 4:

Integration Teams

	DESCRIPTION/OBJECTIVE	STAFFING: Lottery Support	STAFFING: GTECH
Start-Up and Operations	• Organizational set-up of Provider: HQ set-up/ recruitment of external personnel / set-up of management and operational processes (HR, payroll, ...)		✓
Gaming System			✓
Instant Ticket System and Logistics	• Instant ticket management and validation system replacement • Self-Service takeover and new machine installation • GTECH takeover of logistics, warehousing, and distribution	✓	✓
Instant Tickets Printing	• Provider qualification of vendors for instant ticket design, planning, and printing	✓	✓
Sales Force Set Up	• Redesign of new sales force processes to refocus sales force on commercial support activities at retailer level (Product display, promotions…) • Integration of current lottery sales force into Provider organization (including taking responsibility of Lottery's inside sales team) • Set up a dedicated recruiting force	✓	✓
Marketing	• Takeover of marketing activities • Planning and starting rebranding activities	✓	✓
Customer Service Center	• Migrate customer care and retail service activities to Provider • Enhancement of the existing service with additional channels		✓
Administration Finance and Reporting	• Set-up of administrative/finance systems • Definition of implementation of financial/operational reporting	✓	✓

The Integration teams will:

- Develop/maintain detailed plans for their activities.
- Ensure achievement of Transition milestones that are within their scope of responsibility.
- Regularly update the Program Office (weekly) and Steering Committee (on demand) regarding status of activities and recommendations.
- Launch medium- and long-term initiatives with significant impact on the business.

Each Integration Team will have a Statement of Work, including:

- The overview of the Integration Team, complemented by the identification of the team leader, executive sponsors, related contact information, and required approvals and sign-offs.
- The mission statement, with descriptions of the team's high-level objectives and a set of operating principles.
- Background information commensurate with the scope of responsibility.
- The list of initiatives that must be executed, timing, staffing requirements, and identification of existing operating constraints, and/or risks that the team is facing (mitigation actions shall be addressed).
- The Mobilization Plan, accompanied by dates for key meetings, milestones to review the work plan, and other Program Office requirements.

As part of their responsibility, Integration teams will update the Program Office on a weekly basis. Updates will contain milestone details (associated with the related owner), tracking linkages with other Transition or Integration teams, and a list of potential issues (roadblocks, etc.).

Transition Milestones and Master Plan

The Provider Transition Notice will be sent to the Commission no later than [redacted] This date will allow the ten working days the Commission has requested to conduct any investigations deemed appropriate and issue the Certificate of Transition by [redacted]

Transition activities and Transition milestones are included in our plan and are summarized in the following figure.

Figure 3.0 – 5:

Transition Milestones

The Commission's Approvals of the Compliance Plan and Internal Procedures on , includes the plans and procedures the Provider is required to submit according to the Integrated Service Agreement and Operating Standards. These are detailed in the Compliance Transition Team section later in the Transition Plan.

The detailed action to be executed regarding each of the existing Lottery contracts is illustrated under the heading, "Actions Regarding Existing Lottery Contracts," later in this section.

With the completion of the Transition milestones the Transition teams will be removed. Their responsibilities will be transferred directly to Provider, whose work the Commission will oversee. The Integration teams will continue operating according to their respective plans.

The overall Master Plan of the Transition and Integration teams is illustrated in the following figure. The subsection under the Detailed Plan header describes the plan of each Transition and Integration Team in more detail.

Ramp-up Period Plan

Based on the Transition Plan that we propose, the Ramp-up Period will last from [redacted], to July 1, 2013.

The major activities, other than ordinary operations, that the Provider will execute are:

- New retailer recruitment.
- Preliminary marketing activities for rebranding the Hoosier Lottery.
- Launch of new warehousing, distribution, and logistics operations for instant tickets.
- Instant ticket inventory and validation system replacement.

The detailed activities and timelines for activities to be executed during the Ramp-up Period are defined later as a part of the descriptions of the Integration Teams.

The proposed budget for Services during the Ramp-up Period, which is consistent with the Initial Annual Business Plan, can be found in the Financial Plan.

Detailed Plan

MOBILIZATION OF THE TRANSITION

After the Commission's selection of GTECH, we plan approximately one month for the execution of the ISA. We will take advantage of this period to make sure that the Transition Period can start at the appropriate time.

The major activities that we will oversee during the Mobilization phase are presented below.

Staffing the Transition – Roles and Responsibilities

Staffing Provider and the entities described in the figure entitled Governance of the Transition Plan figure near the beginning of this section, will be finalized. This will include:

- Members of the Steering Committee.
- Leaders and members of the Program Office, the Transition teams, and the Integration teams.

Some of the selected people will also become part of Provider; others will act on an interim basis during the Transition.

Implement Transition Processes and Roles

Detailed meeting schedules for the Steering Committee, the Program Office, and the Transition and Integration teams will be established. Internal communications protocols will be developed, and the format of the major communication between entities (e.g., the weekly work plan that each Transition and Integration team has to submit to the Program Office) will be initiated.

Also, the use of emails, Web-based logs, and/or other collaborative tools and processes will be established. The Commission's contributors to the operating entities represented in the figure entitled Governance of the Transition Plan will be identified.

Starting Operational/Resource Assessment

Provider, with the collaboration of the Commission, will begin working in specific operational areas of the Lottery to anticipate any possible issues during the Transition. These areas include, among others:

- Technical systems.
- Sales operations.
- Commission personnel.

Craft the Communications Plan

The Communications Plan is vital to the success of the Transition. We will therefore effectively kick off the Communications Transition Team ahead of the Agreement Effective Date, to ensure that communication with all Lottery stakeholders is properly managed.

This will also include planning external press releases or road-shows with retailers, and a thorough assessment of the potential conflicts between the Provider's hires and the employees.

Before the Agreement Effective Date, all constituencies and potential issues will be jointly identified with the Commission, and the final version of the internal and external Communications Plans will be finalized. Together with the Lottery, we will seek preliminary agreement on any required additional need for external support in this area.

Beginning Negotiation with Existing Sub-Contractors

Provider will begin to attend to contracts that will be assumed or replaced.

Other Critical Issues

Together with the Lottery, we will establish:

- An early warning system to detect business slippage issues.
- Detailed governance policies for the Transition that include decision making issues internal or external to the Steering Committee, progress review formats and timing, and other issues related to jointly identified needs for expenditure during the Transition that cannot be easily attributed to the Commission or the Provider.

The Provider Start-Up

GTECH has been working on the Hoosier Lottery opportunity for several months and has already executed a number of steps. These include shaping the organization, creating the operational footprint, and developing the timetable.

Steps already completed in the design of the new organization include:

- Organizational chart defined.
- Headcount of all the organizational functions defined.
- A number of key organizational positions staffed.
- Lottery expenses vs. GTECH quantified, including price schemes based on a mix of fixed and variable costs.
- Core processes designed and implementation plan developed.
- Transition Plan developed.
- Initial Business Plan developed.
- Metrics to measure implementation success and early alert for risk defined.
- Transition/implementation risk mapped, and mitigation actions identified.

Having invested in such activities will allow the Provider to guarantee a stable Transition. We plan to have our key personnel in place by [redacted] after beginning the Transition starting on November 1, 2012.

The following figures show the Statement of Work for the Provider's operations and the overall activity plan.

Figure 3.0 – 6:

Start-Up and Operations – Integration Team

Integration Team	Objective
Name: Start-up and Operations Manager: TBD	Provider HQ setup/recruitment of external personnel/staffing of key personnel/setup of management and operational processes (HR, payroll)

Activity Metrics

Transition Progress KPIs	
KPI	Rationale
• % of completion of key activities (recruiting...)	• Progress in organization building

Figure 3.0 – 7:

Start-Up and Operations Integration Team – High-Level Gantt

Transition Teams

The following paragraphs describe the activities of the Transition teams.

Legal

The Legal Transition Team will:

- Finalize the ISA with the Commission prior to the Agreement Effective Date.
- Provide advice and support relating to current employees of the Commission (including support to the HR Transition Team).
- Provide support in the execution of replacement contracts, the termination for assignment of existing Lottery contracts, and/or the assignment of existing Lottery contracts from the State to the Provider.
- Provide advice and support to the Transition and Integration teams.
- Satisfy all RFI Preclosing Deliveries.

The team will be staffed with people from:

- The Provider.
- The Commission.

A list of the timing of termination and replacement of Lottery contracts is summarized under the heading, Actions Related to Existing Lottery Contracts, in the Detailed Plan section.

HR/Organization

The HR/Organization Transition Team will:

- Supervise and facilitate the integration of current employees into Provider.
- Coordinate with the Communication Integration Team to manage internal communication.

The team will be staffed with people from:

- The Provider: From HR and Organization departments.
- The Commission.

The activities that this team will carry out include:

- Coordination with the Commission's HR department to prepare the work environment for Commission employees (work locations, job assignments, administrative matters, etc.).
- Preparation of the welcome meeting for Commission personnel.
- Assessment of Commission employees' skills and definition of personnel training plans coordinating in particular with the Provider training department for sales force training.
- Control of employee or organizational qualification requirements including "jobs compendium, detailed job descriptions and lines of authority for all Key Management Personnel and Provider Personnel."
- Supervision of the internal Communication Plan and coordination with the Communication Team for relevant communications.

The following figure shows a high-level Gantt chart of the activities to be performed during the Transition Period.

Figure 3.0 – 8:

HR Organization – High-Level Gantt Chart

Transition Employment

Consistent with the Transition Plan, the Provider shall make an offer of full-time employment effective immediately after the Transition Completion Date to all Commission Personnel employed by the Commission as of the Agreement Effective Date and who are engaged in a function that has been identified in the Initial Annual Business Plan as being a function that the Provider will provide as part of the Services from and after the Transition Completion Date.

Warn Act Obligations

The Provider shall assume that all obligations and liabilities for the provision of the notice or payment in lieu of notice or any applicable penalties under the Warn Act arising as a result of the execution of the ISA. The form and content of any such notice is subject to Approval.

Compliance

The compliance Transition Team will:

- Supervise and coordinate the writing plans to comply with obligations set forth in the ISA and Operating Standards.
- Set-up organizational structures and processes to run the controls periodically.

The team will be staffed by:

- Provider personnel who will be responsible for compliance and internal controls in the organization.
- Provider experts who have been involved in defining and running internal controls for both the organizations or have been involved in the preparation of similar plans for other lotteries.
- Commission personnel who have been identified as key contributors and members of the Compliance Transition Team.
- Possible third parties for consulting and certificate standards and procedures (ISO 27001 certification).

The activities that this team will perform include:

- Coordination and supervision of the writing of the requisite Provider internal controls and procedures to be compliant with the requirements defined in the ISA and Operating Standards for the Commission. These include, but are not limited to:
  - **Provider's performance and financial reporting**.
  - **Security Plan**: To guarantee physical, financial, and data security of business operations and personnel of the Provider and its Vendors, including security related to instant ticket printing and distribution.
  - **Business Continuity and Disaster Recovery Plan**: Backup solutions to prevent/limit the business disruption in case of accidental events that compromise regular operations of the business.
  - **Compliance Program**: Set of initiatives to comply with Lottery Operating Standards Requirements and to prevent and detect criminal or unethical conduct including any business with third-parties.
  - **Responsible Gaming and Consumer Protection Programs**: Programs to manage Responsible Gaming including guidelines for advertising and management of loyalty programs for players, age limit verification policies, and Prohibited Practices for Consumer Protection.
  - **MWBE Plan** (equal employment and business opportunity plan): Plan to encourage participation of minorities and women in the Lottery business.
  - **Ethics Code**: Policies and procedures standards for the requirements of services.
  - **Organizational Table and Job Compendium**: Provider's tables of organization detailing job descriptions and lines of authority for all Provider Key Personnel and other Provider Personnel.
  - **Loyalty Program Internal Control**: Internal Controls for the authorization and issuance of a Loyalty Program.
- Internal audit activities organization and proper procedures and team set-up that will:
  - Run such activities periodically.
  - Maintain and update the documentation.
  - Report to management the results of internal auditing.
  - Propose corrective action if needed.
  - Prepare reports for the Commission and other stakeholders.

The following figure shows the high level Gantt chart for the activities to be performed during the Transition Period.

Figure 3.0 – 9:

Compliance Transition Team – High-Level Gantt

Communication

Organizations going through Transition usually face uncommon challenges and risks. Communication to external and internal stakeholders is therefore critical to a successful Transition. The Communication Plan is designed to address all audiences with a vested interest in Transition activities.

The Communication Transition Team will play a key role in communicating with all relevant internal and external stakeholders about the objectives and progress status of the Transition.

This team is responsible for defining and running a Communication Plan, which will be comprised of an internal (internal to the Provider and the Commission) and an external Plan.

The Communication Plan will ensure consistent, clear, timely, and productive communication across all the stakeholders during the Transition and aims at explaining the new business model.

To achieve this challenging objective, the Communication Plan will include:

- Definition of the key messages related to the Transition to Provider.
- Communication to target stakeholders (internal and external) to address, i.e.:
  - Commission Personnel.
  - Players.
  - Lottery Retailers.
  - Suppliers.
- Creation and implementation of a calendar for internal and external communication.

The Communication Team will be staffed with people from:

- Provider.
- The Commission.

KEY MESSAGES

GTECH believes that an effective communication of its vision to focus on energizing the Hoosier Lottery brand as a beacon of optimism and pride, and then building it into a platform for the introduction of compelling new products, operating principles, and ground rules are critical to the success of Transition; therefore, it will reiterate them at different occasions.

COMMUNICATION TARGETS

The Communication Team will customize the different external and internal communications to the different stakeholders according to their different characteristics, involvement, and expected degree of acceptance of the entire Transition.

COMMUNICATION PLAN AND CALENDAR

An example of the Communication Plan is provided in the following figure.

Figure 3.0 – 10:

Sample Communication Plan

	Key Dates	Messages	Medium	Activities	Responsibilities
Employees	• ISA effective date • Date of transfer of employees direction to Provider	• Provider will create a highly efficient lottery, thus ensuring employees have a more resilient future and greater personal growth opportunities	• Top management briefing (Commission and Provider) • Email	• Prepare brief statement • Prepare email	• Provider top management/ Commission/ Communication Transition Team
Players and Social Community	• ISA effective date • End of Transition phase	• Provider will enhance Lottery products and services and increase contribution to State's Build Indiana Fund • Responsible game focus	• Press release	• Prepare press release	• Provider top management/ Commision/ Communication Transition Team
Lottery Retailers	• During Transition phase (after sales rep reallocation)	• Large investment to relaunch the brand • Game enhancement • Opportunity to increase Lottery Retailer's returns (performance based system)	• Email • Sales rep • Events • Classroom trainings	• Prepare email • Coordinate with Training Department • Organize Lottery Retailer events	• Provider (sales, marketing, training)/ Communication Transition Team
Suppliers	• ISA effective date	• Business as usual until all approvals have been obtained • Continue to value business partnerships and support	• email	• Prepare email	• Provider procurement/ Communication Transition Team

High-Level Timeline

The following figure depicts the high-level timeline for the Communication Activities.

Figure 3.0 – 11:

Communication Transition Team – High-Level Gantt

Integration Teams

The following figures describe the activities of the Integration teams.

Figure 3.0 – 12:

Gaming System – Integration Team

Figure 3.0 – 13:

Gaming System Integration Team – High-Level Gantt

Figure 3.0 – 14:

Instant Ticket System and Logistics Integration Team

Integration Team	Objective
NAME: Instant Ticket System and Logistics	• Instant ticket management and validation system replacement • Self-service takeover and new machine installation • GTECH takeover of logistics, warehousing, and distribution

Milestones and Deliverables	Risks and mitigation

Activity Metrics

Transition progress KPIs			
Self-Service		Instant Ticket System/Warehouse	
KPI	Rationale	KPI	Rationale
• Self-Service installation rate	• Monitor Self-Service installation process	• Activities completion progress compared to activity plan	• Ensure system implemented by Go-Live date

Figure 3.0 – 15:

Instant Ticket System and Logistics Integration Team – High-Level Gantt

Figure 3.0 – 16:

Instant Ticket Printing – Integration Team

Integration Team	Objective
NAME: Instant Tickets Printing **MANAGER:** TBD	• Provider, with qualified instant ticket suppliers, will take over instant ticket design, planning, and printing

Milestones and Deliverables	Risks and mitigation

Activity Metrics

Transition progress KPIs	
KPI	Rationale
• Game creation & print production scheduling	• Monitor game development & print schedule for delivery

Figure 3.0 – 17:

Instant Ticket Printing Integration Team – High-Level Gantt

Figure 3.0 – 18:

Sales Force Set-Up – Integration Team

Integration Team	Objective
NAME: Sales **MANAGER:** TBD	• Redesign of new sales force processes to refocus sales force on commercial support activities at retailer level (Product display, promotions…) • Integration of current lottery sales force into Provider Organization (including taking responsibility of Lottery's inside sales team) • Set up a dedicated recruiting force

Milestones and Deliverables	Risks and Mitigation

Activity Metrics

Transition progress KPIs			
Caring of existing retailers		Recruiting of new retailers	
KPI	Rationale	KPI	Rationale
• Average retailers' weekly sales per rep	• Monitor the effect of new sales reps assignment	• Recruiting process indicators: - # of prospects - # of phone contacts - # of retailers visited - # of signed contracts	• Monitor the effectiveness of recruiting process and verify alignment with target
• # of reps' visits per week per rep	• Monitor service levels and reps' commitment	• Activation phase monitor - # of signed contracts - # of new retailer approved - # of new retailers activated - activation lead time	• Monitor activation process • Identify process bottlenecks and adjust
• Sales performance indicators for roll-out of new initiatives	• Evaluate effectiveness of new organization in driving new initiatives		

Figure 3.0 – 19:

Sales Force Integration Team – High-Level Gantt

Figure 3.0 – 20:

Marketing – Integration Team

Integration Team	Objective
NAME: Marketing **MANAGER:** TBD	• Takeover of marketing activities • Planning and starting rebranding activities

Milestones and Deliverables	Risks and Mitigation

Activity Metrics

Transition Progress KPIs	
KPI	**Rationale**
• Sales per game - on-line - existing instant tickets - newly launched instant ticket	• Assessment of business continuity during the transition phase • Measure game/promotion success and adjust/plan quick changes
• Number of launches of instant tickets	• Verify that launch process is properly managed during the transition phase

Figure 3.0 – 21:

Marketing Integration Team – High-Level Gantt

Figure 3.0 – 22:

Customer Service Center – Integration Team

Integration Team	Objective
NAME: Customer Service Center **MANAGER:** TBD	• Migrate customer care and retail service activities to Provider • Enhancement of the existing service with additional channels
Milestones and Deliverables	**Risks and Mitigation**

Activity Metrics

Transition progress KPIs

Customer Care		Retail Service	
KPI	**Rationale**	**KPI**	**Rationale**
• # of in-bound calls • Number of claims	• Monitor customer satisfaction and communication/operation feedbacks	• Ticket sales per call - inbound and outbound	• Compare effectiveness of telesales (inbound and outbound)
• Call Center service level - response rate - waiting times	• Monitor Customer care service level	• # of calls for technical claims by topic	• Monitor technological transition and react quickly
• Number of mails/website claims	• Verify utilization of alternative channels	• Call Center service level - response rate - waiting times	• Monitor Customer care service level
• Cost per lead for different channels: - telephone - mail - website claims...	• Compare channel cost performance		

Figure 3.0 – 23:

Customer Service Center Integration Team – High-Level Gantt

Figure 3.0 – 24:

Administration, Finance, and Reporting – Integration Team

Integration Team	Objective
NAME: Administration, Finance and Reporting MANAGER: TBD	• Set-up of administrative/finance systems • Definition of implementation of financial/operational reporting
Milestones and Deliverables	**Risks and Mitigation**

Activity Metrics

Transition progress KPIs	
KPI	Rationale
• Daily financial flows - prize payments - retailer payments - sales collection	• Monitor financial procedures • Check for eventual malfunctioning and quick apply corrections
• Claims from retailers on financial matters	• Identify and address any problems

Figure 3.0 – 25:

Administration, Finance, and Reporting – High-Level Gantt

Actions Regarding Existing Lottery Contracts

The figure below identifies the existing contracts with the Commission that fall under the operational responsibilities of the Provider as defined in the ISA. For each of them, we define the expected action that will be implemented during either the Transition Period or Ramp-up Period. Further details regarding these contracts will be provided in the Ramp-up Period Plan.

Figure 3.0 – 26: Status of Current Contracts

Contract	Termination Date and Renewals	Termination and Assignment	Action Items
1300 Lexington Partners			
Agreement to provide office space for HQ	Contract Dates: 9/16/2010 to 1/15/2020 Term of Base Contract: 10 years Renewal Years Remaining: Three 2-year options available	Section 2.2 Tenant cancellation rights: Can cancel on the seventh anniversary of lease Section 12.1 Consent to Assignment: Agreement shall not be assigned without the prior written consent of the Landlord	ISA Section 12.3.2 HQ Space Arrangement: The Commission will make space available for the Provider's operations
J.V. Realty			
The leased premises: 1539 North Ironwood, South Bend, IN	Contract Dates: 4/1/2008 to 3/31/2012 Term Base Contract: 3 years Renewal Years Remaining: None, currently going month-to-month	Section 33 Termination for convenience and limited liability: The Commission can cancel any time for insufficient funds Section 9 Consent to Assignment and sublease: Agreement shall not be assigned without the prior written consent ofthe Landlord	ISA Section 12.3.1 Facilities: Provider will enter into a sublease agreement
Spurling Properties			
The leased premises: 5625 East Virginia Street, Evansville, IN	Contract: 9/1/2007 to 8/31/2010 Term of Base Contract: 3 years Renewal Years Remaining: Currently year–to-year	Section 33 Termination for convenience and limited liability: The Commission can cancel for insufficient funds with 90 days' notice Section 7 Consent to Assignment and sublease: Agreement shall not be assigned without the prior written consent of the Landlord	ISA Section 12.3.1 Facilities: Provider will enter into a sublease agreement
Indianapolis Airport Authority			

Contract	Termination Date and Renewals	Termination and Assignment	Action Items
ITVM agreement	Expires December 31, 2013	Section 15 Termination for Convenience: Both parties reserve the right to terminate upon 30 days' written notice Agreement shall not be assigned without the prior written consent of the Authority	
Indianapolis Airport Authority			
Kiosk lease agreement	Contract Dates: 5/11/2011 to 4/30/2014 Term of Base Contract: 3 years Renewal Years Remaining: None, but option to go month-to-month	Section 8 Termination: Authority can terminate for any reason without cause Agreement shall not be assigned without the prior written consent of the Authority	
Pollard Banknote Limited Partnership			
Agreement for backup ticket printing for pull-tab	Initial Contract Date: 9/1/2011 to 8/31/2013 Term of Base Contract: 2 years Renewal Years Remaining: Four 1-year periods	Section 4.2.3 Termination for Convenience: The Lottery reserves the right to terminate upon 30 days written notice Section 1.4 Assignment: Agreement shall not be assigned without the prior written consent of the Lottery	
Scientific Games			
Contract for electronic triple jackpot signs and maintenance	Expires September 22, 2013, with option to extend for two (2) additional 24-month periods	Section 21.3 Termination for convenience: The Lottery can terminate upon 30 days' notice Section 2.3 Assignment: SGI may not assign without the prior written consent of the lottery	

Contract	Termination Date and Renewals	Termination and Assignment	Action Items
Scientific Games			
Agreement for ticket printing for instant games	Initial Contract Date: 1/2/2002 to 12/30/2007 Term of Base Contract: 5 years Renewal Years Remaining: Six 1-year options/amendments – expires 12/31/2012	Section 5.1(c) Termination for convenience: The Lottery can terminate when in the best interest of the Lottery or State Section 2.3 Assignment: Agreement shall not be assigned without the prior written consent of the Lottery	January 1, 2013: Lottery will exercise its 90-day extension right, as defined in paragraph 4.3 of the current contract [redacted]
Scientific Games			
Agreement to provide online gaming contract	Initial Contract Date: 10/22/2009 to 8/29/2016 Term of Base Contract: 6 years Renewal Years Remaining: Four 1-year options	Section 31 Termination for convenience: The Lottery can terminate upon 30 days' notice Section 2.3 Assignment: SGI may not assign without the prior written consent of the Executive Director. Lottery can assign for any period of time	[redacted]
Scientific Games			
Contract for PTVM maintenance and service	Expires February 8, 2014, with option to extend with 90 days' notice	Amendment date 5/11/2012 Termination for convenience: The Lottery can terminate upon 30 days' notice Section 2.3 Assignment: Neither party shall assign without written consent of the other party	[redacted]

Contract	Termination Date and Renewals	Termination and Assignment	Action Items
Pollard Bank Note LP			
Agreement for the backup ticket printing for instants	Initial Contract Date: 1/2/2002 to 12/31/2007 Term of Base Contract: 5 years Renewal Years Remaining: Six 1-year options/amendments currently expiring 12/31/12	Section 5.1(c) Termination for Convenience: The Lottery reserves the right to terminate in its best interest. Section 2.3 Assignment: Agreement shall not be assigned without the prior written consent of the Lottery	January 1, 2013: Lottery will exercise its 90-day extension right, as defined in paragraph 4.3 of the current contract [redacted]
Arrow International			
Agreement to provide Pull-tab ticket printing	Initial Contract Date: 9/1/2011 to 10/31/2013 Term of Base Contract: 2 years Renewal Years Remaining: Four 1-year options	Section 4.2.3 Termination for Convenience: The Lottery reserves the right to terminate upon 30 days' written notice Section 1.4 Assignment: Agreement shall not be assigned without the prior written consent of the Lottery	[redacted]
Pitney Bowe's			
Rental agreement	Expires December 17, 2015	L10 Non Appropriation: Can only be canceled for non-appropriation of funds	[redacted]
GTECH Corporation			
ITVM maintenance every 6 months	Initial Contract Date: 4/30/2012 to 3/31/2014 Term of Base Contract: 2 years Renewal Years Remaining: 2 years with the possibility of 4 one-year extensions	Section 4.2.3 Termination for Convenience: State reserves the right to terminate upon 30 days written notice Section 1.3 Assignment: Agreement shall not be assigned without the prior written consent of the Lottery	[redacted]

Contract	Termination Date and Renewals	Termination and Assignment	Action Items
K&D Marathon Inc.			
Agreement for the purchase and maintenance of an electronic sign	Initial K Date: 7/15/2009 to 7/13/2013 Term of Base Contract: 4 years Renewal Years Remaining: Three 2-year periods	Section 4.2.3 Termination for Convenience: The Lottery reserves the right to terminate upon 30 days written notice Section 1.3 Assignment: Agreement shall not be assigned without the prior written consent of the Lottery	
Sunshine Billboards			
Agreement to provide maintenance and programming services	Initial Contract Date: 1/5/2011 to 1/4/2016 Term of Base Contract: 60 consecutive months Renewal Years Remaining: One 36-month extension	Section 6 Cancellation: Unpaid balance due at the time of cancellation	
Indy Sports Foundation			
Agreement to provide sponsorship	Initial Contract Date: 3/1/2012 to 2/28/2014 Term of Base K: 2 years Renewal Years Remaining: Three 1-year periods	Section 4.2.3 Termination for Convenience: The Lottery reserves the right to terminate upon 30 days written notice Section 1.4 Assignment: Agreement shall not be assigned without the prior written consent of the Lottery	
Indianapolis Colts			
License agreement to sell tickets	Initial Contract Date: 7/28/2009 to 7/27/2013 Renewal Years Remaining: Four 1-year periods	Section 5.2(E) Termination for Convenience: Both parties reserve the right to terminate upon 30 days written notice Section 1.8 Assignment: Not Assignable	

Fully Developed Activity Plan

GTECH has created a Microsoft Project Gantt Chart that outlines all project activity for the Transition. Please refer to the **Detailed Activity Plan** insert that follows this page.

Process for Monitoring the Progress of the Transition Plan

Tracking the progress of the Transition will be critical to the success of the Provider business model from the very beginning. This activity will therefore be the major focus of the Transition Program Office that will operate within the defined governance structure with three major guiding principles:

- **Accountability**: Integration and Transition Team decisions must be aligned with overall Provider and Commission objectives. For each team and milestone, individuals will be identified as accountable for follow-through and to measure performance.
- **Prioritization**: Finite resources will be allocated against highest value initiatives; individual team members will always be aligned against highest value interactions.
- **Early Warning**: Specific progress is put in place to identify and address issues and risks early. For this reason, on a weekly basis, each team will have to submit to the Program Office a detailed work plan, as described in the content entitled Governance of the Transition Plan.

Detailed Activity Plan

Confidential

The Program Office will adopt a set of metrics to identify early issues/risks and to monitor activity progress, as illustrated in the following figure.

Figure 3.0 – 27:

Metrics Adopted by the Program Office

	BASE BUSINESS METRICS	TRANSITION SUCCESS METRICS
OBJECTIVE	• Ensure that the base business is not disrupted by the Transition	• Instill team accountability and identify problem areas • Ensure that integration efforts are focused on critical path and Transition milestones
ACTIVITY	• Monitor key performance indicators throughout Transition	• Track milestones, decisions and issues related to the integration effort
EXAMPLE METRIC	• Weekly sales • Lottery Retailer's churn rate	• Percent of initiatives behind schedule • Acceleration in retailer recruitment • Synchronization of marketing activity and instant ticket launch • Instant shipments executed under the new business process
ACCOUNTABILITY	• Commission Chairman • Provider CEO	• Integration Team leaders and, later, Provider managers

Metrics will include two major types:

- **Base business metrics** to monitor the evolution of the business and alert if the Transition is generating any issues.
- **Transition success metrics** to formally ensure the full control of each Transition and Integration activity.

These metrics will be first defined before the Agreement Effective Date and then refined during the Transition. They will then further evolve to the metrics system for the Provider to measure the effectiveness of the business processes.

Transition-Related Meeting and Reports

Beyond working with the Commission during the Transition, Provider will:

- Regularly report to the Commission on the progress of the Transition activities:
  - Weekly Meetings.
  - Monthly Steering Committee Meetings.
- Update the Transition Plan, should the Commission or Provider identify the opportunity/need to change the plan.
- Provide Transition-related reports in accordance with the schedule and frequency that has been specified within the Transition Plan.
- Provide additional Transition Reports as the Commission may reasonably request in regards to the performance of Provider.
- Provide the current status with respect to the Timetable which has been set forth in the Transition Plan.
- Provide notification to the Commission in writing of any material delays, along with identifying specific measures to address the delay and also mitigate the associated risks.

Risk Management and Mitigating Actions

Transfer of Lottery operations to a Provider is a significant change. The experience and insight GTECH has gained through our past conversions, including the Hoosier Lottery, has been used to identify possible risks and develop mitigation strategies.

The major risks we have identified for the Transition are easily categorized into three distinct groups:

- Problems during start-up and operational set-up.
- Factors that can cause obstacles or delay to the Hoosier Lottery rebranding.
- Daily business operation disruption.

The figure below takes each of the nine greatest risks we have identified and charts them based on their possible impact on the Transition and their probability of occurring. Four of those nine risks were identified as having a high probability and a high impact and will require the greatest care. Those three risks are:

Figure 3.0 – 28:

Transition Risks

GTECH has defined a mitigation strategy to limit the effect of the identified risks, which includes backup plans to be performed in the event risks become problems and preventative initiatives to reduce the probability of that happening.

The figure below describes mitigation actions that have been defined for each risk.

Figure 3.0 – 29:

Transition Risks and Mitigation Strategy

RISK	MITIGATION ACTIONS

Risk management focus

[redacted]

[redacted]

[redacted]

[redacted]

For more detail regarding GTECH's conversion experience and expertise, as well as an overview of GTECH's technology, please refer to **Appendix E**, **Technology.**

Possible Areas of Concern

[redacted]

Process for Implementing State's Right to Delay Base Services Commencement Date

The Provider's Transition Plan, as well as the Business Plan, is based on the assumption that the Scheduled Base Services Commencement Date is July 1, 2013.

In the event of any Commission-initiated Transition extension, the Parties shall agree on appropriate adjustments to the Transition Plan, the Integration Plan, and all associated dates and milestones (including any dates reasonably required to be modified in the Initial Annual Business Plan and adjustments to the Bid Net Income and Budget to be made in accordance with Schedule 10.1). In the event of any State-initiated Transition extension, the Commission will communicate to the Provider the new Scheduled Base Services Commencement Date.

Provider will submit a proposal to the Commission for its approval containing an updated version of the five-year Business Plan in light of the delay communicated by the State. The proposal shall include:

- Adjustment of the Transition Plan, including redefinition of the schedule of Transition milestones.
- New scheduling of major initiatives within the Business Plan (product launches, promotions, media plan, retailer recruiting plan, technology deployments, and other major business projects) including activities originally planned for the Ramp-up Period.
- Review of the financial plan including costs to be sustained in the period before the new Scheduled Base Service Commencement Date.
- Adjustments to Bid Net Income and Budget to be made in accordance with Schedule 10.1 of the ISA.

Disentanglement Services Plan

HOOSIER LOTTERY PRELIMINARY DISENTANGLEMENT SERVICES PLAN

Provider

[redacted]

[redacted]

[redacted]

[redacted]

2. GENERAL PROVISIONS

2.1 General Obligations

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

2.2 Term

[redacted]

2.3 Extension; Charges

[redacted]

2.4 Firm Commitment

[redacted]

2.5 Updates

[redacted]

3. SPECIFIC DISENTANGLEMENT SERVICES

[redacted]

3.1 Provider Personnel

[redacted]

[redacted]

3.2 Technology

[redacted]

[redacted]

3.3 Sales Channels

[redacted]

[redacted]

3.4 Product

[redacted]

[redacted]

3.5 Logistics

[redacted]

[redacted]

3.6 Lottery Retailers

[redacted]

[redacted]

3.7 Marketing and Advertising Services

[redacted]

3.8 Customer Service center – Player and Lottery Retailer

[redacted]

3.9 Responsible Gaming Program

[redacted]

3.10 Staffing

[redacted]

3.11 Procurement

[redacted]

3.12 Compliance and Legal

[redacted]

4. FURTHER OBLIGATIONS

4.1 Transfer of Assets and Other Items under the Specific Disentanglement Services Obligations in the ISA

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

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.

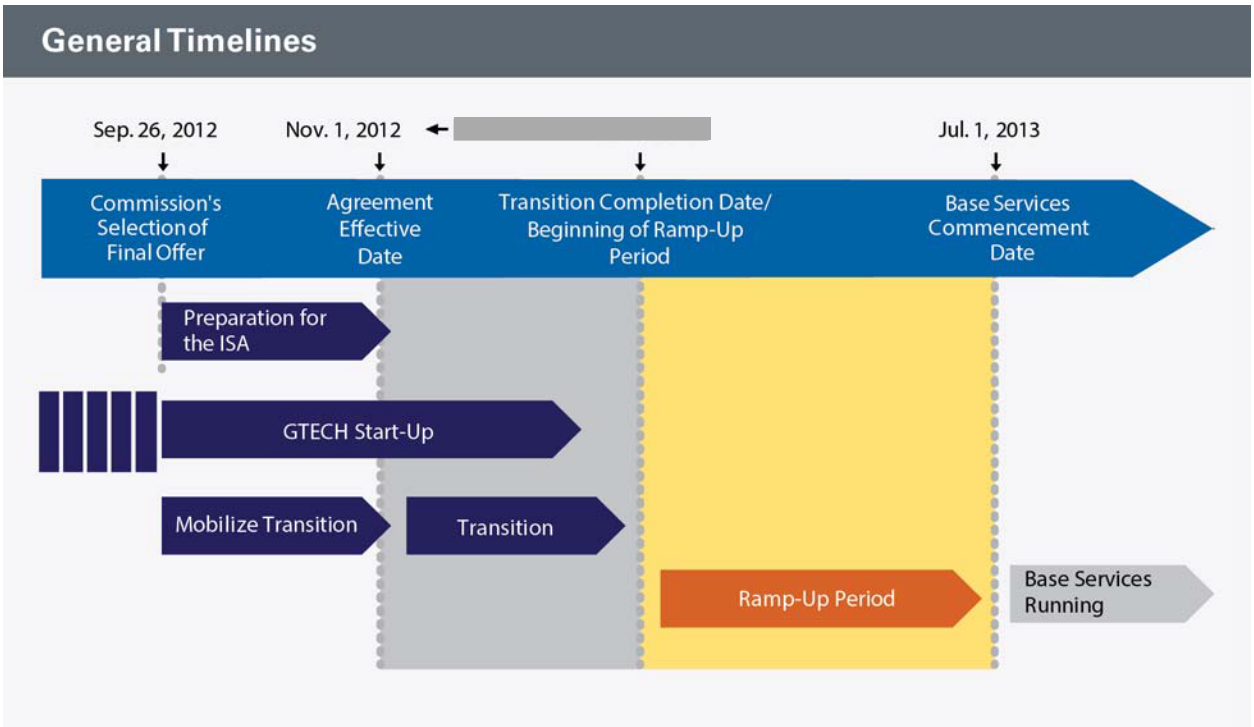
GTECH plans Transition and Ramp-Up Periods that will enable the Lottery to realize the value and benefits of the Integrated Services model as soon as possible.

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

Dollars in Millions

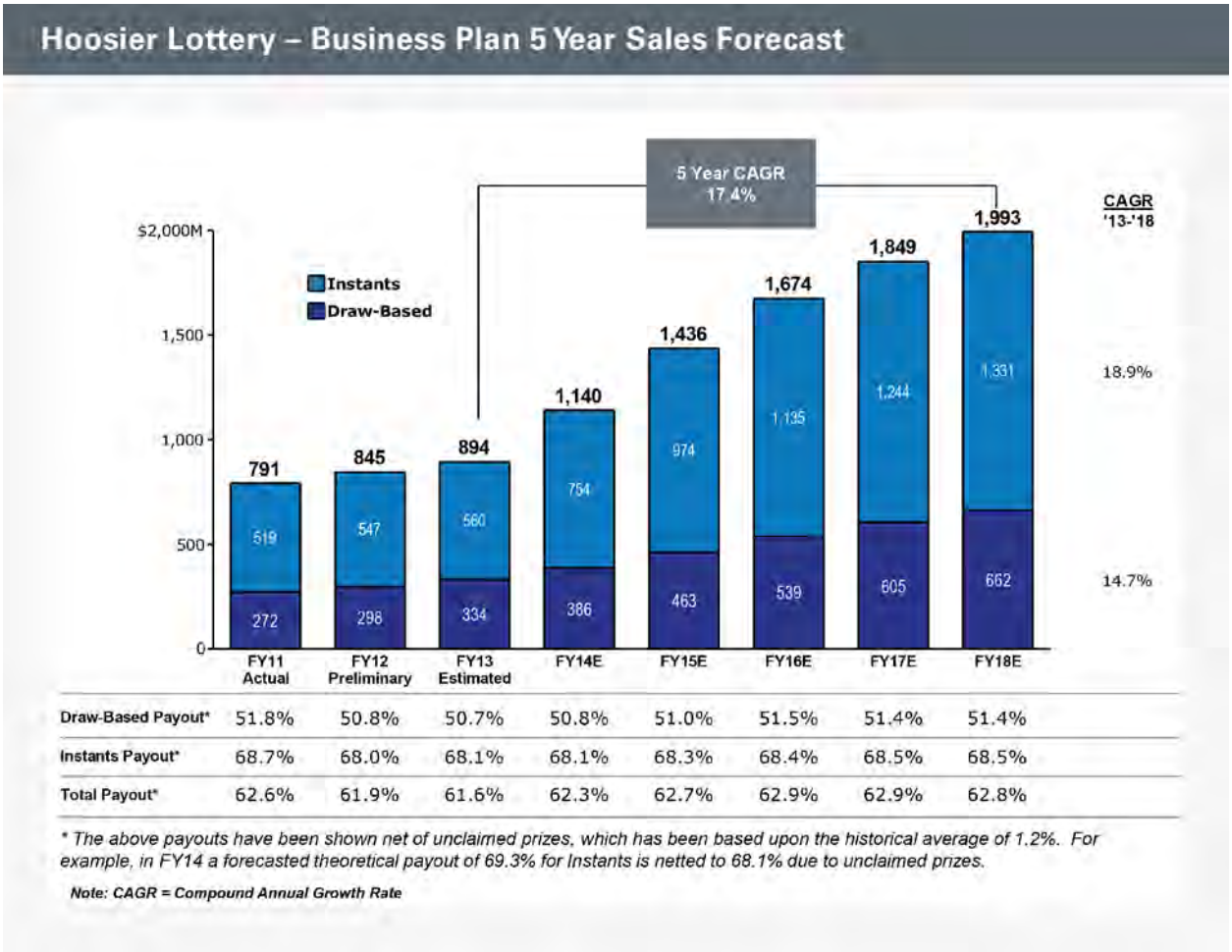
Fiscal Year ending June 30	*2011 Actual*	*2012 Preliminary Actual*	*2013 Forecast*	*2014 Y1*	*2015 Y2*	*2016 Y3*	*2017 Y4*	*2018 Y5*
Total Sales	**791.4**	**845.0**	**893.9**	**1,140.3**	**1,436.4**	**1,674.1**	**1,849.2**	**1,992.6**
PROVIDER NET INCOME	**195.3**	**213.9**	**229.5**	**278.8**	**356.6**	**416.3**	**461.1**	**498.2**
% of Sales	*24.7%*	*25.3%*	*25.7%*	*24.5%*	*24.8%*	*24.9%*	*24.9%*	*25.0%*
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.

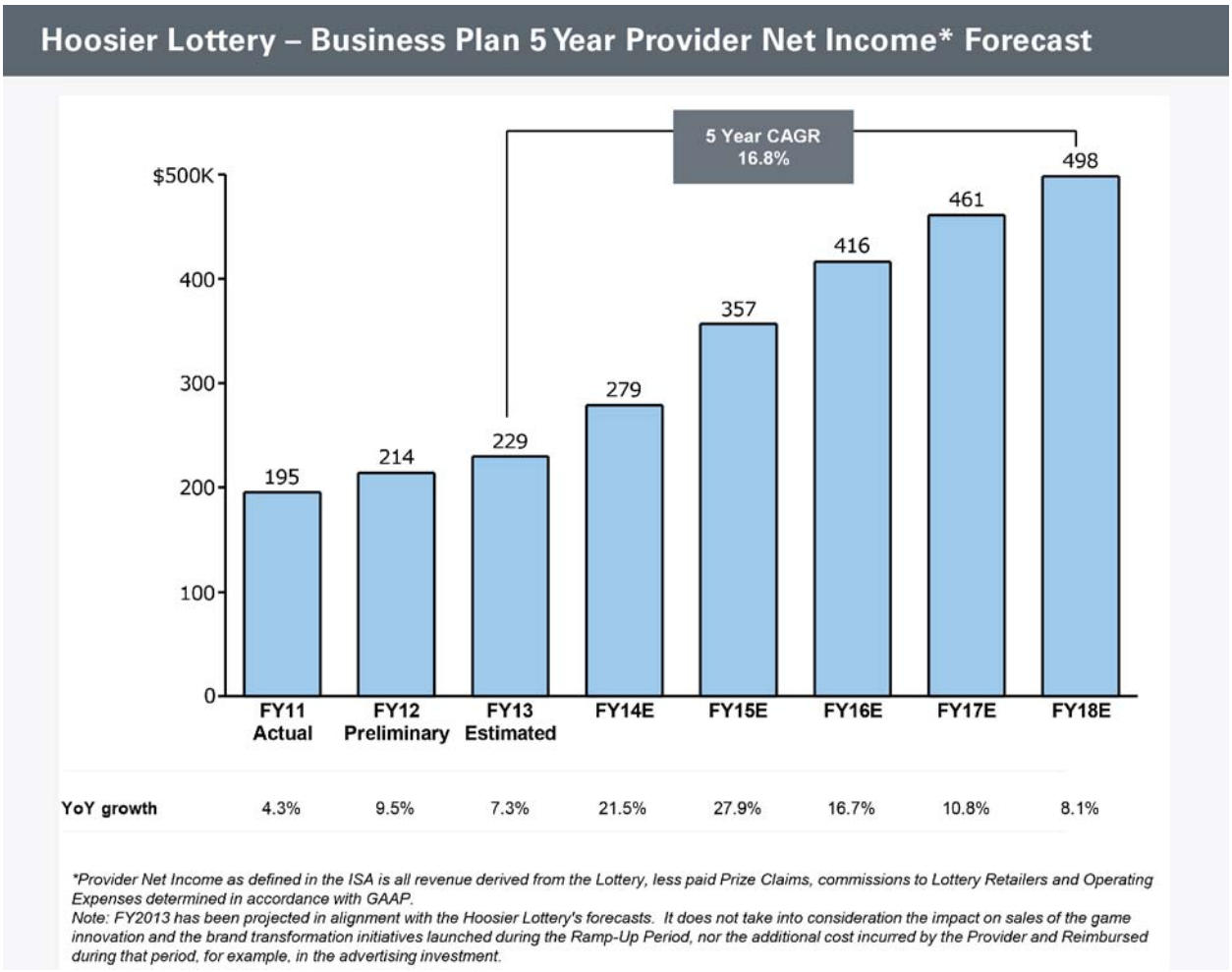
In the next two figures, we provide further detail supporting the development of our Business Plan Sales and Provider Net Income forecasts.

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.

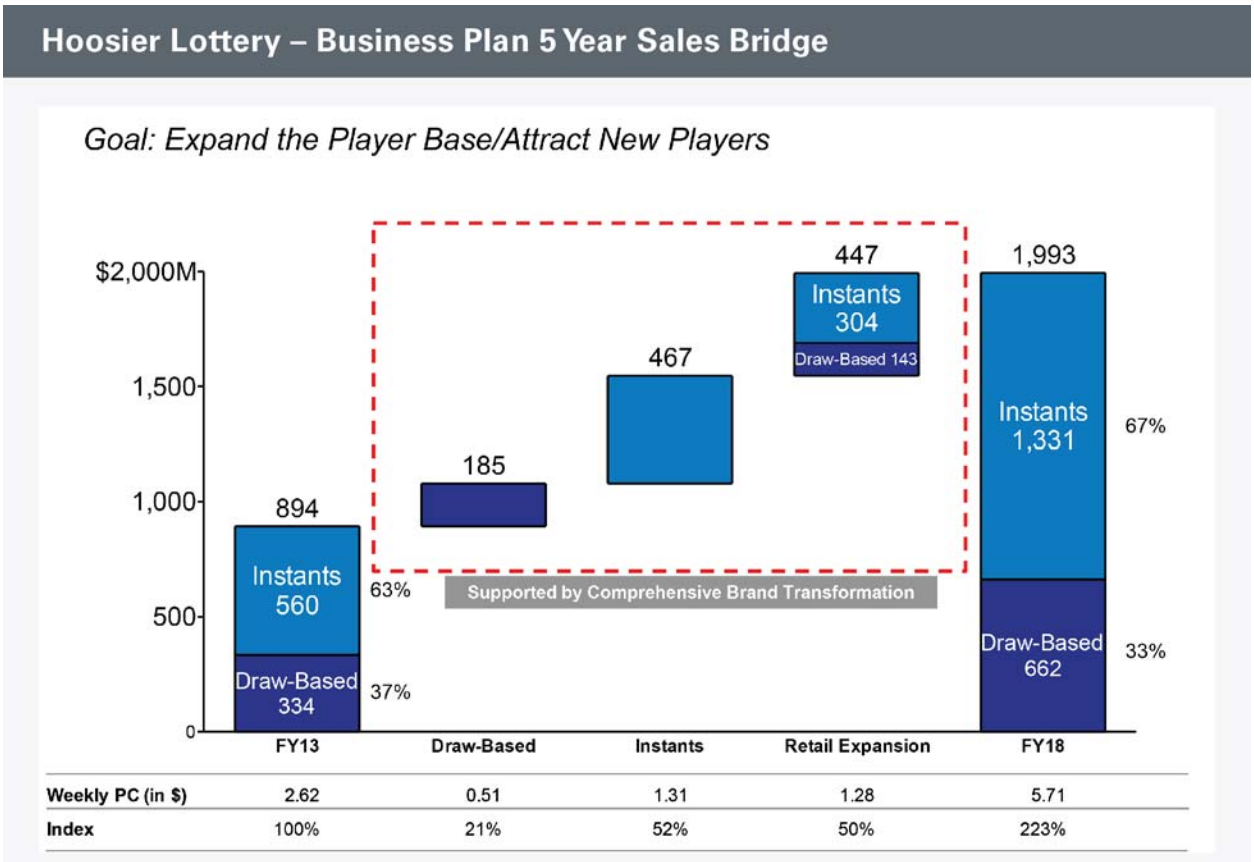
Figure 4:



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 Year 1	FY15 Year 2	FY16 Year 3	FY17 Year 4	FY18 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.

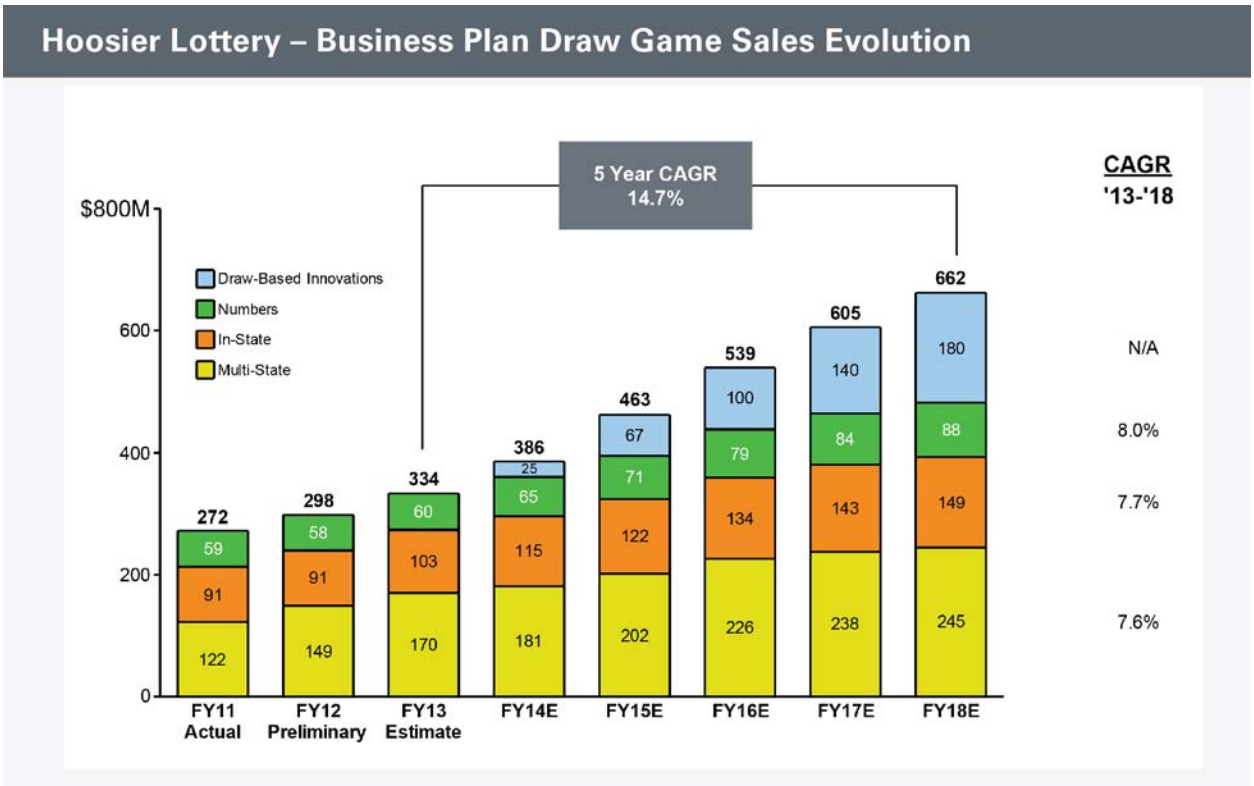
- Draw game sales will grow by an average of 14.7% per year through FY18.
- Instant games will grow by an average of 18.9% per year through FY18.

Major Growth Drivers

	Customer Base/ Brand Perception	Draw-Based Game Portfolio	Instant Game Portfolio	Retail Distribution Network	Communication
Situational Assessment	☑ 58% agree "*Lottery makes a positive contribution to State*" ☑ 53% agree "*games are run fairly/honestly*"	☑ Quick Draw is US top-performing daily keno game ☑ Hoosier Lotto is 6th best in-state lotto game	☑ #23 in US based on instant sales per capita ☑ Consistent instant game launch cycle ☑ Strong, disciplined in-store positioning	☑ Excellent penetration of corporate chains (≥ 54% of total retailers)	☑ Commitment to corporate chain communication. ☑ $13M spent in advertisement in FY12 - 90% on TV (outdoor < 8%, radio < 3%) - > 75% of TV are 30-sec. spots (< 25% are 15-sec. except Terre Haute)
Actions Planned					

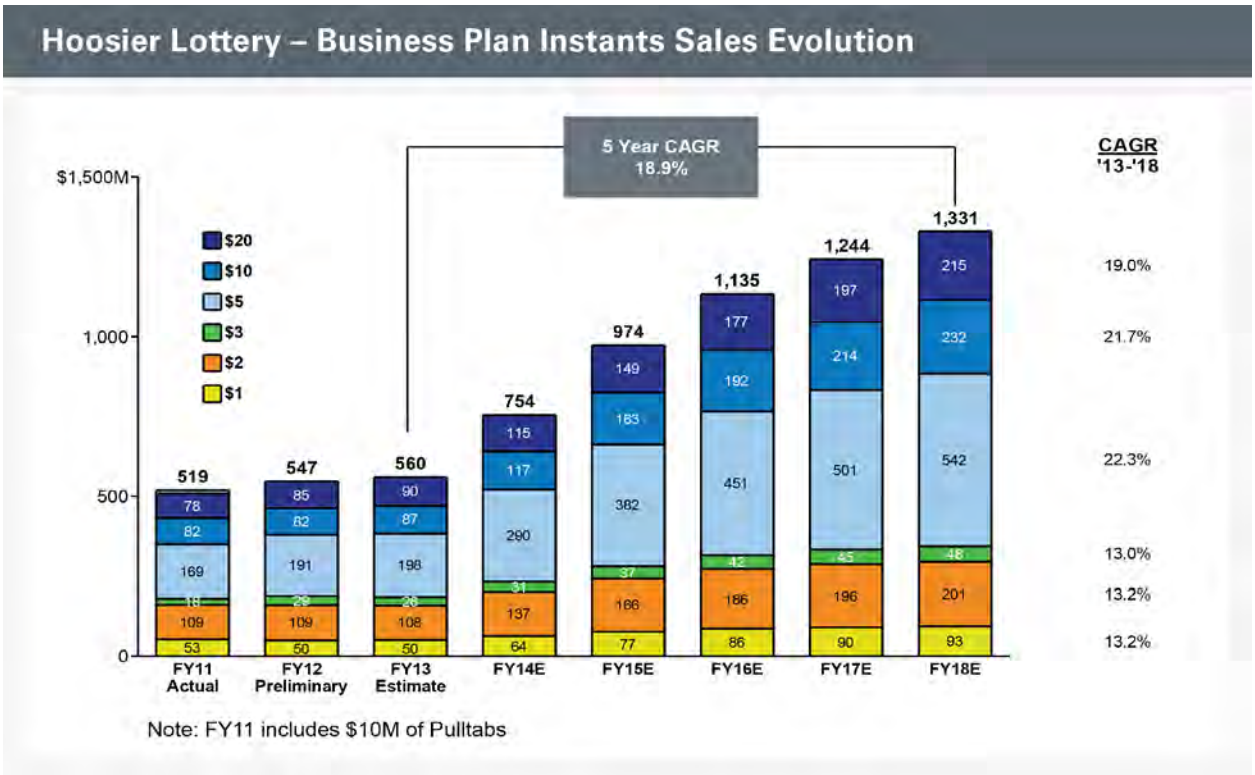
Source: A&U Research executed by KS&R, July 2012; Media research executed by OMD, July 2012

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:



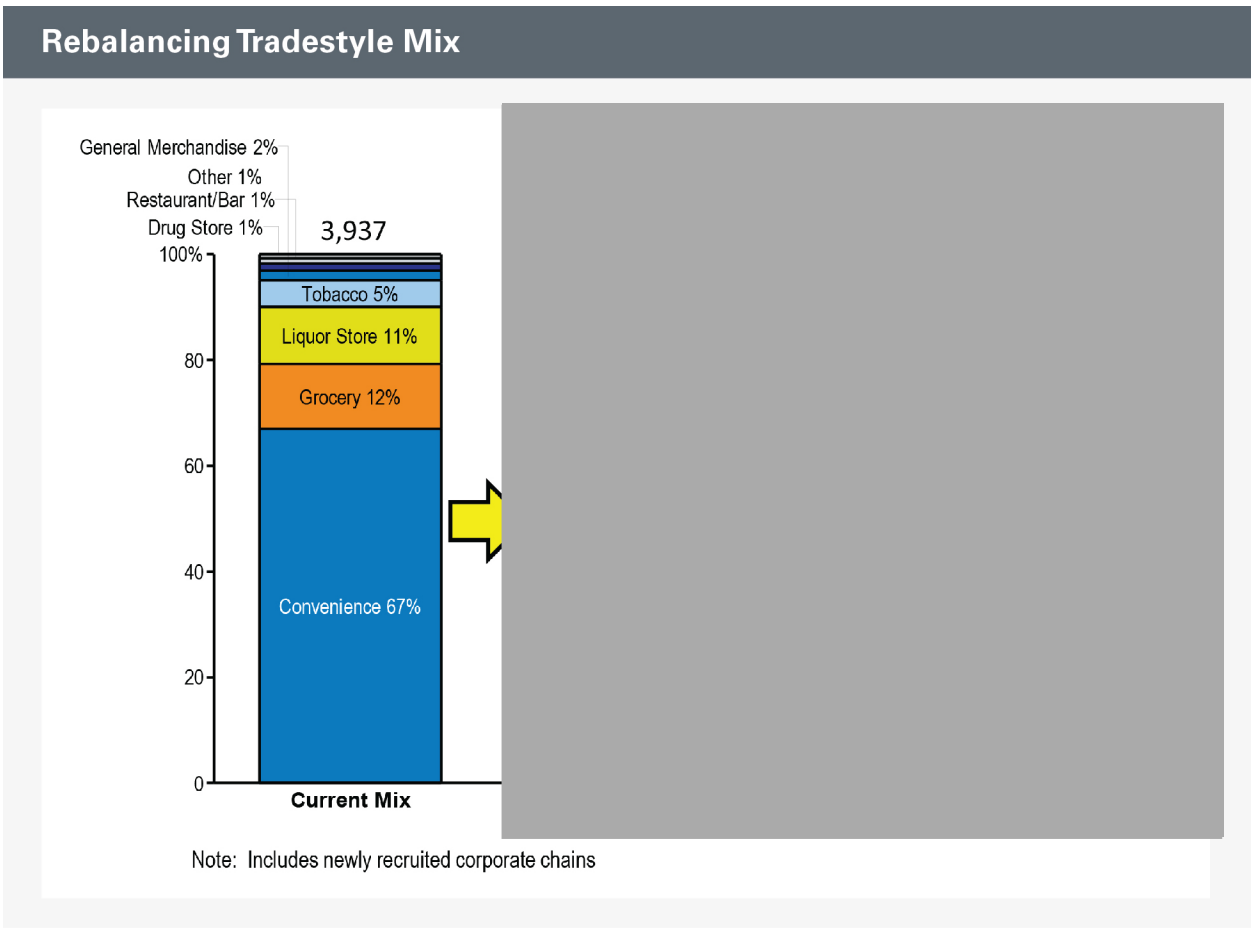
With sales per capita in Indiana less than half the U.S. average, the Hoosier Lottery's instant games portfolio will undergo a complete relaunch. We plan to differentiate the portfolio, leverage core games [redacted] improve the prize structure [redacted] and optimize game launches. Supporting these 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] we plan to introduce new Lottery Retailer incentive programs to further grow sales and help them reach their full potential.

[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]

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:

Investments Prior to Commencement of Base Services

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**	

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		Majority of PM personnel to be recruited prior to the Ramp-Up, as well as personnel costs during Transition Period.
Marketing/Advertising		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.**

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:

Supply Contract Strategy

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

Figure 17:

FY14E Year 1 Supply Contracts Expense Comparison

Projected Year 1 Costs of Supply Contracts in the Business Plan

The Business Plan requires an increase in advertising spend from an estimated on top of in the Transition and Ramp-Up Period (please refer to Section 3, Base Business Plan, in the subsection entitled, Brand Transformation and Marketing Plan). The increase in advertising investment is critical to the brand transformation and new player programs. . The next figure illustrates the planned development in advertising and promotion investment, which we describe in further detail in the Brand Transformation and Marketing Plan subsection in Section 3.0, Base Business Plan.

Figure 18: Hoosier Lottery Planned Advertising and Promotion Investment

Hoosier Lottery Planned Advertising and Promotion Investment

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*
Total Sales	**791.4**	**845.0**						
Marketing / Advertising / Promotion	**11.6**	**12.8**						
- Transition Investment								
- Ramp Up Investment								
- Sustaining advertising and promotion	11.6	12.8						
% of Sales	**1.5%**	**1.5%**						

Note: Ramp up investment is assumed to be paid by the Private Manager and reimbursed by the Lottery in FY2013, in addition to the estimate of the Lottery's 2013 advertising and promotion budget.

Professional Services Fees include 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.

The nature of Lottery Expenses, such as the percentage of sales contracts, varies based on sales mix and volume. We expect that Lottery Expenses will be reconciled on an annual basis considering fluctuations in sales performance and/or negotiated supplier rates to ensure that Provider compensation is equal to actual incurred expenses.

The following figure details the expected five-year Lottery Expenses.

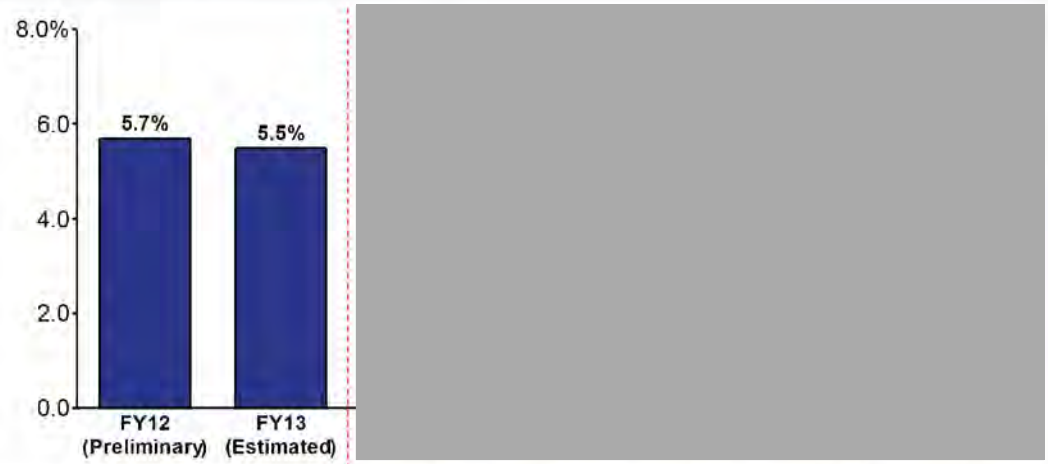
Figure 19: Expected Five-Year Lottery Expenses

Cost in '000	Year 1 FY14	Year 2 FY15	Year 3 FY16	Year 4 FY17	Year 5 FY18	Description
Marketing/Advertising/ Promotion						All costs for marketing and advertising planned to deliver Business Plan sales.
Instant Ticket Printing						Printing costs for instant tickets only.
Central Gaming System						All costs for central gaming system and terminal, instant ticket distribution and instant ticket vending machines.
Professional Services Fees						Back office reporting.
Total Lottery Expenses	**$47,332**	**$53,750**	**$62,647**	**$70,824**	**$76,779**	

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:

Provider Operating Expenses Forecast



	FY12 (Preliminary)	FY13 (Estimated)					
Sales ($M)	845	894	1,140	1,436	1,674	1,849	1,993
Terminals	3,937	3,937					
ITVMs (Self Service)	900	900					
Software Change Frequency	Low	Low	High	High	High	High	High
New Instant Ticket System	Legacy	Legacy	Modernized	Modernized	Modernized	Modernized	Modernized

Source: IN Business Plan

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.

The following figure sets forth the Pro Forma 5-year income statement for the Hoosier Lottery. The combined effect of sales growth and our efficient operating cost model is expected to drive overall Provider Net Income growth by a compound annual growth rate of 16.8% through FY18 and is forecasted to be $498.2M by FY18. The overall net effect of our strategy for the Hoosier Lottery is summarized in the Pro Forma income statement, based upon our plan to operate the Lottery for the first 5 years of the ISA.

PRO FORMA INCOME STATEMENT

Figure 21:

Hoosier Lottery Business Plan Pro Forma Income Statement

Dollars in Millions

Fiscal Year Ending June 30	*2011 Actual*	*2012 Preliminary Actual*	*2013 Forecast (Note 4)*	*2014 Year 1*	*2015 Year 2*	*2016 Year 3*	*2017 Year 4*	*2018 Year 5*
OPERATING REVENUES								
Instant Ticket Sales	519.3	546.7	560.2	754.3	973.6	1,134.9	1,243.8	1,330.7
% Growth	*9.5%*	*5.3%*	*2.5%*	*34.6%*	*29.1%*	*16.6%*	*9.6%*	*7.0%*
Online Ticket Sales	272.1	298.2	333.7	386.0	462.8	539.2	605.4	661.9
% Growth	*2.3%*	*9.6%*	*11.9%*	*15.7%*	*19.9%*	*16.5%*	*12.3%*	*9.3%*
TOTAL OPERATING REVENUES	**791.4**	**845.0**	**893.9**	**1,140.3**	**1,436.4**	**1,674.1**	**1,849.2**	**1,992.6**
Growth Rate	*6.9%*	*6.8%*	*5.8%*	*27.6%*	*26.0%*	*16.6%*	*10.5%*	*7.8%*
OPERATING EXPENSES								
Total Indirect Game Expenses	**45.4**	**48.2**	**49.4**	**70.7**	**77.2**	**85.8**	**94.6**	**101.1**
TOTAL GAME EXPENSES	**596.2**	**631.1**	**664.4**	**861.5**	**1,079.8**	**1,257.8**	**1,388.1**	**1,494.4**
PROVIDER NET INCOME	**195.3**	**213.9**	**229.5**	**278.8**	**356.6**	**416.3**	**461.1**	**498.2**
State Retained Lottery Expenses (**Note 1**)	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**
NON-OPERATING REVENUES (**Note 2**)								
Interest Income	0.1	-	-	-	-	-	-	-
Net Increase (Decrease) in Fair Value of Investments	(3.5)	-	-	-	-	-	-	-
Other Income - Net	0.1	-	-	-	-	-	-	-
NET INCOME PRIOR TO DISTRIBUTIONS (**Note 3**)	**188.2**	**210.0**	**225.5**	**274.8**	**352.5**	**412.1**	**456.8**	**493.9**

Note 1: *State Retained Lottery Expenses have been estimated for all years. Salaries & Other under Management fee for 2011 through 2013 have also been estimated for the Lottery's operations.*

Note 2: *Non-Operating Revenues for 2012 forward have not been estimated due to the Lottery's control of these items, the uncertainty of investment values, and are not included in the calculation of Provider Net Income.*

Note 3: *Incentive payments have not been estimated nor reflected for the purposes of the above schedule.*

Note 4: *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.*

Of note, the Pro Forma Income Statement in the RFI does not lend itself to historical comparison. Therefore, we have prepared the figure above to facilitate historical comparison to the future Business Plan under the ISA. The Pro Forma Income Statement in the format specified

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.

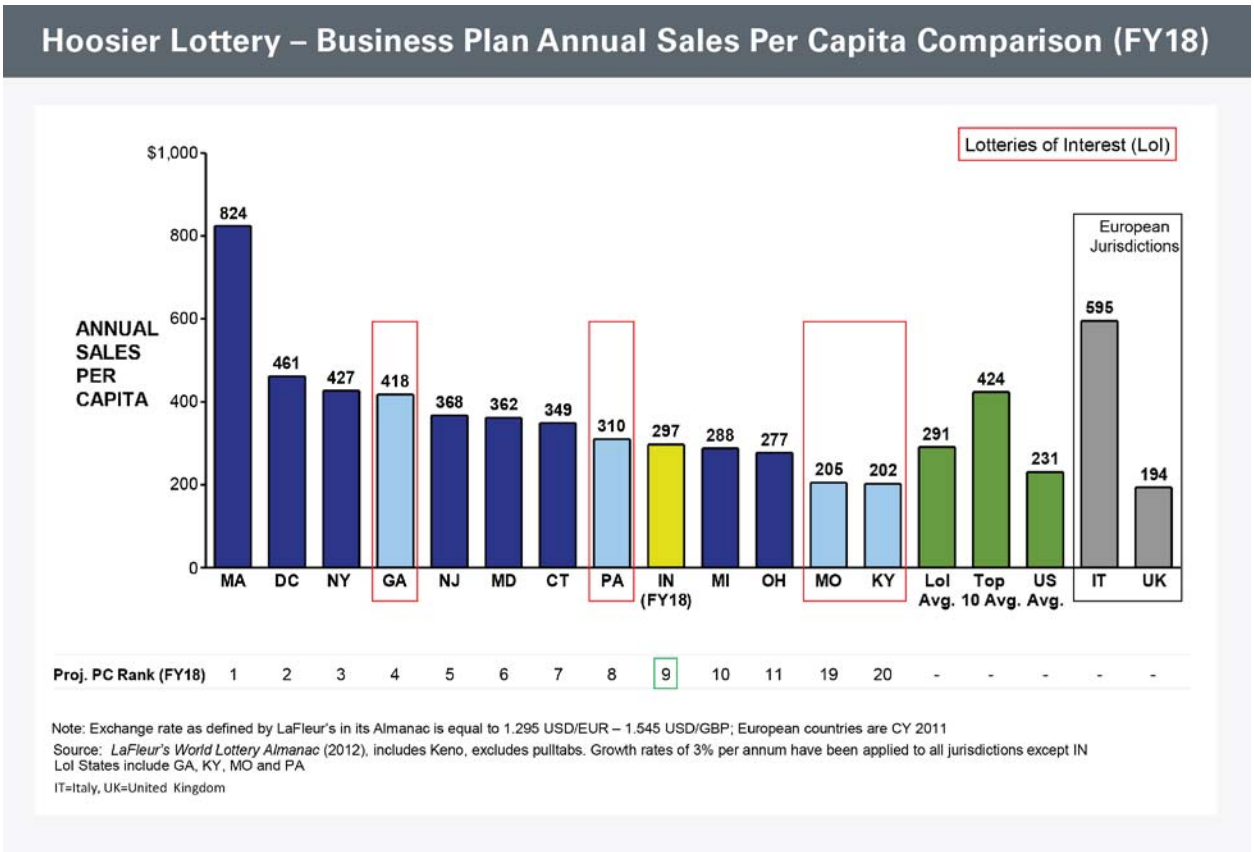
Key Metrics

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:

Indiana Retailer Penetration Benchmark

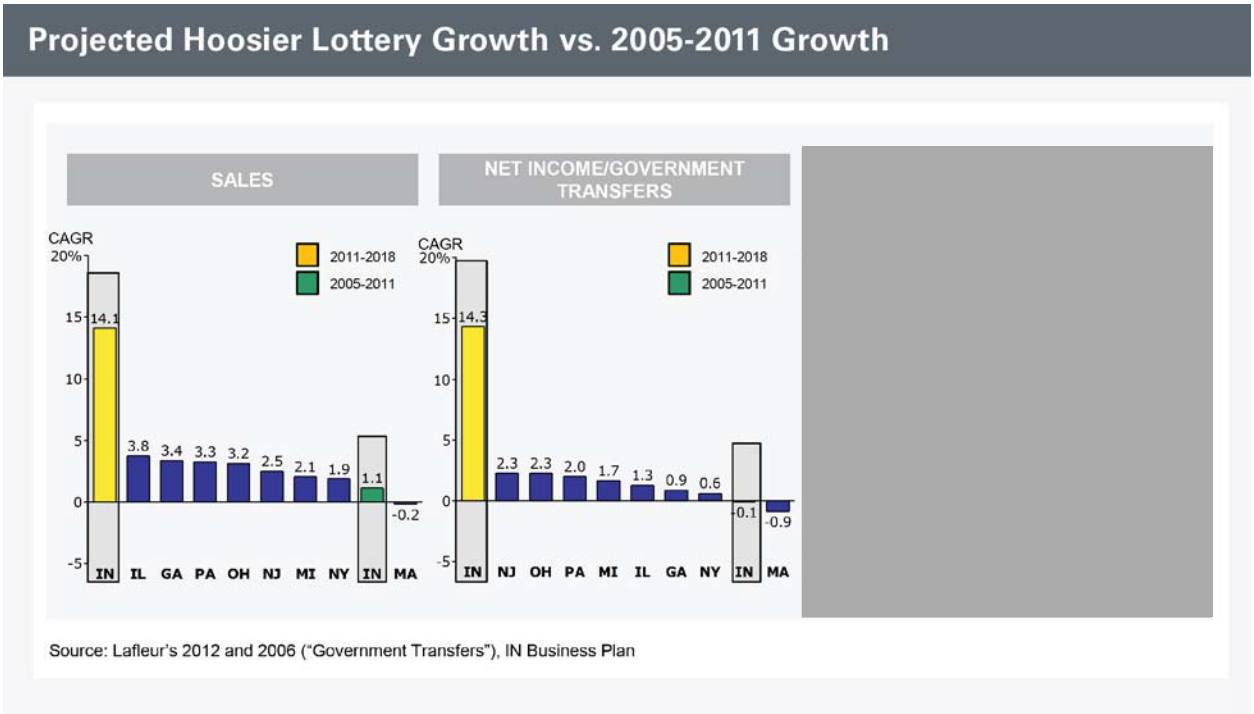
[redacted]

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] 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] 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. [redacted]
- **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
[redacted]					
Other Operating Revenues	-	-	-	-	-
Other	-	-	-	-	-
Other	-	-	-	-	-
EXPENSES	$ 861,469	$ 1,079,755	$ 1,257,811	$ 1,388,065	$ 1,494,387
[redacted]					
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.

[redacted]

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.

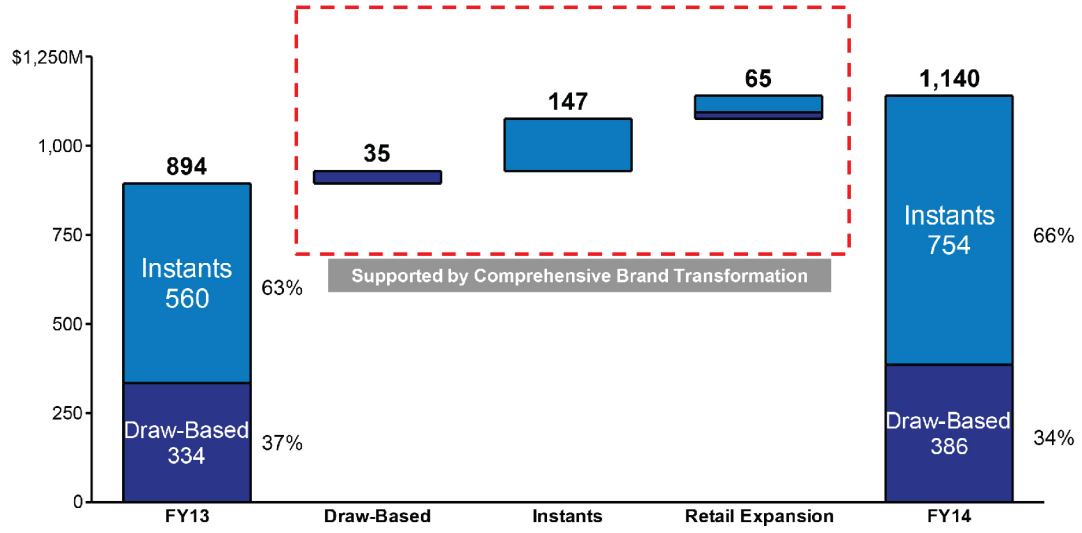
In the interest of specificity, later in this section we are providing the projected pro forma Profit & Loss Net Income impact of each strategy and activity in the Ramp-Up Period and Year 1, supporting our Year 1 Business Plan.

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

Figure 26:

Hoosier Lottery – Business Plan FY13 to FY14 Sales Bridge

Goal: Expand the Player Base/Attract New Players



Weekly PC (in $)	2.62	0.10	0.43	0.18	3.33
Index	100%	4%	16%	7%	128%

Note: All sales reflect FY sales

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

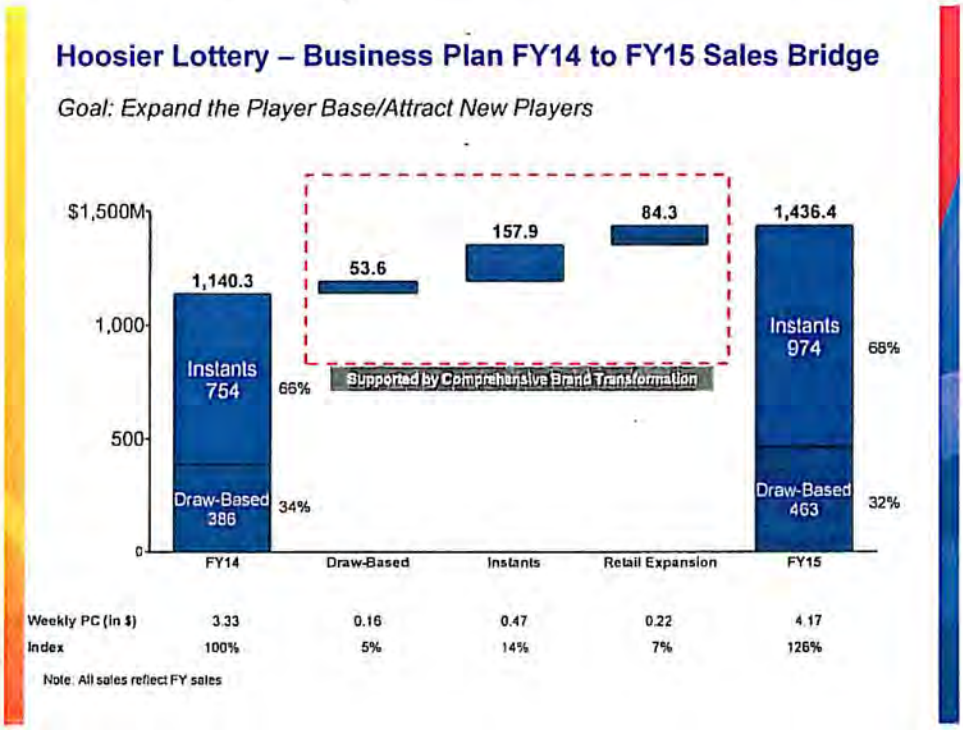
- **Retail Expansion**: The number of Lottery Retailers is anticipated to increase by [redacted] during the Ramp-Up period and by an additional [redacted] during the first year of the plan. The expansion of retailers during this period is a significant driver of sales growth in Year 1. The related action 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] 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] 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:



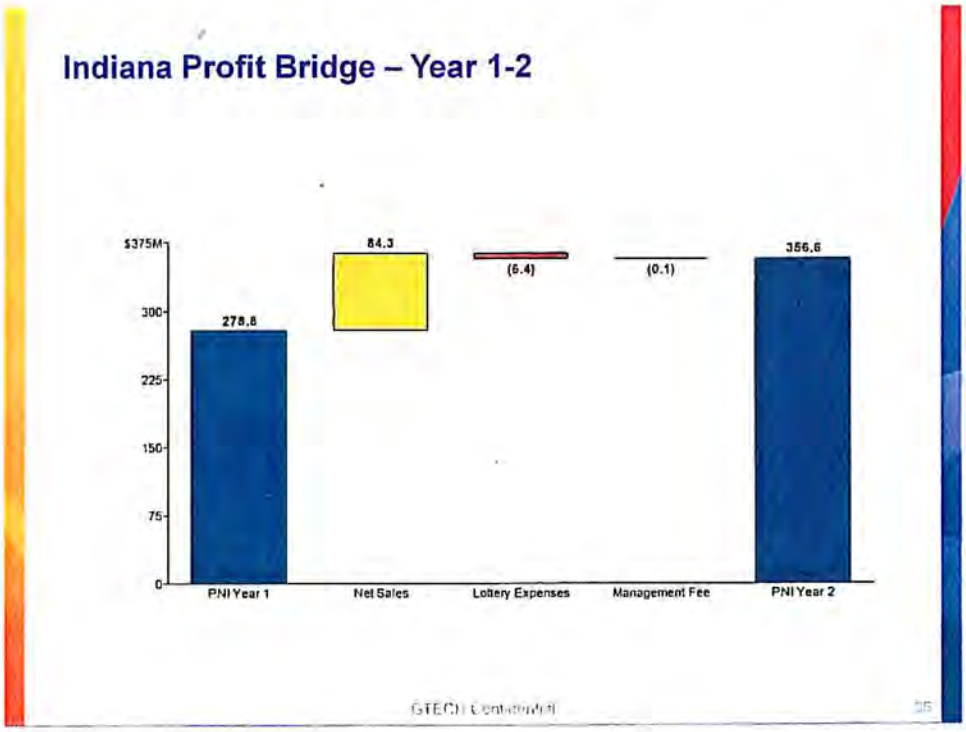
The explanations for each of the drivers in the sales bridge include:

- **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] 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)

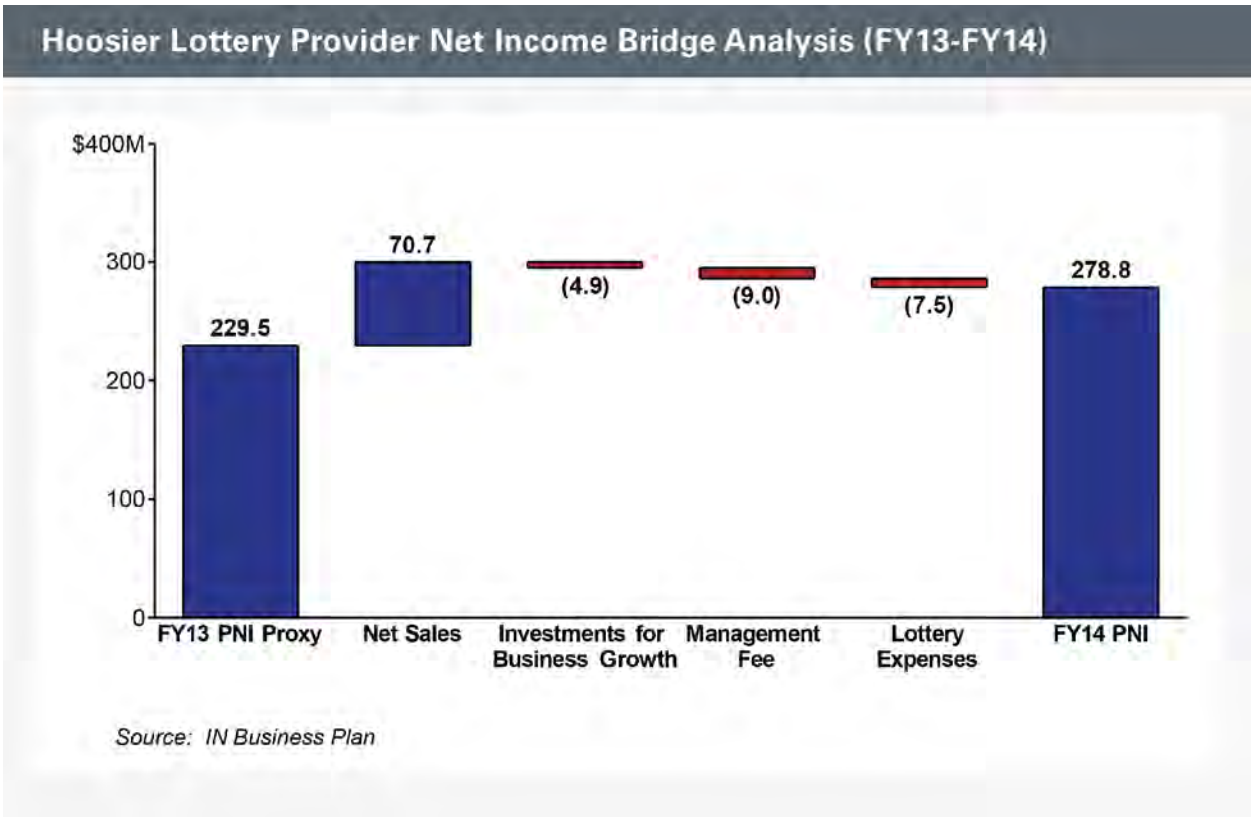


Explanations for each of the drivers in the Provider Net Income Bridge include:

- **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

Demonstration of Availability of Financial Resources

Lottomatica Group Income Statement and Balance Sheet Summary

GTECH and its subsidiaries fully consolidate their financial reporting and operational results with Lottomatica. As a result, Lottomatica's financial reporting presents the most appropriate measure of GTECH's financial capability. GTECH has provided the audited financial statements for Lottomatica in its Hoosier Lottery RFI – Probity Submission. A link to Lottomatica's financial reporting is provided here: *http://www.lottomaticagroup.com/eng/investor/ir.html.*

Figure 3.0 – 1: Lottomatica Income Statement and Balance Sheet Summary

Financial Summary				
€ in thousands		2009	2010	2011
A	Revenue	€2,176,857	€2,314,063	€2,973,742
B	Operating Expenses (excluding D&A)	€1,479,435	€1,563,949	€2,005,788
C	Depreciation & Amortization	€331,001	€364,136	€428,606
D	Operating Income (A-B-C)	€366,421	€385,978	€539,348
E	Net Income	€112,354	€45,358	€205,769
F	Total Assets	€6,204,589	€6,962,917	€7,006,876
G	Current Assets	€1,469,476	€1,110,327	€1,128,624
H	Total Liabilities	€4,307,782	€4,604,032	€4,397,721
I	Current Liabilities	€1,331,194	€1,454,337	€1,493,649
J	Net Worth (Equity) (F-H)	€1,896,807	€2,358,885	€2,609,155
K	Share Price (12/31)[1]	€14.03	€9.27	€11.61
L	Shares Outstanding (12/31)[2]	172,015,373	172,015,373	172,140,797

[1] Share Price figures are whole numbers (not in thousands).
[2] Shares Outstanding figures are whole numbers (not in thousands).

Lottomatica Credit Summary

Additionally, Lottomatica has investment grade credit ratings as shown in the following table:

Figure 3.0 – 2: Lottomatica Credit Summary

Credit Ratings			
	Rating	Rating Outlook	Date of Rating
Moody's	Baa3	Stable	Nov. 18, 2011
S&P	BBB-	Positive	April 25, 2012

Demonstration of Access to Working Capital

GTECH has available financial resources to capitalize the operations as Offeror that are required to provide the Services and meet its obligations under the Integrated Services Agreement (ISA).

GTECH has provided a letter from one of its major lenders, Bank of America, evidencing GTECH's committed borrowing capacity, in excess of $20,000,000 (U.S. Dollars), that is available to fund its obligations under the ISA. In an insert entitled **Financial Viability**, just following this section, GTECH has provided a lending commitment from an Eligible Institution that satisfies the Financial Viability requirements set forth in Section 2.3 of the RFI.

Anticipated Annual Increase in PNI from Significant Investment

GTECH is not proposing a Significant Investment (as defined and described in Schedule 5.3.3 of the ISA) in its Business Plan.

Financial Viability

Bank of America
Merrill Lynch

July 23, 2012

Mr. Matt Hughes
GTECH Corporation
10 Memorial Boulevard
8th Floor
Providence, RI 02903

Re: Request for Proposal

Dear Matt:

Bank of America N.A. and thirteen other banks, for which Bank of America acts as Agent, under a Credit Agreement dated December 20, 2010, provide GTECH Corporation with aggregate commitments for an unsecured revolving credit facility totaling € (Euro) €500 million (the "Facility"). Amounts available for borrowing or for issuing Letters of Credit under the Facility at any time are dependent upon the amount of such commitments which are then utilized, including sub limits for Letters of Credit, as well as continued compliance with all terms and conditions of the Credit Agreement. As of July 18, 2012, € 187,541,845.31 of the Facility was utilized, leaving € 312,458,154.69 available for borrowing. Under the Facility, there is a €100,000,000.00 sublimit for the issuance of Letters of Credit of which €97,755,654.69 remains unutilized.

The Facility is available for general corporate purposes, which include issuing Letters of Credit and providing the funds necessary to fund both the upfront capital costs of installing a lottery system as well as the initial expenses incurred prior to the time of payment.

Please note that the information set forth in this letter is subject to change without notice, and is provided in strict confidence, without any responsibility or liability on the part of Bank of America, N.A., its affiliates or any of its affiliates' directors, officers or employees. Bank of America, N.A. undertakes no responsibility to update the information set forth in this letter.

If you have any further questions, please do not hesitate to call me.

Sincerely,

Irene Bertozzi Bartenstein

Irene Bertozzi Bartenstein
Principal, Bank of America, N.A.
100 Federal Street, MA5-100-09-03
Boston, MA 02110-1898
(V) 617.434.2903
(F) 617.434.0601

4.0 Enhanced Business Plan

Introduction

With the Enhanced Business Plan, we present three additional areas in which Provider is capable of implementing programs that would support the Hoosier Lottery's path toward modernization and market responsiveness, and include new games, platforms, and delivery mechanisms not presently used in Indiana.

GTECH recognizes that each lottery operates in a unique legal and political environment. Our approach is to work collaboratively in identifying additional opportunities, assessing legal and operational feasibility, and developing a procedural implementation process.

We will be willing, if deemed appropriate by the Commission, to help meet and negotiate with key political and opinion leaders to help them better understand various lottery products and games as well as the goals we collectively seek to achieve. Our experience shows that this collaborative approach yields the highest financial success for our customers, while complying with local responsible gaming requirements. In this spirit, GTECH is submitting an Enhanced Business Plan with specific detailed gaming strategies used by many state lotteries to complement their businesses.

While other state lotteries have achieved significant new revenue by implementing complementary lottery game strategies, we understand the potential challenges of pursuing these initiatives in Indiana. Using the information provided herein, we believe the Commission can better judge which, if any, complementary game strategies it may wish to pursue in the short term or in the future.

Additional Hoosier Lottery Gaming Options

GTECH is confident that these Enhanced Bid Options would significantly increase Hoosier Lottery net income, but we must emphasize some of the potential challenges that these additional game options may pose. Our experience in other states shows that most retailers typically favor additional gaming options because they increase the Lottery's entertainment value and offer new revenue streams. Likewise, many consumers appreciate and participate in these additional gaming entertainment options.

The potential challenges to these additional Lottery initiatives in Indiana are threefold:

- Depending on the game option, some rulemaking or legal hurdles must be overcome. Further detail about this can be found later in each game option section.
- Some Indiana consumers, legislators, and elected officials may oppose additional game options.
- Some religious groups and associations may oppose additional game options.

Should the Commission elect to move forward with any of the Enhanced Business Plan options, Provider will support the Commission, as needed, in addressing any rulemaking or legal changes that may be required.

We have identified three opportunities to expand gaming in Indiana. We believe these initiatives, if pursued by the State, would generate significant additional profits for the Lottery. The three proposed initiatives are:

1. Monitor games.
2. Internet wagering of Lottery games.
3. Video Lottery Terminals (VLTs).

Our valuation of the potential of each initiative is illustrated in the following table (for clarification purposes, please note that Year 5, as that term is used in the following tables, means the fifth year following actual commencement of each respective initiative):

Figure 4.0 – 1:

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)*

We have also provided an analysis of the legal and regulatory changes that will be necessary to implement any of the proposed initiatives. Our intent is to accurately represent the sales potential of each option without suggesting a plan that takes an overly aggressive view of what can be achieved without legislative change.

Please note that the following Enhanced Bid Options are each proposed on a standalone basis and are mutually exclusive. Each individual Enhanced Option, including associated financial information, has been modeled accordingly, and assumes start-up no earlier than FY15, and no later than FY18.

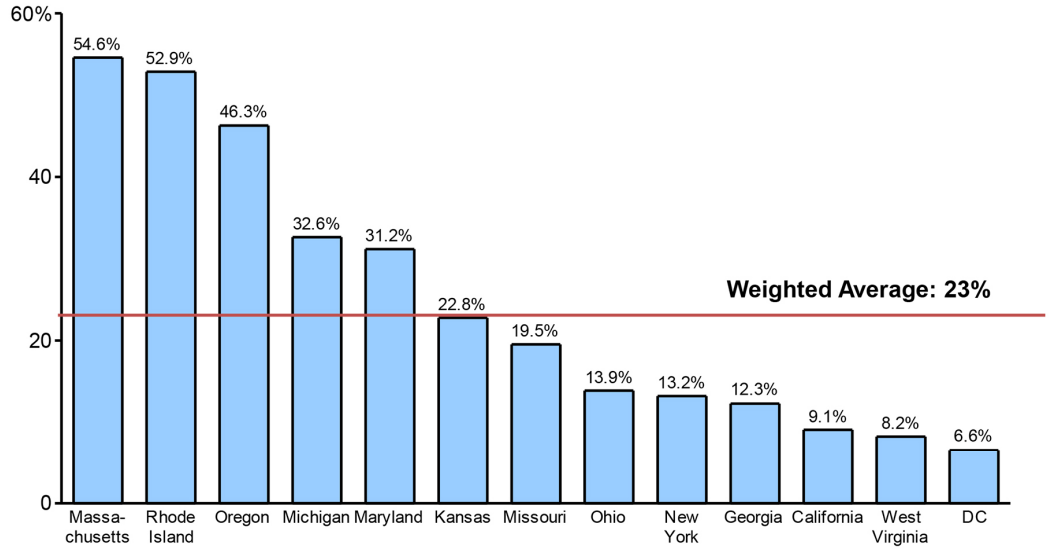
Monitor Games

Monitor games represent one of the most robust opportunity the Commission has to significantly increase Hoosier Lottery profits in an accelerated timeframe. This is based on the fact that:

- Monitor games perform consistently in every U.S. state where they are offered.
- The monitor game channel has proven to be an important avenue for generating incremental revenues: in U.S. jurisdictions where they are offered, Keno represents 23% of total draw games, as illustrated in the following figure.
- Monitor games effectively attract a different player group than traditional lottery games because these games are typically available in social space retail environments.
- New retailers located in social environments often ramp-up sales at a faster pace compared to traditional retailers.

The following figure illustrates the various levels of success U.S. states have had with monitor games.

Figure 4.0 – 2: Monitor Games' Contribution to Draw Game Sales



	Massa-chusetts	Rhode Island	Oregon	Michigan	Maryland	Kansas	Missouri	Ohio	New York	Georgia	California	West Virginia	DC
Traditional Draw-based sales ($M)	1,306	164	1,030	82	840	639	1,060	269	2,788	980	108	72	71
Monitor games sales ($M)	130	12	144	24	381	768	514	65	424	158	93	81	6

In selected jurisdictions such as Massachusetts and Rhode Island, monitor games contribute more than 50% of total draw game sales, representing a primary driver of growth. More than any other lottery channel, monitor games provide consumers with destination entertainment. They bring players to their favorite social establishments and keep them there to enjoy themselves. To adapt our monitor games for success in social establishments, we have refined concepts through focus groups and other research testing under actual play conditions.

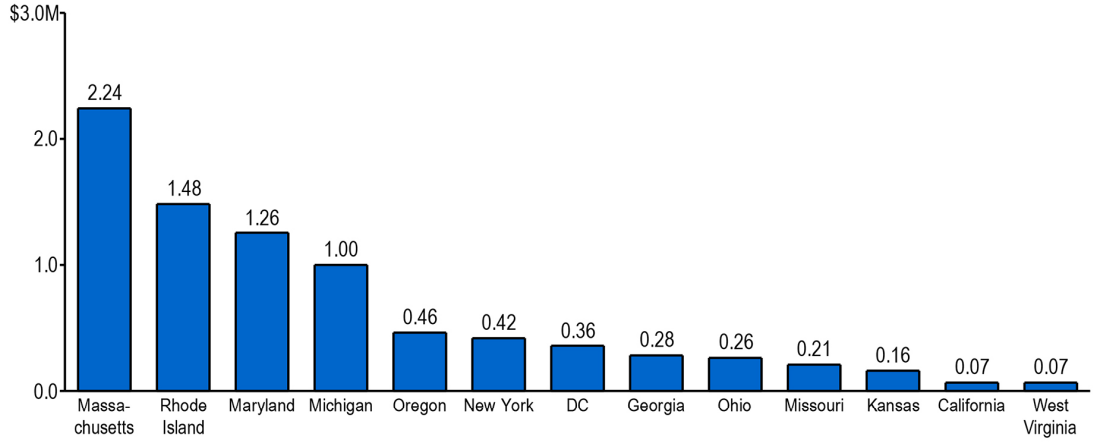
We have organized our overview of the monitor game opportunity into the following six areas:

1. Benchmark of Monitor Games in U.S. Jurisdictions and Key Success Factors.
2. GTECH Monitor Game Management Experience.
3. Business Plan.
4. Implementation Plan.
5. Identification of Affiliates to Support Enhanced Business Plan Delivery.
6. Legal and Regulatory Analysis.

Benchmark of Monitor Games in U.S. Jurisdictions and Key Success Factors

The following figure shows current U.S. lotteries' per capita monitor game sales.

Figure 4.0 – 3: U.S. per Capita Monitor Game Sales



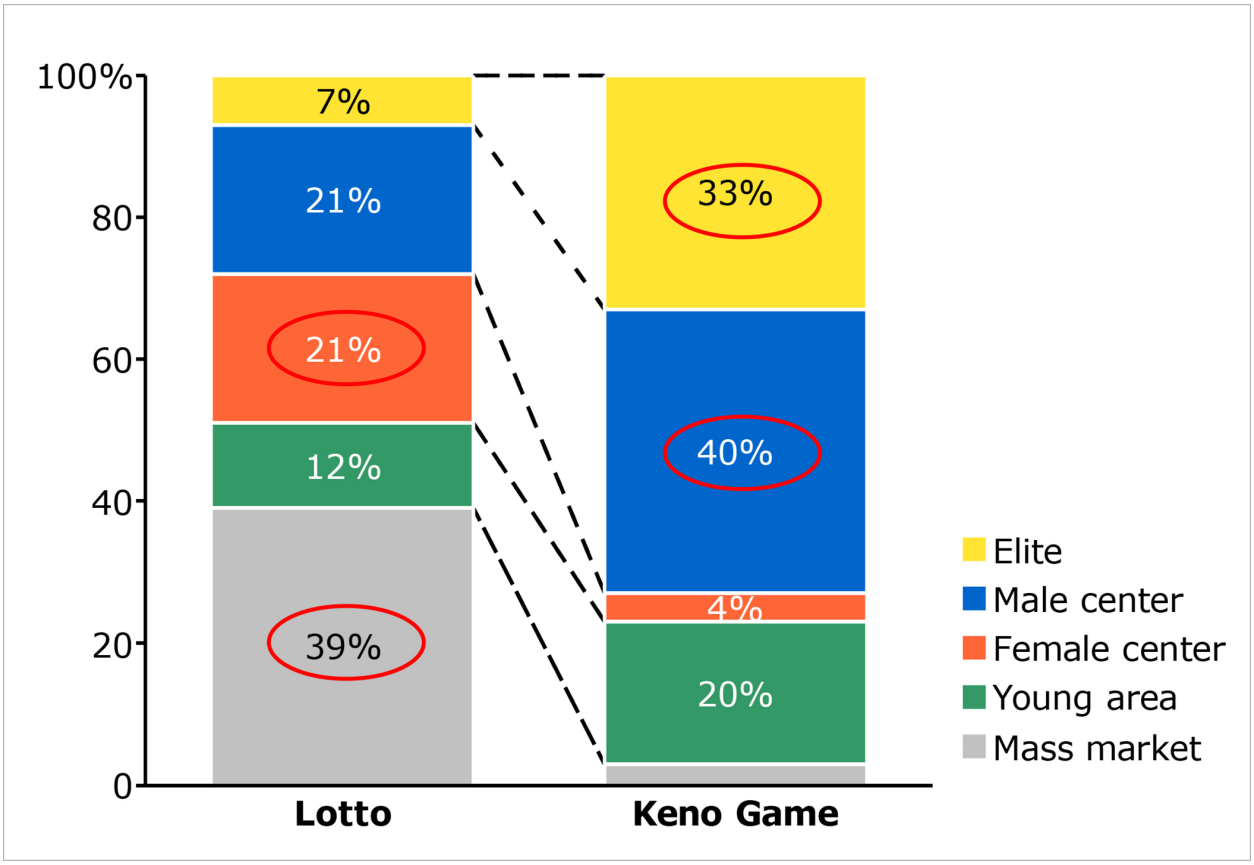
	Massa-chusetts	Rhode Island	Maryland	Michigan	Oregon	New York	DC	Georgia	Ohio	Missouri	Kansas	California	West Virginia
Retailer penetration (inhabitants / retailer)	5,910	7,186	8,085	NA	2,291	2,615	3,966	5,940	5,261	9,409	NA	1,555	6,397
Payout	51%	62%	62%	54%	57%	69%	65%	59%	59%	63%	65%	65%	60%

Sales per capita is a solid indicator of the level of success that monitor games achieved in each jurisdiction. There are two primary sales drivers that our experience has shown to be most closely linked to a successful monitor game product (see the following figure – the line in red shows the proposed value for Indiana):

Figure 4.0 – 4: Correlation of per Capita Sales and Payouts/Retailer Penetration

Played outside of traditional lottery channels, monitor games would allow the Hoosier Lottery the chance to expand to new retail venues and attract new consumers. In a sample jurisdiction, according to a segmentation of the consumer base in five profiles illustrated in the following figure, traditional lottery games attract a segment defined as "mass market," while the monitor games are able to appeal to the "elite" (defined as more affluent consumers), "male center" and the "younger adults" segment, thus significantly broadening the player base. This diversification of the player base represents an optimal market development in terms of responsible gaming.

Figure 4.0 – 5: Monitor Gaming Impact on Player Segments



In fact, new consumers are generally attracted because they visit social establishments (such as age-controlled bars or taverns) that have a seating area in full view of monitor screens. Other characteristics of optimal social-space monitor game locations include:

- Presence of activities (such as dining and socializing) that encourage customers to stay for at least 30 minutes per visit.
- Ability to accommodate between 20 and 150 customers.
- Presence of activities that attract customers with disposable income to spend on entertainment.
- High-traffic locations that lend themselves to a continuous influx of new players.
- Space to display promotional materials.

GTECH Experience

Having pioneered social-establishment monitor gaming since 1989 in partnership with the South Australian lottery, GTECH is the world's market leader in offering monitor game technology and services in terms of market share, revenue, and innovation. We currently collaborate with 10 U.S. and 10 international jurisdictions that operate monitor-based games.

Additionally, in cooperation with the Rhode Island Lottery, we are currently testing an additional monitor game, Bingo, designed to attract "female-center" players, a different segment versus those who currently play the existing games offered.

GTECH supported *every* keno start-up executed in the United States, with the exception of the Massachusetts Lottery, which did not use a vendor to deploy the game. The following figure shows all of the jurisdictions where GTECH launched a monitor game network.

Figure 4.0 – 6: Jurisdictions Where GTECH Supported Monitor Game Deployment

United States		International	
Start Date	**Jurisdiction**	**Start Date**	**Jurisdiction**
1991	Oregon	1990	Australia (South Australia)
1992	Rhode Island	1993	Venezuela (Caracas)
1992	Kansas	1993	Spain (Catalunya)
1992	California	1994	Switzerland (Loterie Romande)
1992	West Virginia	1995	British Columbia
1993	Maryland	1997	Slovakia
1995	New York	1997	Trinidad
1995	Georgia	1999	France
2002	Missouri	2002	Barbados
2003	Washington DC	2002	Czech Republic
2003	Michigan	2002	Luxembourg
2008	Ohio	2004	China (Beijing)
		2007	Switzerland (Loterie Romande)*
		2008	Morocco
		2008	Poland

* Replacement of original game

GTECH has also implemented multiple retail expansion programs to extend keno retailer bases. In particular, we assisted the Missouri Lottery and Michigan Lottery in expanding their respective retailer bases to include additional social establishments and progressively implement the "Keno to Go" feature to bolster player engagement. Leveraging this success, we are now working on a similar specific project for the New York Lottery.

Business Plan

If monitor games were to be introduced in Indiana, we would leverage the most successful and proven best practices for a keno game launch. Therefore, our Enhanced Bid Option for keno assumes:

- [redacted]
- [redacted]
- [redacted]
- [redacted]

[redacted]

[redacted]

- [redacted]
  - [redacted]
  - [redacted]
  - [redacted]
  - [redacted]
- [redacted]
  - [redacted]
  - [redacted]
  - [redacted]
  - [redacted]
  - [redacted]
  - [redacted]
  - [redacted]

[redacted]

[redacted]

[redacted]

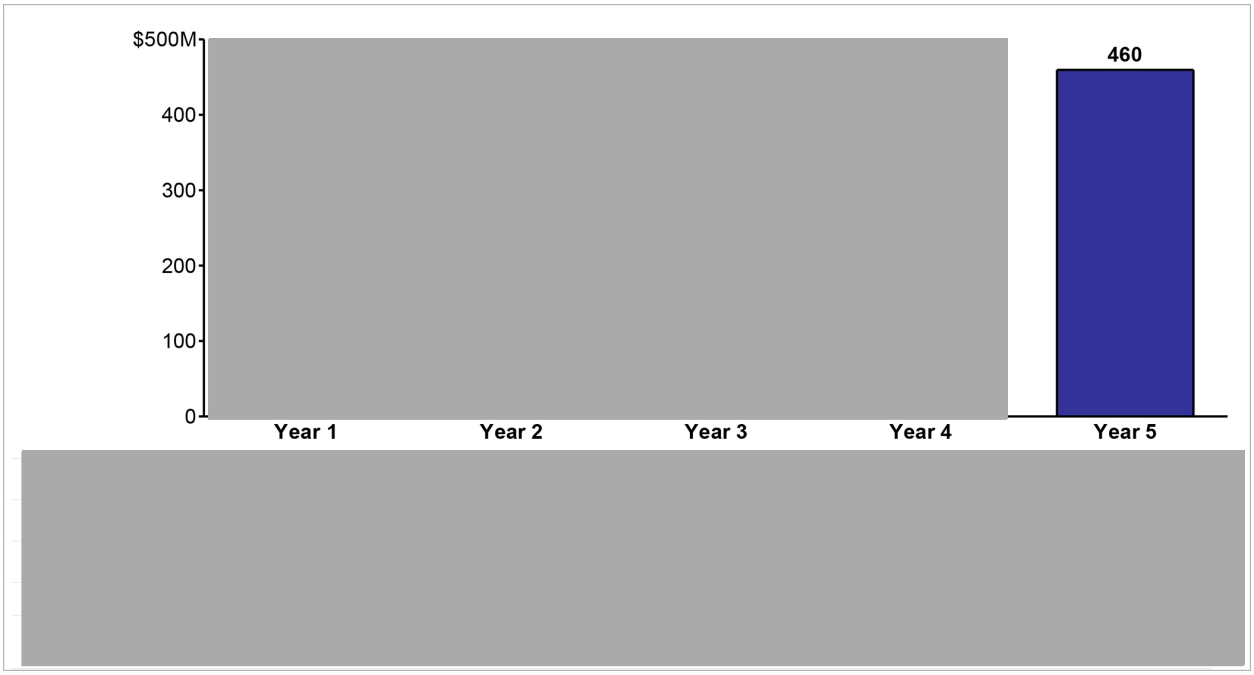
[redacted]

[redacted]

Sales Forecast

The following figure shows the expected sales forecast for the first five years of monitor games in Indiana, where Year 1 represents the first full year of monitor game sales commencing no earlier than FY15 and no later than FY18.

Figure 4.0 – 9: Hoosier Lottery Monitor Game Sales Potential



Based on these assumptions, monitor games are forecasted to generate $460M in sales in Year 5 and cumulative sales of approximately $1.8B in the first five years of activity.

Cost Structure

The cost structure of the Hoosier Lottery in launching monitor games includes the following elements:

- Prize payout.
- Retailer fee.
- Management fee.
- Lottery expenses.

Prize Payout

The monitor game payout will be

Retailer Fee

Management Fee

While we have thoroughly considered the level and nature of required resources, we remain open to discussing these costs with the Commission. Our estimate of the first year's management expenses is summarized in the following figure:

Figure 4.0 – 10: Expected First-Year Management Fees

Cost	Amount ('000, Year 1)	Description
Personnel Costs[1]		LSRs to service the additional new retailers and Keno product marketing manager and support staff
Vehicle Costs		Vehicles will be leased for use by sales staff
Insurance		General insurance and auto liability
Travel		Expected cost of travel for the management team as well as the sales team
Communications		Mobile telephone costs
Total Year 1 Costs:		

Lottery Expenses

Lottery expenses include costs necessary for operation of the Lottery and comprise the following major items:

- Supplier fee for technology deployment and maintenance.
- Advertising, Marketing, and Promotions.

Figure 4.0 – 11: Expected First-Year Lottery Expenses

Cost	Amount ('000, Year 1)	Explanation
Supplier Fee		
Advertising, Marketing, and Promotions		
Marketing Launch		
Total Lottery Expenses:		

FINANCIAL ANALYSIS

The following figure shows the financial forecast for the first five years of monitor game sales in Indiana based on the current market assumptions stated above.

Figure 4.0 – 12:

Monitor Game Wagering – Pro Forma Income Statement

Indiana Lottery Business Plan Pro Forma Income Statement - Monitor Games

Dollars in Millions

Business Plan - Full Year Projections	*Year 1*	*Year 2*	*Year 3*	*Year 4*	*Year 5*	*Total*
OPERATING REVENUES						
Ticket Sales						
Monitor Games					459.5	$ 1,784.2
Ticket Sales					459.5	$ 1,784.2
Other Revenue					-	-
TOTAL REVENUES					**459.5**	**$ 1,784.2**
OPERATING EXPENSES						
Prizes						
Retailer Commission						
Management Fee						
Lottery Expenses						
Supplier Fee - Technology & Terminals						
Advertising/Marketing/Promotions						
Total Operating Expenses						
% of Ticket Sales						
Total Prizes, Commissions & Operating Expenses					356.1	$ 1,389.4
NET PROVIDER INCOME					**103.4**	**$ 394.8**
% of Revenue					*22.5%*	*22.1%*

Figure 4.0 – 13: Lottery Net Income Forecast – Monitor Games

All pricing/cost assumptions set forth herein are subject to change based on the final requirements and/or level of services required by the Lottery, including, but not limited to, adjustments for third party costs.

We expect cumulative net income generation equal to $395 million in a five-year timeframe based on the assumptions.

Implementation Plan

Identification of Affiliates

To the extent monitor games are implemented in Indiana in accordance with the terms of this Enhanced Business Plan, associated goods and services for such monitor games shall be provided or procured by GTECH Corporation.

Legal and Regulatory Analysis

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

Assumptions

The monitor game Enhanced Bid Option assumes the following:

- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
  - [redacted]
  - [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
  - [redacted]
- [redacted]

Internet Wagering of Lottery Games

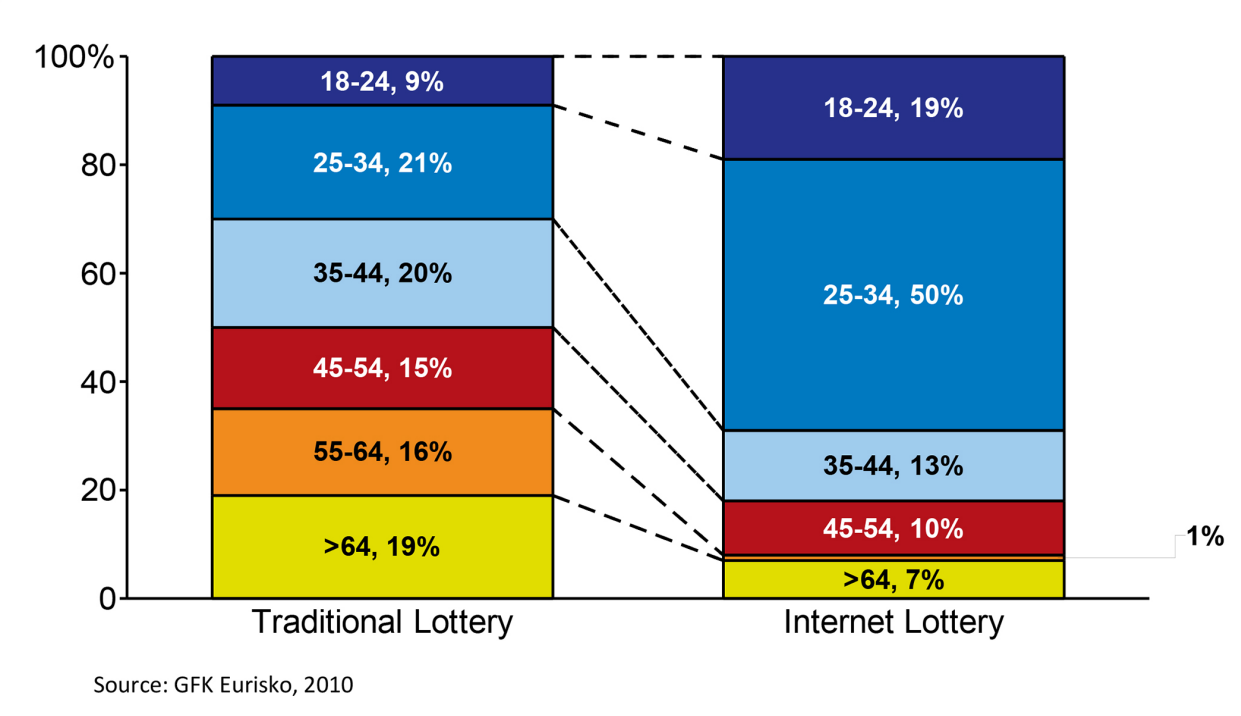
The U.S. Department of Justice memorandum, issued on December 23, 2011, clarified that Internet wagering is not prohibited (with the exception of sports betting) under U.S. federal law. Internet wagering represents a growth opportunity because it offers additional convenience to players. It would also allow the Hoosier Lottery to innovate its distribution channel, respond to a changing market, further keep players engaged, and provide new and unique games.

In addition, Internet wagering would allow the Hoosier Lottery to:

- Improve the Lottery's image with current and prospective players.
- Reach out to a younger demographic of players.

Internet wagering has proven to be a very successful way to attract younger adults, which has historically been a challenging player group for lotteries. The following figure shows an example of a major European lottery that achieved great success in broadening the playership of adults aged 18 to 34:

Figure 4.0 – 15: Internet Ability to Attract Younger Adult Player Segment



In that specific jurisdiction, 69% of the Internet player base is younger adults (18 to 34 years old) versus only 30% of traditional lottery product.

We have organized our overview of the Internet wagering opportunity into the following six areas:

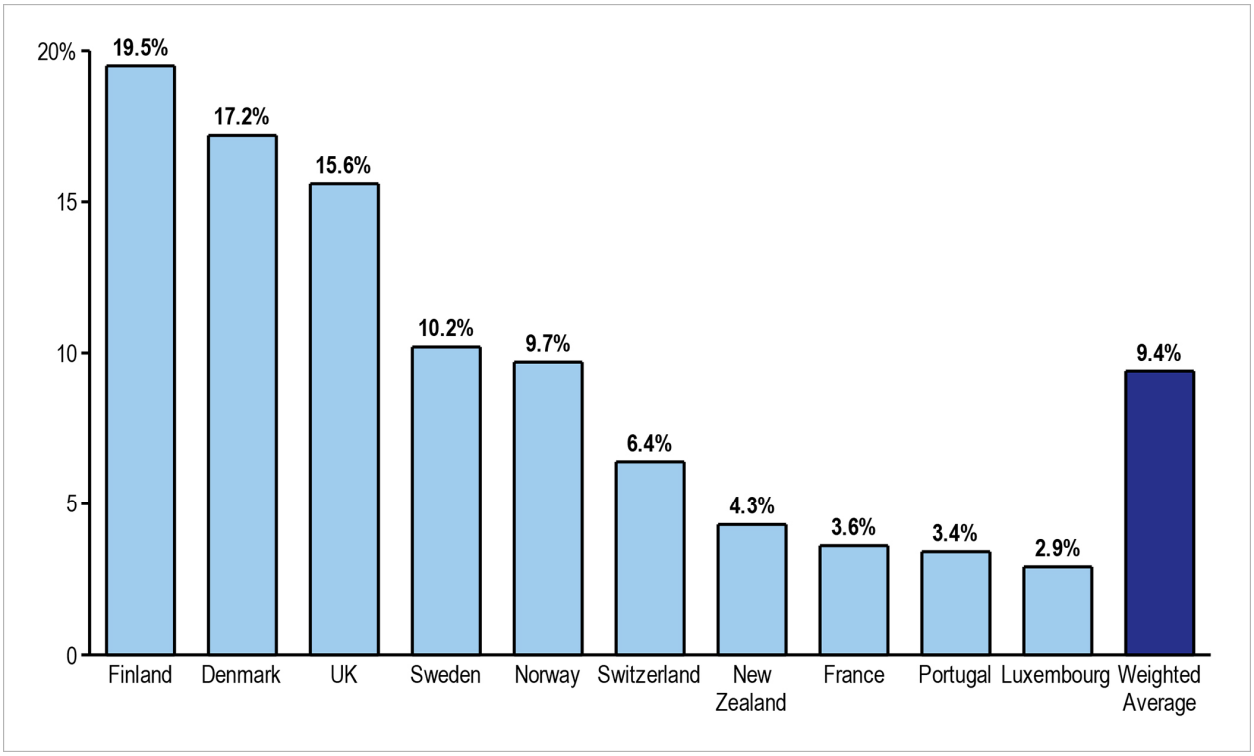
1. International Internet Lottery Wagering Benchmark and Key Success Factors.
2. GTECH Experience in Internet Lottery Wagering and Responsible Gaming.
3. Business Plan.
4. Implementation Plan.
5. Identification of Affiliates to Support Enhanced Business Plan Delivery.
6. Legal and Regulatory Analysis.

International Internet Lottery Wagering Benchmark and Key Success Factors

The U.S. lags behind other regions of the world in terms of the development of Internet gaming because, until only recently, there was a lack of clear guidance from the Department of Justice regarding its legality.

Internet wagering has been offered in international jurisdictions for several years and has experienced significant developments in these areas. The following figure illustrates the percentage of Internet sales, in relation to total lottery sales, across a sample of international jurisdictions:

Figure 4.0 – 16: Internet Lottery Sales as % of Total Sales



To prevent any distortion from the different regulatory environments, the figure above shows only the percentage obtained by dividing *total Internet* Lottery *sales* (excluding non-lottery games, such as sports betting, bingo, poker, etc.) by the *total sales of the same lottery games that are offered on the Internet*.

The following figure illustrates, in more detail, which games are offered by these different lotteries:

Figure 4.0 – 17:

European Interactive Lottery History

				Internet Sales as % of Total Sales for Game Type								
Jurisdiction	Operator	Year	Pop (M)	Jackpot Games	Other Online	Club Keno	Instants	Total	Total Lottery Per Capita Sales (USD)*	Per Capita Internet Lottery Sales (USD)	People per Retailer	Internet Penetration**
Finland	Veikkaus Oy	2010	5.3	19.90%	-	-	19.50%	19.50%	$330	$64.50	1,638	85.20%
Denmark	Danske Spil A/S	2008	5.5	17.60%	10.10%	-	17.00%	17.20%	$174	$29.90	1,522	85.90%
UK	Camelot	2011	62	17.00%	-	-	11.00%	15.60%	$160	$25.00	2,182	82.00%
Sweden	AB Svenska Spel	2009	9.1	15.80%	8.30%	-	5.90%	10.20%	$78	$8.00	3,131	92.40%
Norway	Norsk Tipping AS	2010	4.7	10.20%	14.10%	-	-	9.70%	$366	$35.50	1,007	94.40%
Switzerland	Loterie Romande	2011	1.8	8.30%	-	-	-	6.40%	$64	$4.10	1,856	80.50%
New Zealand	New Zealand Lottery	2011	4.4	4.90%	7.30%	-	-	4.30%	$163	$7.00	6,825	83.90%
France	La Française des Jeux	2010	64.8	-	-	-	-	3.60%	$193	$6.90	2,683	69.50%
Portugal	Santa Casa de Misericordia de Lisboa (SCML)	2009	10.7	3.70%	1.50%	-	-	3.40%	$169	$5.80	2,381	48.00%
Luxembourg	Loterie Nationale Luxembourg	2011	0.5	4.00%	-	-	2.40%	2.90%	$272	$7.90	1,080	84.30%
Weighted Average				14.3%	9.7%		11.9%	9.4%				

*excludes VLTs and Sports Betting when offered
**source: www.internetworldstats.com

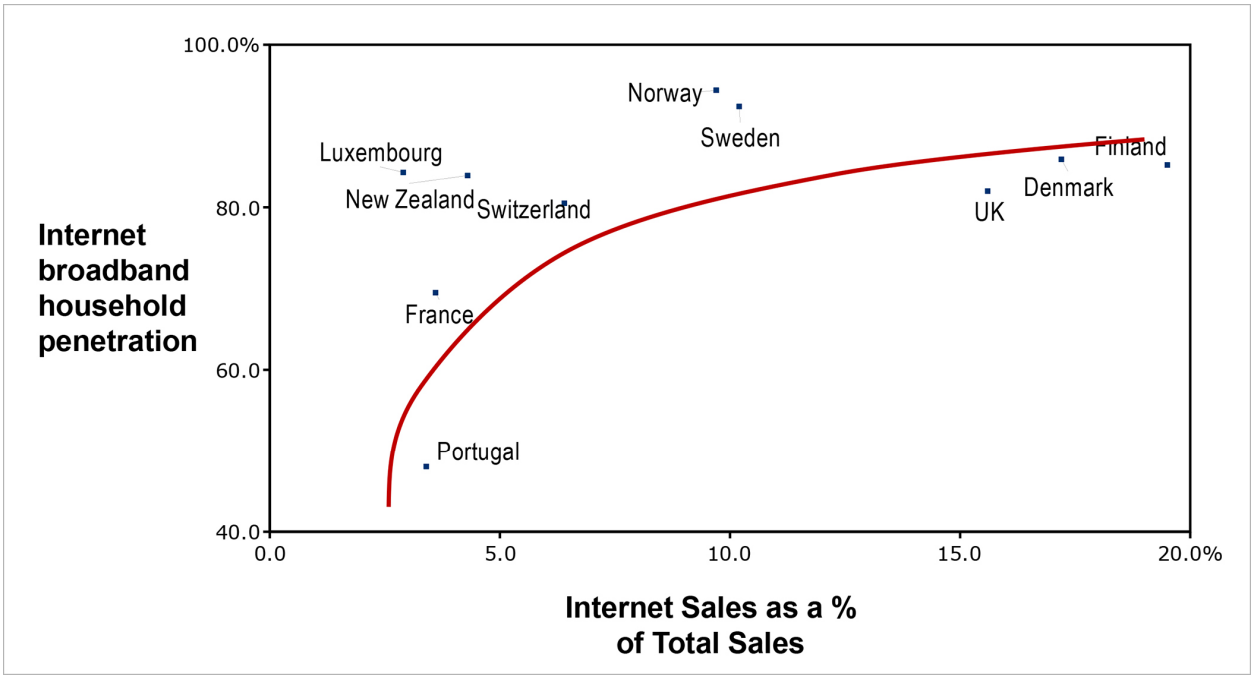
It must be noted that instant game at current payout levels are typically and relative successfully than jackpot games. In UK, for instance internet jackpot games account for about 17% of total draw-based sales, while Internet account for 11% of total instant sales. In Sweden Internet jackpot account for 15.8% while instant accounts for 5.9% of total instant sales.

It is clear that the degree of Internet wagering success varies significantly across the different jurisdictions. The first primary element that has an impact on Internet wagering is the regulatory environment; in fact, very few lotteries are allowed to offer Internet wagering across their whole portfolio. Naturally, a broader portfolio supports sales because it improves the Lottery's ability to keep players engaged and continuing to return to the website.

The three other key success elements for Internet Lottery wagering are:

- The attitude of the individual lottery and its ability to innovate.
- Retailer penetration levels: the lower a jurisdiction's retailer penetration level, the greater the convenience the Internet channel can offer; therefore, the Internet will likely demonstrate stronger performance.
- Internet broadband household penetration (as illustrated in the following figure).

Figure 4.0 – 18: Internet Broadband Household Penetration Versus Total Sales



GTECH Experience

GTECH and its affiliates have the most established Internet lottery wagering management experience in the world, as demonstrated from the following achievements:

- GTECH's affiliate, GTECH G2, has supported several leading international lotteries and gaming operators and their successful Internet gaming operations. GTECH partnered with Svenska Spel in Sweden in 2006 to become the first government-owned operator to offer Internet poker. After being on the market for only six weeks, it became one of the world's top 10 poker websites in terms of number of players.
- GTECH G2 has been the technology provider to Veikkaus Oy in Finland, the market leader in lottery Internet wagering.
- Through GTECH's affiliate, Northstar Lottery Group, the Illinois Lottery was the first (and currently the only) U.S. lottery to launch Internet wagering, which it did in March 2012. Internet wagers are growing consistently with forecasts and in line with what we are projecting for the Hoosier Lottery.

- GTECH's affiliate, Lottomatica, operates one of the most successful lotteries on the Internet despite the fact that legislation in Italy did not allow wagering of lottery games until recently, and in the presence of a fiercely competitive environment. In fact, Lottomatica is the leading Internet gaming operator in Italy with total sales above 1.7B and a total market share above 16%[3] , ranking:
  - #1 in instants, bingo, casino games, skill games and Sports Betting ahead of commercial operators like BWin/Playtech, Intralot, SNAI, Ladbrokes, Paddy Power and Sisal.
  - #2 in poker, after Pokerstars and ahead of Bwin/Playtech.

Should the Hoosier Lottery offer its games across the Internet, this initiative will serve responsible gaming objectives by broadening the player base, limiting expenditures, and tracking real-time player behavior, while imposing industry-leading age control and product access standards.

In support of a responsible Internet wagering gaming program in Indiana, we will:

- Evaluate the program at established time increments to ensure that it satisfies the most stringent responsible gaming standards.
- Initially offer only games currently present in the existing Hoosier Lottery portfolio; our presentation does not include any forecast for games at higher payouts than traditional lottery games.
- Create player account parameters that allow purchases via the Internet only after registered players have completed a "know your customer" ID review, a process that includes age verification.
- Limit individual purchases to self-established monetary thresholds.
- Geo-filter each transaction to prevent out-of-state purchases, which are prohibited by law.
- Provide best-in-class responsible gaming features, such as offering the possibility to set limits on amount played per day/week, options for self-exclusion from the gaming platform for a predefined period, continuous playing time display, etc.

In Italy, Lottomatica has created an Internet gaming platform that maintains the highest standards of responsible gaming and prevents underage play. For example, it has integrated self-limitation, self-evaluation and self-elimination tools into all gaming portals. Lottomatica also uses a state-of the-art verification system during registration that restricts minors from accessing games. Recently, the company introduced a section with useful information and suggestions on preventing excessive play. It also instituted third-party certification (G4 – Global Gambling Guidance Group) of its gaming portals (www.lottomaticagroup.com; www.totosi.it), which requires an annual certification audit.

[3] There are currently more than 200 licensed Internet operators in Italy.

Business Plan

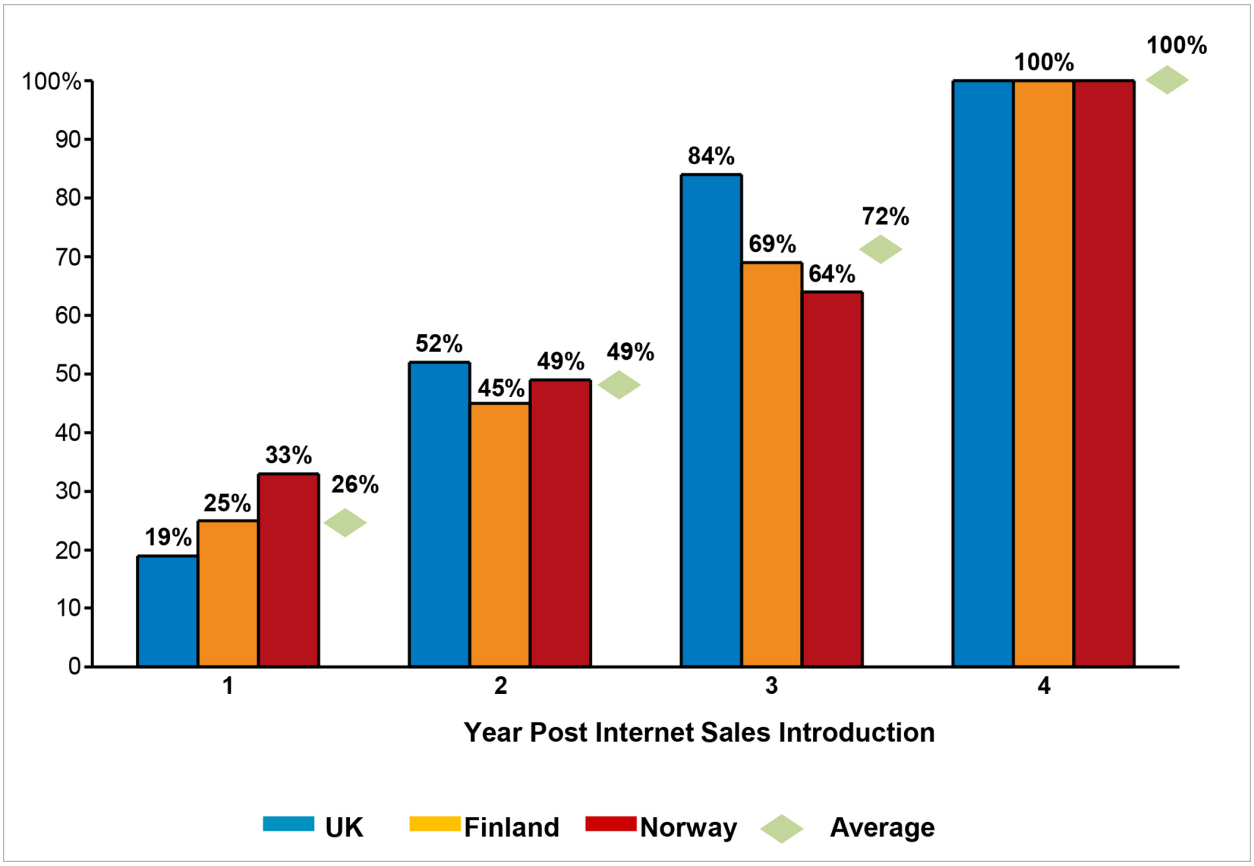
To understand the overall market potential, we have generated forecasts to estimate the potential of each of the U.S. lotteries in terms of Internet lottery sales as a share of total lottery sales. The three variables identified as having a significant impact on sales potential are:

- [redacted]
- [redacted]
- [redacted]

[redacted]

In terms of sales ramp-up after launching Internet sales, the typical curve that the Lottery can reach is illustrated in the following figure for three successful international lottery jurisdictions (UK, Finland, and Norway).

Figure 4.0 – 20: Historical Internet Market Developments



It is clear that the target penetration rate is usually reached within four years, with intermediate levels of 25%, 50%, 70% in years 1, 2 and 3, respectively.

Sales Forecast

The following figure shows the expected sales forecast for the first five years of Internet Lottery wagering in Indiana, where Year 1 represents the first full year of internet wagering sales commencing no earlier

Figure 4.0 – 21: Sales Forecast for Lottery Internet Wagering

Internet Lottery wagering is forecasted to generate $111M in sales in Year 5 and cumulative sales of $273M in the first five years of activity. Sales mix is expected to evolve in line with observed best practice. Draw Based games are expected to grow more than proportionally than eInstant as shown in the following table.

Figure 4.0 – 22: Internet sales incidence on Business Plan

Cost Structure

The cost structure for the Hoosier Lottery in launching Internet wagering includes the following elements:

- Prize payout.
- Management fee.
- Lottery expenses.

Prize Payout

[redacted]

This parameter will be greatly influenced by the regulatory environment.

Management Fee

While we have thoroughly considered the level and nature of required resources, we remain open to discussing these costs with the Commission. Our estimate of first-year management expenses is summarized in the following figure:

Figure 4.0 – 23: Expected First-Year Management Fees

Cost	Amount ('000, Year 1)	Description
Personnel	[redacted]	Internet marketing employees to support the new sales channel
Reporting	[redacted]	Weekly and monthly reporting on player demographics and analytics
Consulting	[redacted]	Search engine optimization expert ($50K per consulting engagement)
Software	[redacted]	Software integration of player data and reporting
Email	[redacted]	One email per week sent to all active players
Total Year 1 Costs:	[redacted]	

Lottery Expenses

The Internet channel is a unique player environment that requires development of a technology infrastructure that is customized to serve this market. In addition, the Internet requires dedicated customer services, some of which are provided by third parties (e.g., banking services).

Lottery expenses include costs necessary for operation of the Internet lottery and comprise the following major items:

- **Online / eInstant Technology Management**: Gaming management system development, integration with existing gaming system, hosting player website development and operations, operations support that includes day-to-day maintenance, software enhancement and quality assurance of new games, communications links and geo-location.
- **Player Services**: Player hotline support (password reset, product customer service, transaction issues, registration, etc.) through live operator, email and chat.
- **eInstant Content**: Design and graphics for instant reveal from specialized third-party developers.
- **Banking Services**: Interchange fee from credit card providers (VISA, Mastercard, and Discover), bank processing fees, gateway management, fraud management, and player account cash management.
- **Marketing**: New player acquisition and existing player retention.

Figure 4.0 – 24: Expected First-Year Lottery Expenses*

Cost	Amount (Year 1)	Explanation
Online/eInstant Technology Management		
Player Service		
eInstant Content		
Banking Services		
Marketing/Advertising		
Geo-location Mobile		
Total Lottery Expenses:		

*The above costs represent good-faith estimates of expected fees at this time. Final costs will vary based on the final regulations and level of services as agreed upon with the Commission.

In following table, we provide our current assumption of player participation to estimate player services and marketing expenses:

Figure 4.0 – 25: Internet Lottery Player Evolution

	Year 1	Year 2	Year 3	Year 4	Year 5
Number of Active Players Beginning					
Number of Active Players					
Churned Players					
Number of Active Players Ending					

FINANCIAL ANALYSIS

The following figure shows the financial forecast for the first five years of Internet wagering in Indiana aligned with the current market assumptions stated above.

Figure 4.0 – 26:

Internet Lottery Wagering – Pro Forma Income Statement

Indiana Lottery Business Plan Pro Forma Income Statement - Internet

Dollars in Millions

Business Plan - Full Year Projections	*Year 1*	*Year 2*	*Year 3*	*Year 4*	*Year 5*	*Total*
OPERATING REVENUES						
Ticket Sales						
Internet Sales					110.8	$ 273.0
Ticket Sales					110.8	$ 273.0
Other Revenue					-	-
TOTAL REVENUES					**110.8**	**$ 273.0**
OPERATING EXPENSES						
Prizes						
Retailer Commission						
Management Fee (Internet Marketing Mgt)						
Lottery Expenses						
Online/eInstants Technology/Mgt.						
Player Services						
eInstants Content (						
Banking Services						
Marketing Expenses/Player Acquisition & Retention						
Geo Location - Mobile						
Total Operating Expenses					13.5	$ 39.5
% of Ticket Sales					*12.2%*	*14.5%*
Total Prizes, Commissions & Operating Expenses					84.5	$ 211.4
NET PROVIDER INCOME					**26.3**	**$ 61.5**
% of Revenue					*23.8%*	*22.5%*

We expect a cumulative net income generation equal to $62M in a five-year timeframe based on current market assumptions.

Figure 4.0 – 27: Lottery Net Income Forecast – Internet Wagering

All pricing/cost assumptions set forth herein are subject to change based on the final requirements and/or level of services required by the Lottery, including, but not limited to, adjustments for third party costs.

Implementation Plan

GTECH's Northstar successfully launched Internet wagers in Illinois after the Department of Justice memorandum was issued. The launch of Internet wagering corresponded with the record $656M jackpot for MegaMillions. Our platform responded well to the unexpected high traffic transactions, which demonstrates the reliability of our technology infrastructure.

As shown in the following figure, our Enhanced Bid Option assumes [redacted] (subject to agreement on that timeline with the central system provider).

Figure 4.0 – 28:

Implementation Plan – Internet Lottery Wagering

[redacted]

Identification of Affiliates

To the extent Internet lottery wagering is implemented in Indiana in accordance with the terms of this Enhanced Bid Option, associated goods and services for such Internet lottery wagering shall be provided or procured by GTECH Corporation.

Legal and Regulatory Analysis

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

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- [redacted]
- [redacted]
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[redacted]

[redacted]

[redacted]

Assumptions

The Internet Lottery Enhanced Bid Option assumes the following:

[redacted]

Video Lottery Terminals (VLTs)

VLTs are an important revenue source for governments and good causes. We understand the political issues that the introduction of VLTs would cause in Indiana, including those presented by the existing casino market; on the other hand, it might be of interest to the Commission to evaluate such an opportunity in the face of increasing competition in the neighboring states and the resulting decline in revenues that Indiana casinos are experiencing.

We have organized our overview of the VLT opportunity into the following nine areas:

1. Key Elements of a VLT Program.
2. Current Indiana Slot Machines Market.
3. VLT Contribution to U.S. Gaming Market.
4. Potential VLT Business Model Options.
5. GTECH Experience.
6. Business Plan.
7. Implementation Plan.
8. Identification of Affiliates to Support Business Plan Delivery.
9. Legal and Regulatory Analysis.

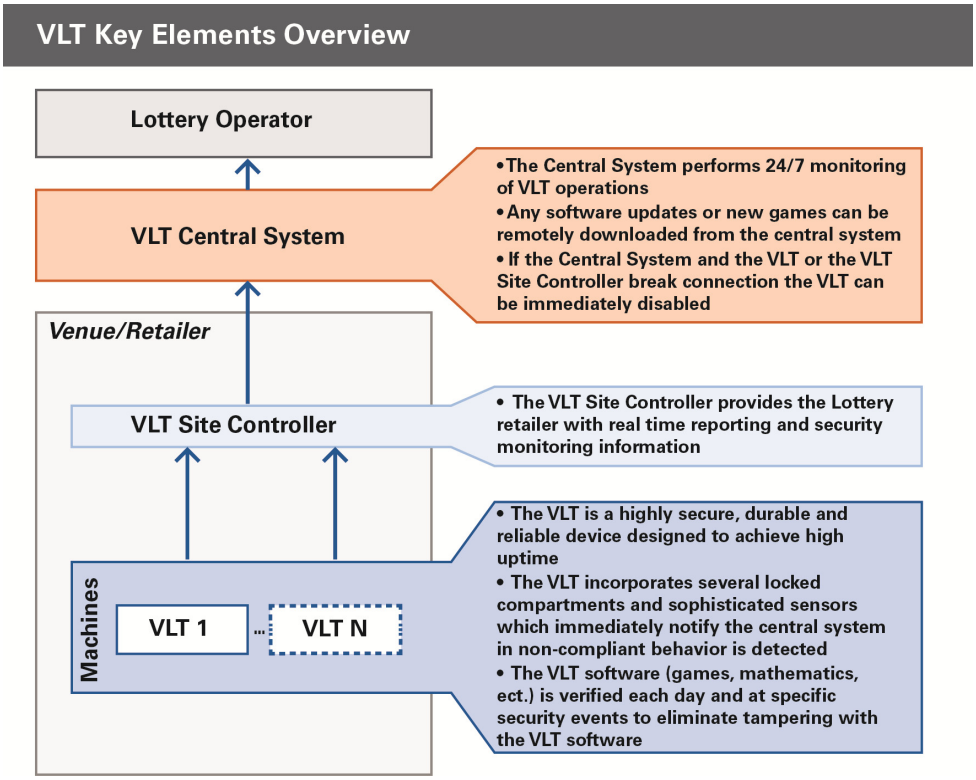
Key Elements of a VLT Program

The key elements of a VLT program are:

- A **VLT Central System** that allows a lottery to fully control the installed machine base, monitor performance, manage accounting and enable software distribution to the machines as needed.
- **VLTs** that are highly secure electronic gaming machines and offer multiple games on the same device.
- A **VLT Site Controller** with real-time reporting and security monitoring information.
- A **Game Portfolio** that includes a variety of games such as keno, bingo, line games and poker.

VLTs can be offered either in large-scale dedicated gaming venues such as racetracks or distributed in locations such as bars, restaurants and convenience stores where gaming is an ancillary offering.

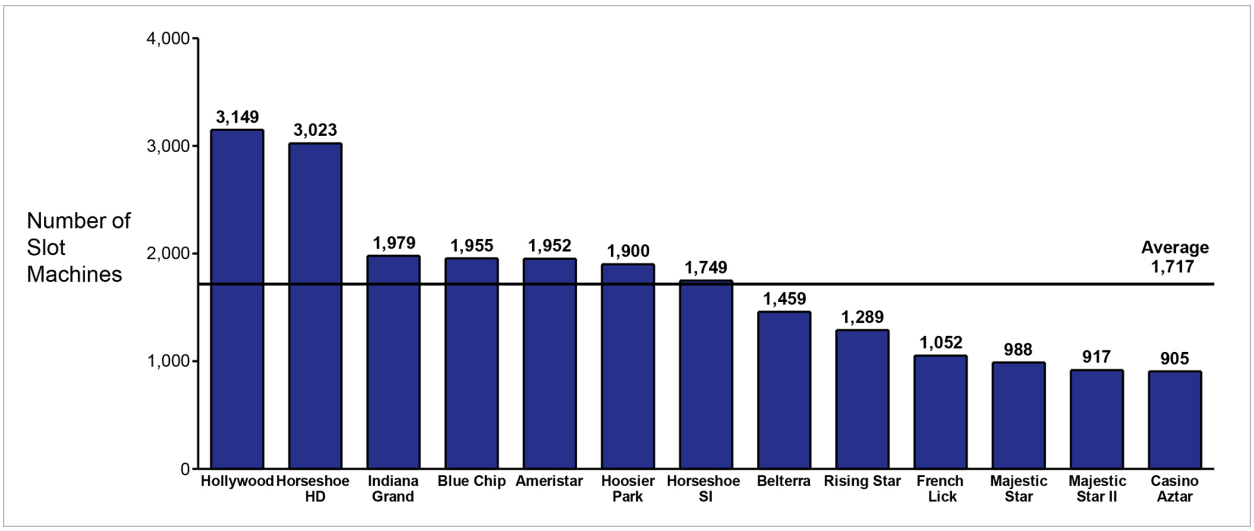
Figure 4.0 – 29: VLT Key Elements Overview



Current Indiana Casino Market

Indiana has a mature and developed casino market. The first casino riverboat, the Casino Aztar, was launched in Indiana in 1995 and today, there are more than 22,000 slot machines located in 13 facilities. These facilities are all large-scale venues, ranging from 900 to more than 3,000 slot machines as outlined in the following figure:

Figure 4.0 – 30: Slot Machines Installed in Indiana Casinos



Most of these facilities are located close to Indiana borders and therefore attract players from neighboring states such as Illinois and Ohio (see figure below).

Figure 4.0 – 31:

Casinos and Racinos – Existing Locations in Indiana

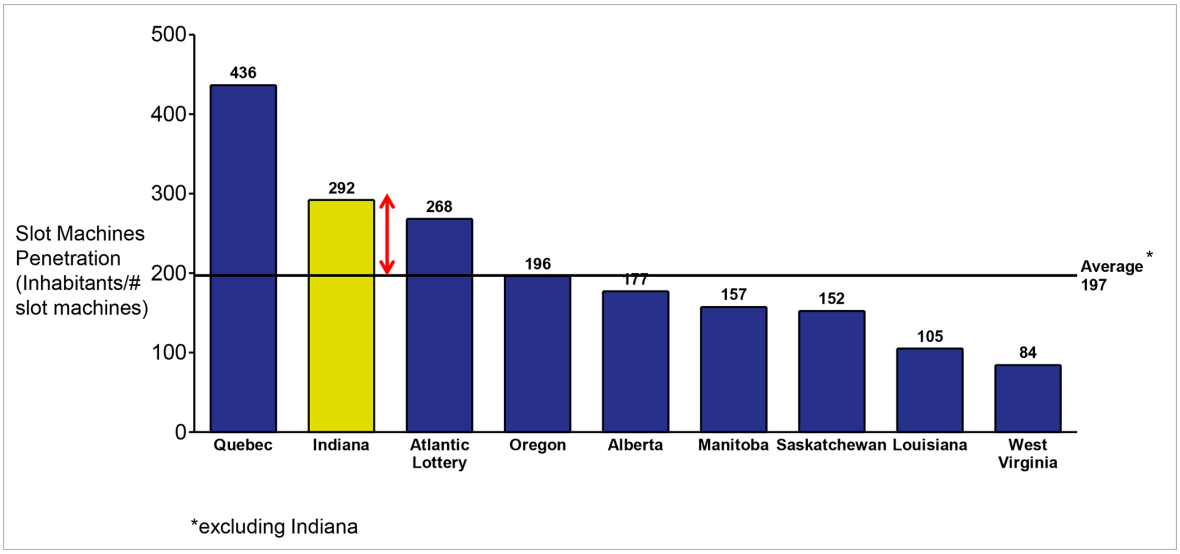
Casino locations

Racino locations

The current installed Indiana gaming machine base represents a penetration of 1 gaming machine per 292 people, which is significantly lower than the North American average for states that have distributed VLTs in a non-operator environment and a mature casino/venue presence (with the average being 1 gaming machine every 197 inhabitants), and is indicative of a potential for gaming machine market growth[4].

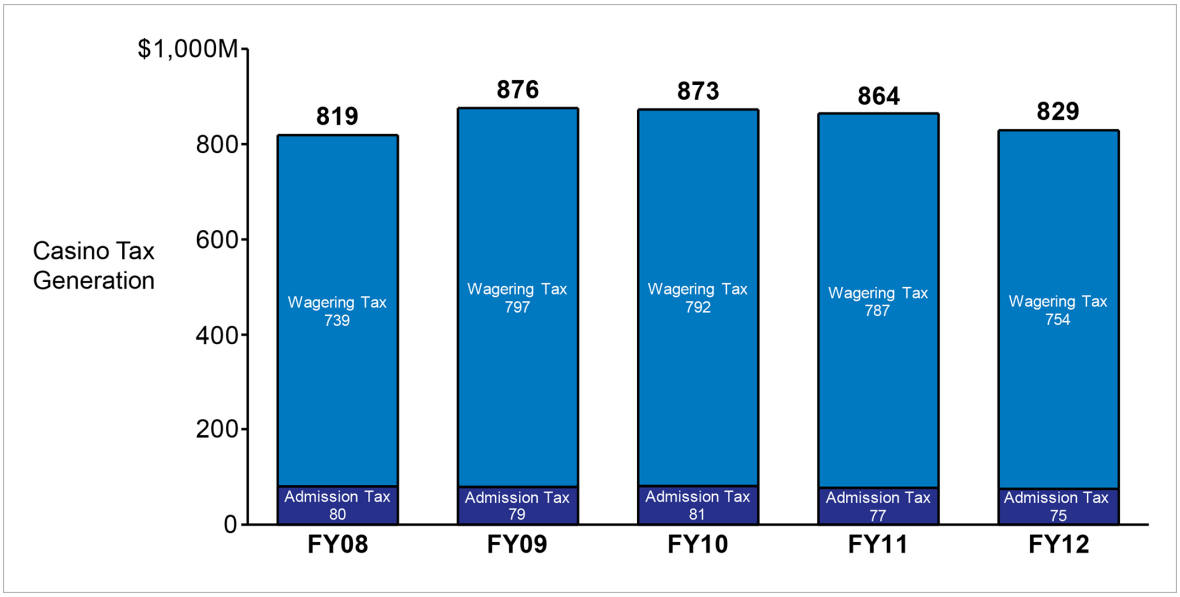
[4] Note that this penetration rate does not include the population of border States that frequent Indiana casinos

Figure 4.0 – 32: North America Existing Slot Machine Penetration



In Indiana today, all existing gaming machine locations are taxed via a wagering tax, which is calculated based on a graduated scale ranging from 15% to 40% of the net machine income (NMI). In addition, an admissions tax is also applied to riverboat facilities. As outlined in the following chart, in the last 12 months ending in July 2012, total tax revenues have declined from $876M in FY2009 to $829M in FY2012, demonstrating increased pressure on this gaming segment.

Figure 4.0 – 33: Indiana Tax Generation from Slot Machines



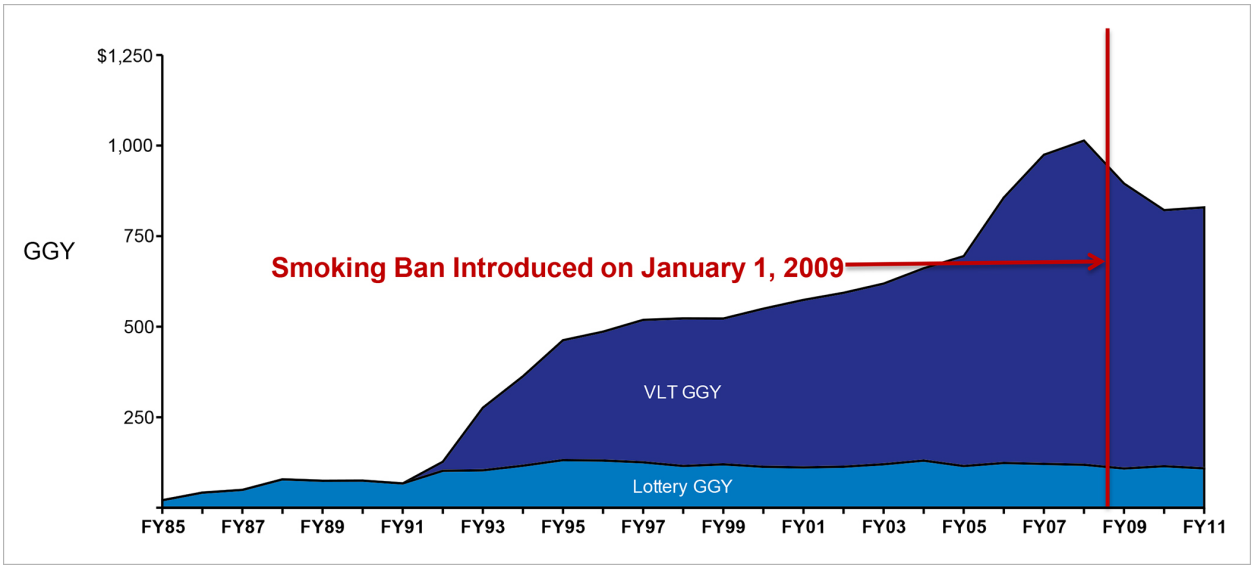
As competition increases in bordering states with the opening of new casino facilities, it is likely that Indiana casinos will continue to be under significant pressure to attract and keep players. Recent legislation in Ohio authorized up to 37,500 gaming machines and Illinois is considering legislation to significantly expand gaming.

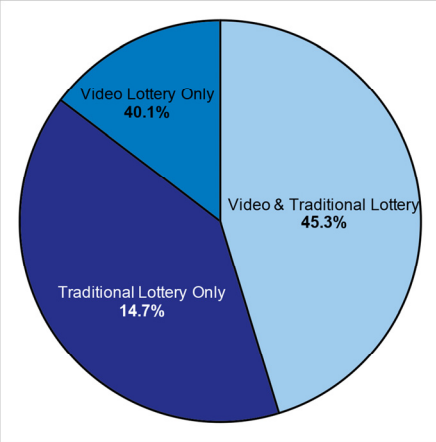
VLT Contribution to U.S. Gaming Market

Since first being introduced in the 1980s, VLTs have proven to be a primary driver for growth in the U.S. gaming market. Since then, many U.S. states have installed VLTs, thereby generating significant funds for good causes.

One of best examples of a successful VLT program is the Oregon Lottery. Starting in March 1992, VLTs have grown significantly and today generate more than 85% of the gross gaming yield (sales minus prizes) produced by the Oregon Lottery (see illustration below).

Figure 4.0 – 34: Oregon Gross Gaming Yield Evolution

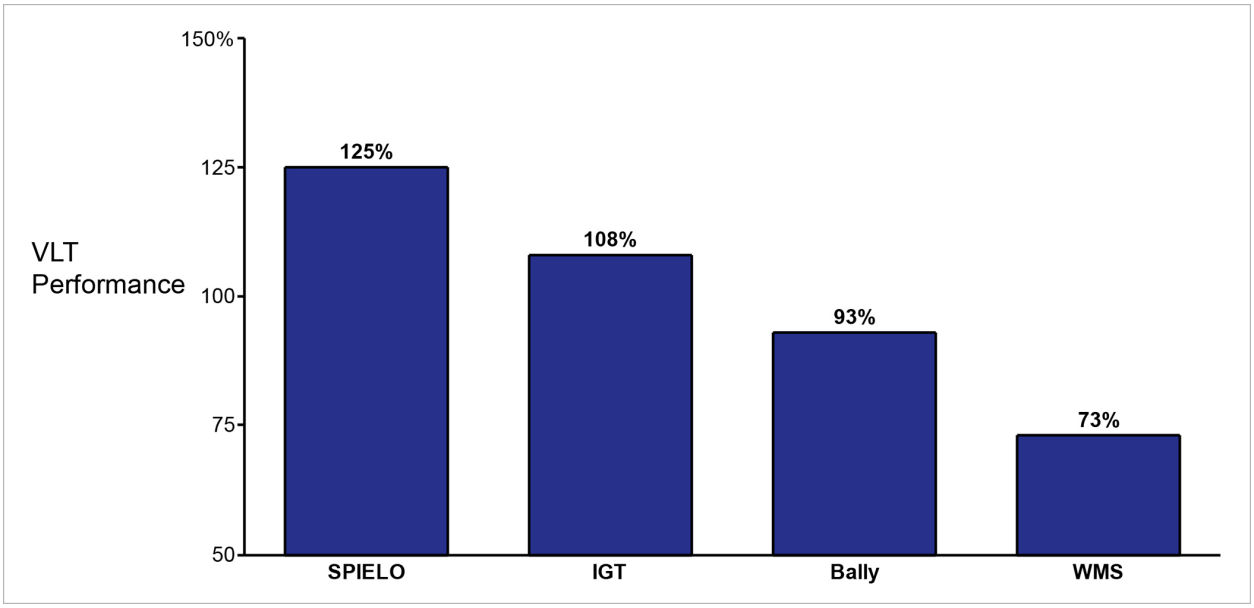




In Oregon, VLTs are purchased by the Oregon Lottery and placed in distributed venues throughout the state. Currently, 12,000 VLTs are installed at more than 2,300 retail locations. The Oregon Lottery leverages existing lottery points of sale wherever possible, with 45% of their retail network offering both traditional Lottery and VLTs. This cross-placement of Video Lottery and Traditional Lottery products allows the Oregon Lottery to leverage cost synergies such as field service across both products. The Lottery is also considering new ways in which to market to consumers across both channels, considering ideas such as using the second VLT screen to advertise large Lotto jackpots.

One key consideration for VLT program development is the need to offer diverse content to players. This can be done by offering content from multiple manufacturers on one VLT model, or by purchasing VLTs from multiple manufacturers. Oregon achieved this by offering four different manufacturers' VLTs. As illustrated in the following figure, the Lottery offers machines from SPIELO, IGT, Bally, and WMS. Currently, SPIELO's machines are the top performers, achieving per unit performance 25% greater than average.

Figure 4.0 – 35: VLT Performance in Oregon by Vendor



Available Business Model Options

There are two primary distribution models for VLT programs in North America:

- **Venue Based**: Large, gaming-dedicated facilities, often racetracks, racinos, or gaming halls, that can contain up to 5,000 VLTs.
- **Distributed**: Smaller facilities, usually with a primary purpose that is not gaming, such as bars, restaurants, or other locations typically with five to ten VLTs per location.

Most jurisdictions choose one model or the other, but some jurisdictions, such as West Virginia, combine the two venue options. The decision of which distribution model to choose is usually made by the state. One of the key drivers for that choice is the existing market; in jurisdictions where there is already an established casino market, it would be reasonable to introduce VLTs in distributed locations to avoid competing directly with existing forms of gaming.

As illustrated in the following table, the percentage of net win that is available as revenue returned to the government is primarily impacted by the business model and the value chain.

Figure 4.0 – 36: North America Return to Government Overview

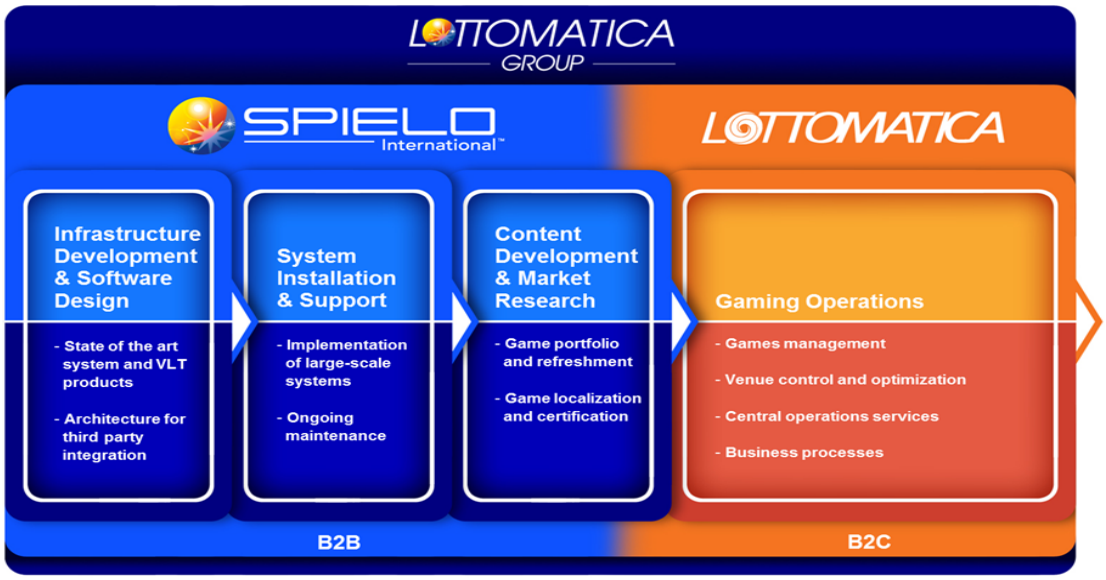
Jurisdiction	Distribution	Machine Buyer	% Revenues to the Government
Alberta	Distributed	Lottery	**85%**
Saskatchewan	Distributed	Lottery	**81%**
Atlantic Lottery	Distributed	Lottery	**69%**
Oregon	Distributed	Lottery	**65%**
Quebec	Distributed & Gaming Hall	Lottery	**64%**
Rhode Island	Racino	Lottery	**62%**
Manitoba	Distributed	Lottery	**53%**
South Dakota	Gaming Hall	Operator	**50%**
West Virginia	Racino & Distributed	Lottery	**46%**
New York	Racino	Lottery	**45%**
Delaware	Racino	Lottery	**43%**
Pennsylvania	Racino	Operator	**34%**
Louisiana	Distributed & Gaming Hall	Operator	**30%**
New Mexico	Racino & Distributed	Operator	**26%**
Montana	Gaming Hall	Operator	**15%**

In Alberta, Saskatchewan, Atlantic Lottery, Oregon and the other lottery at the top of the figure, the Lottery is directly responsible for capital investment and VLT program operations (field service, central system, communications, etc.).

GTECH Experience

As illustrated in the following figure, GTECH and its affiliates possess a broad range of VLT capabilities. We can enter the market as a supplier, an operator, and an integrated entity providing best-in-class VLT solutions.

Figure 4.0 – 37: Lottomatica Group VLT Capability Set



GTECH and its affiliate, SPIELO International, has been a primary partner of North American lotteries for the past 10 years. In North American distributed VLT markets, there have been 10 recent procurements for Lotteries modernizing their VLT program, split evenly between central systems and terminals. SPIELO has achieved success across all 10 procurements, and was awarded all five system contracts and a portion of each VLT allotment.

In Italy, Lottomatica introduced VLTs in 2010 when the country became the world's largest jurisdiction per installed base, with 56,000 VLTs. Lottomatica is one of 10 licensed operators in Italy, representing approximately 11,000 directly managed VLTs, and is the market leader in terms of total net income and machine productivity. SPIELO is currently providing 14,700 VLT machines to 4 of the 10 operators.

SPIELO is progressively building its global position, with relevant projects deployed in Europe as well as in South America, as illustrated in following figure:

Figure 4.0 – 38:

Responsible gaming is paramount to SPIELO's VLT solutions. SPIELO has recently developed a Responsible Gaming (RG) solution available as a module of its INTELLIGEN™ central system. The RG solution is a set of flexible tools that help players make educated choices and manage their own behaviors. Based on the tenet of informed choice, it allows players to set limits and monitor their game play activity. Because it can be integrated across various gaming platforms, it supports a single view of the player across all distribution channels.

Business Plan

If VLTs were to be introduced in Indiana, we would replicate the most successful and proven best practices in distributed environments. As shown in following table, our Enhanced Bid Option for VLT assumes:

Figure 4.0 – 39: Enhanced Bid Option – VLT Assumptions

Key area	Assumptions

In support of the foregoing assumptions, we compared Indiana to similar North American jurisdictions using the following criteria:

-
-
-

Based on these criteria, eight North American VLT jurisdictions were identified and compared. In particular, it has been considered two key performance indicators to estimate Indiana VLT market potential:

-
-

[redacted]

[redacted]

[redacted]

[redacted]

Sales Forecast

The following figure shows the expected sales forecast for the first five years of VLT deployment in Indiana, where Year 1 represents the first full year of VLT sales commencing

Figure 4.0 – 43: VLT Deployment Sales Forecast

VLT gross gaming yield is forecasted to generate approximately $2.8B net revenues in the first five years based on current market assumptions.

Cost Structure

The cost structure for the Hoosier Lottery in launching VLTs includes the following elements:

- Prize payout.
- Retailer fee.
- Management fee.
- Lottery expenses.

It is important to note that all fees expressed as a percentage are a percentage of the NMI (i.e., cash played less cash won) and not of sales. This explains why the percentage numbers are higher that those usually seen in the lottery world (computed on sales they are lower, given the much higher payout of these games).

Prize Payout

Retailer Fee

Management Fee

While we have thoroughly considered the level and nature of required resources, we remain open to discussing these costs with the Commission. Our estimate of the first-year management expenses is summarized in the following figure:

Figure 4.0 – 45: Expected First Year Management Fees

Cost	Amount ('000, Year 1)	Description
Personnel Costs[1]		Sales representatives will service the additional new retailers Video Lottery Marketing / Operations support staff
Vehicle Costs		Vehicles will be leased for use by the sales staff
Insurance		General insurance & auto liability
Travel		Expected cost of travel for the sales team
Office Supplies		General office supplies
Other		-
Communications		Mobile telephone costs
Total Year 1 Costs:		

Lottery Expenses

Lottery expenses include costs necessary for operation of the Lottery and comprise the following major items:

- Supplier fee for technology procurement, deployment, and maintenance, which includes:
  - Central system procurement and operations.
  - VLT machine procurement and maintenance.
  - Game portfolio.
  - Telecommunication.
  - Logistics and field services.
- Marketing / Advertising

Figure 4.0 – 46: Expected First-Year Lottery Expenses

Cost	Amount (Year 1)	Explanation
Supplier Fee		
Marketing Costs		
Total Lottery Expenses:		

FINANCIAL ANALYSIS

The following figure shows the financial forecast for the first five years of Indiana VLT sales aligned with the current market assumptions stated above.

Figure 4.0 – 47:

Video Lottery Terminal – Pro Forma Income Statement

Indiana Lottery Business Plan Pro Forma Income Statement - VLT's

Dollars in Millions

Business Plan - Full Year Projections	*Year 1*	*Year 2*	*Year 3*	*Year 4*	*Year 5*	*Total*
OPERATING REVENUES						
Sales						
VLT - Net Terminal Income *					803.9	$ 2,761.9
Total Sales					803.9	$ 2,761.9
Other Revenue					-	-
TOTAL REVENUES					**803.9**	**$ 2,761.9**
OPERATING EXPENSES						
Retailer Commission						
Management Fee						
Lottery Expenses						
Supplier Fee						
Marketing/Advertising Expenses						
Total Operating Expenses					321.4	$ 1,105.2
% of Ticket Sales					*40.0%*	*40.0%*
NET PROVIDER INCOME					**482.5**	**$ 1,656.7**
% of Revenue					*60.0%*	*60.0%*

* - Net Terminal Income equals sales less payout

We expect a cumulative net income generation equal to 1.7B in a five-year timeframe contributing to the State of 60% of net machine income, significantly higher than South Dakota which is with 50% return to State, the most profitable operator managing VLT program in North America.

Figure 4.0 – 48: Lottery Profit Generation Evolution

All pricing/cost assumptions set forth herein are subject to change based on the final requirements and/or level of services required by the Lottery, including, but not limited to, adjustments for third party costs.

Implementation Plan

Figure 4.0 – 49:

Implementation Plan – VLTs

Identification of Affiliates

If VLTs are implemented in Indiana in accordance with the terms of this Enhanced Bid Option, associated goods and services for such VLTs shall be provided by GTECH's affiliate, SPIELO International.

Legal and Regulatory Analysis

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[redacted]

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- [redacted]
- [redacted]
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Assumptions

The VLT Enhanced Bid Option assumes the following:

- [redacted]
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5.0 Social Responsibility and Responsible Gaming

Corporate Social Responsibility is a core value of GTECH Corporation and is critical to successfully implementing our Business Plan. This section will address the following RFI requirements:

1. Responsible Gaming.
2. Diversity.
3. Brand Integrity.

The section is structured as follows:

- Indiana Board of Advisors.
- Responsible Gaming.
  - Philanthropy and Charitable Giving.
  - GTECH's Hoosier Giving Pledge.
  - Indiana-Specific Problem Gaming Programs.
  - Our Experience.
- Diversity.
  - Our Commitment.
  - MWBE Plan.
  - Diversity in Hiring.
- Brand Integrity.

Indiana Board of Advisors

A success factor critical to implementing our Corporate Social Responsibility program is the Board of Advisors. The Board is comprised of a diverse group of respected Hoosiers, whose responsibility is to help develop our Corporate Social Responsibility program, guide its implementation, and measure our performance in achieving goals.

The Board of Advisors will serve as advocates and overseers of our Corporate Social Responsibility programs and help our Integrated Services Management Team remain focused on delivering the commitments made in our response. The Board will advise on best practices regarding the recruitment, selection, and engagement of MBE and WBE businesses. The Board will also help us identify candidates with a broad range of talents to join our team in Indiana and throughout our company and help craft and implement a strategy for community engagement that will include participation in business, retail, and community organizations. Additionally, the Board will be directly involved in management and oversight of the Provider's MWBE Plan (described in greater detail below). The Board will comprise 5–7 members and meet quarterly and as needed during the year.

As is indicated by our initial members, Board members each have distinguished careers and are recognized as Hoosiers who have made a substantial contribution to the State. We will rely on the advice and counsel of this group to guide our business and business planning in a manner that is consistent with Hoosier values. Individuals who have accepted our offer to serve on the Indiana Board of Advisors as of the date of this submission include:

- Jo Ann Gora, President, Ball State University.
- George McGinnis, founder of GM Supply Company in Indianapolis, radio and television commentator, and Hoosier Lottery spokesperson.
- Ian Rolland, former Chairman and CEO, Lincoln National Corporation, civic leader and recipient of the 2012 Sachem Award.

We continue to work towards filling the final Board member positions.

Responsible Gaming

Our mission and commitment as the Integrated Services Provider of the Hoosier Lottery will be to maximize growth in an ethical and responsible manner. Our model is one of sustainable development to grow the player base by attracting new customer groups and re-engaging with lapsed players as opposed to selling more to the most frequent (or core) players. Broadening the player base by attracting new consumer segments is crucial to the Lottery's growth and sustainability.

Insights we have gleaned from various studies 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.

It is important to note that responsible gaming programs should not be accepted as a reason to explain performance below that of comparable lotteries. We firmly believe that effective, responsible gaming programs, drawn from our best practice experiences, form a bond with customers that promotes, not inhibits, responsible play.

We are committed to promoting responsible gaming to our employees, customers, and the public. In addition, we know that problem gambling is an important issue for any reputable gaming operation. Thus, as an operator, manufacturer, and provider of games and equipment, both in the U.S. and throughout the world, we firmly believe in taking a proactive approach to problem and underage gaming and would approach the Indiana marketplace no differently as the Hoosier Lottery's Integrated Services Provider.

Philanthropy and Charitable Giving

GTECH strives to enrich and strengthen the communities in which we operate through a variety of programs, sponsorships, and donations. Enhancing educational opportunities is a top priority and, therefore, our largest philanthropic contributions are in that area. GTECH supports hundreds of employee-directed efforts such as matching gifts and scholarship donations that support colleges and universities. As in all areas of giving, GTECH aims to support programs that serve diverse groups. During the past two years, GTECH's corporate contributions to the community have totaled more than $3 million. GTECH's community investment extends beyond money by giving our employees the ability to personally reinvest their resources in their own community.

We are committed to making a difference in the communities we serve. The focus of our charitable efforts can be divided into three broad areas:

- **Creating Educational Opportunities:** Education is a priority at GTECH and a major focus of our philanthropic efforts. To that end, the After School Advantage program is a flagship initiative that has resulted in more than $3 million in computer technology donations to community organizations and public schools since the program's inception.
- **Fostering Community Initiatives:** Annually, GTECH supports hundreds of community, charitable, and cultural organizations in the places where we do business.
- **Empowering Employee Community Involvement:** GTECH encourages our employees to give back to the communities where they live and work. Through our Reach Out program that includes initiatives such as our Day Off for Volunteerism, Dollars for Doers, and Matching Gifts, employees have a variety of ways they can make a difference.

Along with our highly recognized After School Advantage computer lab program, should GTECH be the Successful Offeror, we would reach out to a diverse group of community organizations throughout Indiana to discuss memberships, special events, and engagements. Some of the organizations that we have identified and are in the process of reaching out to introduce ourselves and discuss collaboration include:

- Center for Leadership Development.
- Boys & Girls Club.
- Girls Inc.
- United Way of Central Indiana.
- Hoosier Veterans Assistance Foundation.

GTECH looks forward to working with the Hoosier Lottery to support programs that are important to the residents of Indiana. Whether it's providing after-school programs and computers for children or working with groups to bring computer technology to veterans who are looking for a new career, GTECH understands the importance of community involvement.

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 the communities in which it does business. The Hoosier Giving Pledge is incremental to other social and community programs that the Company has committed to and is regularly involved with, such as the After School Advantage programs.

The Hoosier Board of Advisors will oversee the administration, selection, and execution of this program. This will allow leaders who live across the State and are deeply in touch with the needs in the community to deploy resources where they are needed the most and where the greatest positive impact can be realized.

The process under which it will operates entails:

- Sponsorship application availability on the Lottery website and via hard copies at the Provider's office. With this application, community organizations, charities, and programs can apply for resource support.
- A person from the Provider's staff, working at the direction of the Board of Advisors and CEO, managing inquires and completed applications.
- Distribution of review packages to Board of Advisors members prior to Local Board of Advisors meetings.

- Inclusion as a core agenda item at Board of Advisors meetings to review and discuss submissions.
- Establishment of the monetary value of the Giving Pledge at the end of each year. This will be based on the performance of the business during the prior year.
- Allocation of available resources by Board of Advisors members to the programs they deem the highest priority.

Indiana-Specific Problem Gaming Programs

All of our problem gaming programs are designed to help individuals who have difficulty enjoying lottery games responsibly from a behavioral and/or economic perspective. Communication, education, and treatment are the cornerstones of our programs to address the social effects of gambling by those who can least afford it. We define individuals who ***cannot*** enjoy playing responsibly as individuals who:

- Are underage.
- Have behavioral/addiction problems with gambling.
- Are not engaging in lottery games in a financially responsible manner.

Our programs and technologies identify the problems, offer solutions, and, ultimately, diminish the negative societal impacts of problem gambling.

From distributing self-evaluation tests to guarding against predatory messages within all communications to our players, we understand the need to implement a comprehensive responsible gaming program to mitigate societal issues associated with problem gambling. Our responsible play programs and technology fully address problem gaming and the associated social effects by relying on proven industry best practices.

Protecting players is an underlying principle in all of our operations and products. Thus, our product advertising, player awareness campaigns, and training efforts are all aimed at keeping gaming fun while minimizing risks and excessive play.

Responsible Gaming

Our objective is to create a legal, balanced, and responsible gaming model and develop responsible gaming activities in accordance with the players, regulatory bodies, and communities we serve.

By defining an internal set of commitments that are shared at all levels of the organization, we raise awareness and empower and guide all personnel who have direct or indirect contact with players. Consequently, the responsible gaming policies and strategies we adopt are governed by the following principles:

- Educating employees, partners, sub-contractors, customers, and the public about responsible play.
- Facilitating awareness and informed choice to players through clear and complete communication.
- Providing a wide range of products and a games portfolio to all targets in order to prevent and suppress competition from illegal gaming.
- Providing suitable responsible gaming training to all employees and lottery retailers.
- Developing and deploying best-in-class technology solutions to support responsible play.
- Continually promoting studies and research aimed at raising awareness, and advocating understanding, prevention, treatment, and public disclosure of this phenomenon.
- Ensuring security and consumer protection.
- Adhering to a code of conduct for all advertising and promotions.
- Ensuring widespread and easy access to information through help lines, associations, and public and private facilities that provide guidance and counseling to players.
- Instituting responsible gaming impact reviews for all game designs and launches to guarantee integrity and security in gaming processes and infrastructures.
- Identifying and helping those with addictive behaviors to discourage excessive gaming.
- Protecting particularly vulnerable consumer groups.
- Cooperating with stakeholders to create a responsible gaming environment.

GTECH and the Provider will embed a comprehensive responsible gaming philosophy across all aspects of our collaboration with the Hoosier Lottery. The Office of Responsible Gaming, reporting directly to the CEO, will engage the entire organization to ensure complete alignment and constant improvement in the application of responsible gaming. A commitment to responsible gaming will be established at the top of the organization (e.g., Board of Directors CEO and Local Board of Advisors) and permeate every aspect of our organization and service in Indiana.

We will execute a responsible gaming program to:

- Establish an Office of Responsible Gaming.
- Institute a code of conduct to govern Lottery marketing, advertising, public relations, and promotions.
- Manage all aspects of the Voluntary Self-Exclusion Program.
- Establish internal controls to govern consumer protection. These controls include guidelines for preventing compulsive or problem gambling associated with the Lottery, the sale of Lottery tickets, or the awarding of prizes to persons younger than eighteen (18) years of age, and ensuring winning Lottery tickets are evenly distributed.
- Establish a toll-free telephone number and internal controls for a service log and database to manage public concerns and questions regarding effective operation of the Lottery.
- Embed a comprehensive responsible gaming philosophy across all aspects of our Business Plan.
- Develop an action plan to achieve the highest level of WLA responsible gaming certification.

We are committed to embedding a comprehensive responsible gaming philosophy across all aspects of our Business Plan.

The operational expertise and experience we have gained as the operator of the largest and most developed lottery gaming market in the world in Italy, as well as the experience we have supporting the responsible gaming programs of our worldwide customer base (including our operator experience in Illinois), will serve the Hoosier Lottery and its players very well. Through our collective experiences, we have developed a highly sophisticated responsible gaming program. Our experience in dealing with players and ensuring responsible play has guided us to develop a program that places a premium on the well-being of our players.

As we envision it in Indiana, the model by which we would approach our responsible gaming commitment is divided into nine areas. These areas would be embedded in every process and activity we undertake to grow sales responsibly in Indiana. We have executed these program objectives in Italy and are in the process of implementing them in Illinois. The objectives are:

4. Responsible gaming research and problem gaming recognition.
5. Player education and awareness.
6. Referrals for treatment and support for problem gaming.
7. Marketing and communication alignment with responsible gaming messaging.
8. Reporting, monitoring, and certification.
9. Responsible gaming intrinsic in game design.
10. Lottery Retailer training.
11. Employee training.
12. Stakeholder involvement and communication.

Note that interactive wagering is one of the WLA's ten program elements, but as it is not a part of our Base Business Plan, we have not described any responsible gaming elements in this section. Descriptions of this area of responsible gaming can be found in the Enhanced Business Plan section.

Figure 5.0 – 1:

1. Research

The aim of the problem-gaming research that we will conduct in Indiana is to increase awareness and promote understanding of problem gaming through public disclosure of our research findings.

Our responsible gaming research initiatives in Indiana will include:

- Inclusion of responsible gaming questions in quarterly tracking studies.
- Inclusion of responsible gaming questions in an omnibus survey.
- Monitoring of Hoosier Lottery website activity.

- Monitoring and analysis of Hoosier Lottery Help Line statistics.
- Development and execution of initial research on youth gaming attitudes and influencer roles in problem gaming among Indiana youth.
- Face-to face-interaction with service providers to better gauge the impact of programs and see their needs at the street level.
- Monitoring and analysis of lottery industry research of responsible gaming topics.

As part of our research efforts in Indiana, we will align ourselves with treatment groups and independent behavioral research and addiction experts within the local academic community. More specifically, we will retain a local independent behavioral research expert as part of our overall operations to address and understand the problem-gaming trends within Indiana. This local expert will be a Ph.D.-level academic, or individual with similar credentials, who will conduct and guide our research operations on the ground to provide regular public disclosure of research findings within Indiana. This independent expert will participate in appropriate community/public forums to share research findings and raise public awareness to foster a better understanding of problem gaming as it relates to individuals in Indiana.

2. Communication and Marketing

We will strive to provide players with the information they need to make informed choices through clear and complete communication about gaming. We will also adopt a code of conduct as it relates to all marketing and communication materials to ensure clarity, completeness, and transparency. We will distribute this code of conduct internally and develop a set of procedures to comply with the code to avoid any predatory language and/or messages in our communication materials.

Our marketing and communication initiatives in Indiana will include executing:

- A Lottery Marketing Code of Conduct and Operating Standards on Marketing Restrictions.
- Responsible promotions.
- A sponsorship and special event development and execution process.
- Appropriate retail messaging in a plan-o-gram process.
- An underage play prevention campaign.

Figure 5.0 – 2:

Advertising Accuracy & Compliance Worksheet – Northstar Illinois Example

Advertising Accuracy & Compliance Worksheet

Campaign Name: _____ **In-Market Date:** _____

Campaign elements:

- ❑ Television commercials
- ❑ Radio commercials
- ❑ Point-of-sale signage
- ❑ Billboards and OOH signage
- ❑ Digital banners
- ❑ Microsite

The completion of this document certifies that the following actions have been completed in accordance with the Northstar Marketing Code of Conduct and Section 5.1 of the Operating Standards:

- ❑ The campaign elements include appropriate legal disclosures that are clearly set forth and readily apparent to the reviewing public, including as applicable:
  - ❑ State's Voluntary Self Exclusion Program.
  - ❑ Approximate odds, if advertising for a specific or specific series of games.
  - ❑ Contains appropriate language regarding age restrictions (Over 18 only)
- ❑ The Campaign clearly identifies the Illinois Lottery and distinguishes it from other lotteries.
- ❑ The campaign utilizes talent that reflects the diversity of the State of Illinois.
- ❑ The campaign does not target disadvantaged economic groups of people as required in Section 5.1.1 of the Operating Standards.
- ❑ The communication's content is accurate and does not create a misleading impression as required in Section 5.1.1 of the Operating Standards.

Product Manager _____ Date _____

VP of Technology _____ Date _____

GTECH Representative _____ Date _____

CEO _____ Date _____

- ❑ The campaign has been reviewed by the Vice President, Corporate Social Responsibility and Communications and the Vice President, Legal and Regulatory Compliance.

CSR Signature _____ Date _____

Legal Signature _____ Date _____

Marketing Signature _____ Date _____

Responsibly Crafted and Approved: Tools like this worksheet help ensure that advertising efforts are created within a responsible gaming framework and that proper reviews have taken place.

3. Player Education and Awareness

As an organization, we encourage players to adopt balanced and responsible gaming behaviors. We will have a defined process in place to collect and distribute information to educate players about proper practices that will help them make informed choices and play games appropriately.

To achieve this goal in Indiana, we will:

- Conduct player awareness campaigns aimed at promoting balanced and controlled gaming behaviors. For example, we have conducted Please Play Responsibly campaigns at retail points of sale and with major newspapers and media outlets with great success in other jurisdictions.
- Distribute flyers with problem-gaming self-evaluation tests using the Problem Gambling Severity Index (PGSI). The PGSI is composed of nine items that focus on the harmful consequences associated with problem gambling. Our Italian operations have distributed more than 10 million PGSI flyers.
- Dedicate a section to responsible gaming on any website associated with the Lottery.
- Provide responsible gaming message in all advertisements.

Figure 5.0 – 3:

Award-Winning Lottomatica Awareness Campaign Ad Examples

Award-Winning and Wide Reaching: This Lottomatica multimedia campaign to raise awareness and prevent underage gaming reached 95% of the desired audience between the ages of 13 and 17.

4. Support Referrals

Safeguarding players and helping those in need are critical components of any responsible gaming program. It is our intent to be actively involved with local responsible gaming organizations to provide referrals when our players need assistance. We will also launch our own programs to provide support and assistance to players and their families.

Specifically, we will:

- Create strong alliances with local and national problem gaming organizations and provide a stronger working understanding of the issues the service providers encounter as well as how the Lottery can better work with them. GTECH has already reached out to the Indiana Council on Problem Gaming.
- Facilitate Lottery website content and use various media avenues to provide access to a toll-free help line (1-800-GAMBLER) and service providers across Indiana.
- Create an advisory group within the State of Indiana's Family & Social Services Administration's Compulsive Gambling Treatment and Prevention services and develop programs like "live chat" for players seeking assistance.

Figure 5.0 – 4: Northstar Website Support Referral Example

Resource Directory - Illinois Problem Gambling Assistance Programs And Facilities

* = Participating in the Illinois Gaming Board's Self-Exclusion Program

Chestnut Health Systems
50 Northgate Industrial Drive
Granite City, IL. 62040
Phone: (618) 877-4420
Fax: (618) 877-9526

Great River Recovery Resource Center
428 South 36th Street
Quincy, IL. 62301
Phone: (217) 224-6300
Fax: (217) 224-1155

HRDI, Inc.*
(Human Resource Development Inst.)
340 E. 51st Street
Chicago, IL. 60615
Phone: (773) 869-0300
Fax: (773) 869-0345

Human Resources Center of
Edgar and Clark Counties
118 E. Court St.
Paris, IL. 61944
Phone: (217) 465-4118
Fax: (217) 463-1899

Loretto Hospital*
Chicago, IL. 60644
Phone: (773) 854-5438
Fax: (773) 854-5437

The McDermott Center
108 N. Sangamon-2nd Floor
Chicago, IL. 60607
Phone: (312) 226-7984
Fax: (312) 226-8048

NICASA (Northern Illinois Council on
Alcoholism and Substance Abuse)*
31979 North Fish Lake Road
Round Lake, IL. 60073
Phone: (847) 546-6450
Fax: (847) 546-6760

Easy Access to Information: This screen from the Illinois Lottery's website illustrates just one way we will make it easy for players to find help if they need it.

5. Game Design

Part of our commitment to responsible gaming is to apply responsible gaming standards to game design. We always conduct an assessment of the social risk associated with new games before a game is released to the market. By cooperating with international experts to define a game assessment tool, we are able to verify the level of social risk relating to new games. The games we introduce must generate the revenue needed to support the programs funded by the Hoosier Lottery in a way that reflects the Lottery's values.

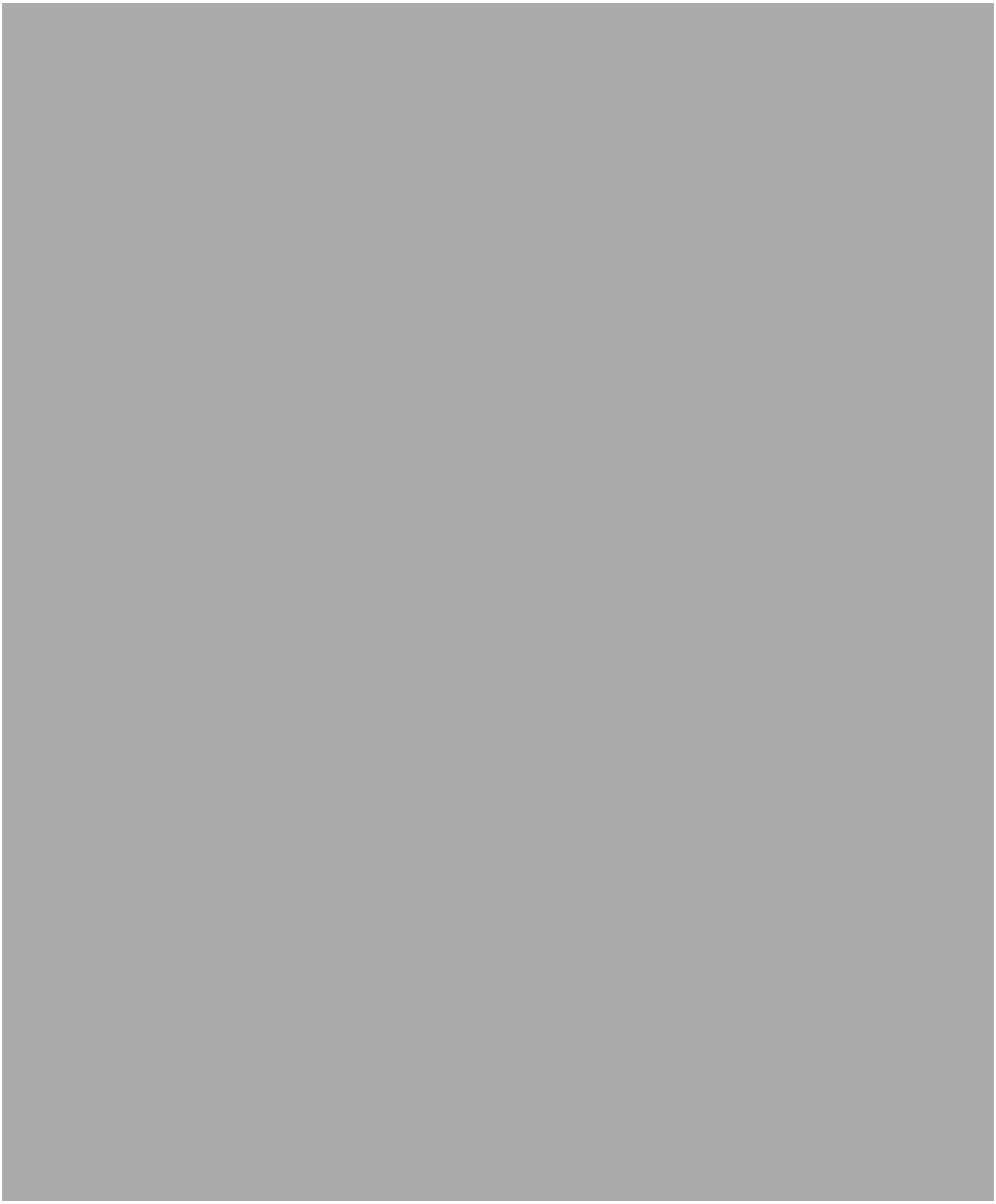
In support of a responsible game design program in Indiana, we will:

- Maintain a price point strategy that elicits a balance between serving existing players and acquiring new players.
- Use game evaluation testing that produces games that appeal to new prospects as well as existing players.
- Conduct risk assessment of all new games and game promotions to determine their probable impact on responsible gaming behavior. (See GAM-GaRD description below.)
- Print proper responsible gaming messages on all tickets.

GAM-GaRD

We have adopted the GAM-GaRD tool (presented in detail in the following figure), which was created by responsible gaming experts for our Italian operations, to conduct a comprehensive pre-launch responsible gaming analysis of all new games.

Figure 5.0 – 5:



6. Sales Channel Training

It is at the retail level where problem gaming behavior can start and can be prevented or discouraged. By training and providing Hoosier Lottery Retailers with comprehensive information on possible gaming risks, we will promote a responsible gaming culture among their customers. Just as Lottery Retailers play a vital role in the effective sale of Lottery products, they play an equally critical role in the promotion of responsible play and the detection and prevention of problem gaming behavior. Lottery staff cannot be in every retail location watching for signs of problem gaming, so our retail partners have to be prepared to extend our team into the field.

GTECH customers throughout the world rely on the Company's industry-leading retailer training discipline to provide operational training and implement responsible play programs. To date, we have provided retailer training to more than one million lottery retailers and their sales staff around the globe in the last 25 years and recognize that these resources are on the front lines in terms of protecting players from problem gaming.

To support a responsible sales training program in Indiana, we will:

- Ensure that the Retailer Code of Conduct is in place to provide the appropriate guidance to Lottery Retailers to follow socially responsible business practices in their lottery business. All must comply with the Code of Conduct.
- Require signage, promotional materials, and responsible gaming electronic messages to be posted within each retail location.
- Include responsible gaming in the Lottery Retailer training programs and require Lottery Retailers to complete this training prior to receiving the equipment necessary to sell and redeem lottery products.
- Include a column entitled "Responsible Play on Your Radar" within each monthly Lottery Retailer newsletter containing information that helps them sell responsibly and prevent underage play.

7. Employee Training

To ensure success, responsible gaming must permeate every level of an organization. Through proper employee training, we will cultivate a responsible gaming culture that guides all employees in their daily activities. Each person who works for the Hoosier Lottery represents the Lottery to the public, each other, and our stakeholder audiences. In all great organizations, employees clearly understand and embrace the key values of the corporation. This must be especially true in a transformational and operational organization where so much change and innovation can potentially distract from the core value of responsibly delivering growth.

To support a responsible employee training program in Indiana, we will mandate and execute:

- Employee training sessions, held across the State, in conjunction with statewide sales meetings.
- One-on-one online training for all new employees.
- Required refresher courses for existing employees, according to a defined schedule.

8. Stakeholder Involvement and Communication

We will proactively identify stakeholders in Indiana and ensure that they are involved in the issue of responsible gaming. Our operations regularly communicate with stakeholders to obtain suggestions and feedback in order to fine-tune our responsible gaming tactics through:

- Round-table discussions and working groups.
- Market research.
- Conferences, presentations, and institutional meetings.
- A section dedicated to Corporate Social Responsibility on our website.

To support a responsible stakeholder involvement and communications program in Indiana, we will:

- Hold ongoing meetings with stakeholders in all parts of Indiana to introduce them to and provide updates about the Hoosier Lottery's responsible gaming program.
- Form working groups with prevention and treatment organizations to share information related to all elements of the responsible gaming program.
- Ensure extensive planning and participation in National Problem Gambling Week and Responsible Gaming Week.

9. Reporting, Monitoring, and Certification

Keeping both the public and players informed about our responsible gaming efforts is an important element of our overall program. We will regularly supply stakeholders and the public with information on responsible gaming and social outcomes related to our gaming activities. In addition to conferences, announcements, and interviews to periodically report on current activities, we will also publish an annual Social Responsibility Report to communicate responsible play program activities developed to meet our commitments to the playing public.

In support of a responsible reporting, monitoring, and certification program in Indiana, we will:

- Review WLA and lottery industry best practices in responsible gaming.
- Develop monthly, quarterly, and annual reports to internal stakeholders regarding the development and execution of responsible gaming program elements.
- Submit a WLA Level 1 application for review and use constructive comments to refine the responsible gaming plan.

Figure 5.0 – 6:

Northstar Illinois Lottery Help Line Reporting Example

Illinois Lottery Help Line Statistics
March 2012

SERVICES PROVIDED BY BENSINGER, DUPONT & ASSOCIATES

Total Number of Calls

Total Number of Help Line Specific Calls Identifying Lottery as a Primary or Secondary Gambling Preference	27

Calls by Shift

11pm-8am	2	7.4%
8am-5pm	17	63.0%
5pm-11pm	8	29.6%

Help Line Specific Calls by Area Code

(312)	2	8.3%
(773)	6	25.0%
(224)	1	4.2%
(779)	0	0.0%
(708)	4	16.7%
(331)	0	0.0%
(630)	2	8.3%
(847)	2	8.3%
(815)	4	16.7%
(309)	2	8.3%
(217)	0	0.0%
(618)	1	4.2%
(872)	0	0.0%

Caller Referral Source

Lottery Ticket	9	33.3%
Lottery Prompt	1	3.7%
Riverboat Sign	6	22.2%
Riverboat Card	0	0.0%
Riverboat Mailing	1	3.7%
Call to Riverboat	0	0.0%
Friend/Family	2	7.4%
Repeat Caller	3	11.1%
Phone Book	0	0.0%
National Hotline	0	0.0%
Newspaper	0	0.0%
Internet	1	3.7%
TV	0	0.0%
Radio	0	0.0%
Therapist Referral	0	0.0%
Community Agency	0	0.0%
Self Help Group	0	0.0%
Indiana Help Line	4	14.8%
Unknown	0	0.0%

page 1 March 2012 Help Line Report

Constant Monitoring of the Gaming Environment: These types of reports will provide critical information to help us properly plan our responsible gaming initiatives.

Our Experience

GTECH and Lottomatica are global industry leaders in the area of responsible gaming programs and initiatives and have proven track records. Responsible gaming is embedded in every business decision we make. This is particularly true in the areas of:

- **Game Design:** Our GAM GaRD methodology (which allows us to conduct a comprehensive pre-launch responsible gaming analysis of all new games), applied in the game designing phase, ensures new games can exist within a responsible gaming framework. The full process, and its role within a responsible gaming framework, is described later in this section.
- **Reporting and Control:** Our monitoring and oversight are not only from a per capita sales consideration, but also on a district sales level (per player) to ensure responsible gaming.
- **Winner Awareness and Money Management:** Winner service programs help large jackpot winners properly manage winnings.
- **Retailer and Employee Training:** Comprehensive programs ensure retailer and employee engagement with a specific focus on underage prevention measures.
- **Certification:** Working toward and achieving appropriate responsible gaming certifications is also a priority.

GTECH has a well-developed core competency of recognizing and properly responding to issues affecting the community – from implementing a new lottery that is compatible with a particular culture to acting in a manner consistent with being a good corporate citizen. We have adopted an approach to corporate citizenship and governance that brings us closer to the needs and aspirations of the communities we serve and considers all elements of a game program, including its design, launch, retailing, promotion, and advertising. All of this is performed with the support of a suite of responsible gaming best practices developed from experience supporting and operating gaming programs throughout the world.

In addition, GTECH actively supports agencies and programs committed to researching, preventing, and treating problem gaming including community initiatives nationwide and important research-oriented organizations. GTECH is a leading member and the highest-level supporter of the National Council for Problem Gaming (NCPG), an organization dedicated to increasing public awareness, ensuring the availability of treatment, and encouraging research and education. GTECH senior leaders regularly participate in the NCPG annual conference as panelists and discussion leaders. We also contribute to and support the National Center for Responsible Gaming (NCRG) and its mission to fund independent, peer-reviewed scientific research on pathological and youth gambling.

We have already reached out to the Indiana Council on Problem Gambling (ICPG) to share with its director our commitment to responsible gaming and our involvement with the organizations mentioned above. We will work closely with the ICPG to make responsible gaming a top priority in Indiana.

Our experience ensuring responsible play among players around the world has given us the knowledge and expertise required to develop comprehensive strategies that place a premium on the safety and well-being of lottery players.

Responsibly Growing Player Bases

GTECH and the Northstar Lottery Group helped increase the Illinois Lottery's playership by 18% (from 6.1 million players in December 2010 to 7.2 million in February 2012). Lottomatica's Gratta e Vinci player base has more than tripled since 2004 (from 4.9 million to 17 million).

In all of our jurisdictions, Illinois and Italy in particular, we have devoted numerous resources to responsible gaming:

- Northstar in Illinois:
  - Was awarded Level 2 Responsible Gaming certification in July 2012 by the World Lottery Association (WLA). Northstar is on track to submit for Level 3 certification by May 2013.
  - Developed, implemented, operated, and maintained a comprehensive responsible gaming program.
  - Created a legal, balanced, and responsible gaming model for our players, regulatory bodies, and the state.
  - Used retailer surveys and other research projects to understand the nuances of the market to strengthen and further develop the responsible gaming plan using current data and information specific to the Illinois market.
  - Regularly assesses the Lottery's current responsible gaming policies and procedures.
  - Regularly monitors the Lottery's Voluntary Self-Exclusion list.
  - Regularly monitors the 1-800-GAMBLER hotline to assess problem gambling calls related to lottery play.

- Established an Office of Responsible Gaming headed by the Vice President of Corporate Social Responsibility, who reports directly to the CEO.
- Instituted responsible gaming reviews and evaluations for all game re-designs and new game launches.
- Created a Code of Conduct for all marketing and communications that clearly fosters awareness and informed choices among players.
- Serves as a Board member for the Illinois Council on Problem Gambling and the National Council on Problem Gambling. Both Councils are dedicated to increasing public awareness, ensuring the availability of treatment, and encouraging research and education.
- Supports the annual conferences for the Illinois Council on Problem Gambling and National Council on Problem Gambling.
- Facilitated the first collaborative public awareness two-day event for the Illinois Lottery in support of Problem Gambling Awareness Week working with the Illinois Department of Alcohol and Substance Abuse (DASA) and the 15 Illinois-based problem gambling treatment providers.
- Created a responsible gaming employee awareness video for Northstar and select Illinois Lottery employees.

• Lottomatica in Italy:
  - Attained the highest level (Level 4) of the WLA's responsible gaming framework.
  - Is one of a few lotteries in Europe to receive program certification according to the European Lotteries Association's responsible gaming standard.
  - In 2011, invested €1.7 million in responsible-gaming initiatives and will invest €2 million in 2012.
  - Maintains an ongoing dialogue with national and international experts in the handling of problem gaming and consumer associations in order to identify the most effective actions for implementation.
  - Supports round-table discussions with responsible gaming organizations CIRMPA (Interuniversity Center for Research), G4 (Global Gambling Guidance Group), GamRes, and FederSerd (Italian Federation of Addiction Departments and Services) to create a more effective responsible gaming program and define appropriate advertising content and appropriate educational content.
  - Organized a seminar in Brussels, Belgium, in mid-April 2011 entitled, "Responsible Gaming: From National Best Practices to European Common Solutions." The seminar focused on the societal impact of gaming and perspectives regarding a sustainable gaming policy in the EU.

- The majority of the lotteries that have reached Level 4 of the WLA Responsible Gaming Framework certification are GTECH customers.
- Of the 5 U.S. lotteries (California, Kentucky, Illinois, New York and North Carolina) that have received some level of WLA Responsible Gaming Certification, all are GTECH customers.
- The Thought Leadership Debate, hosted by GTECH G2 in December 2009, drew a large crowd of operators, regulators, and industry observers to London to participate in discussions on European iGaming legislation. This was the first time these issues had been discussed in a structured debate format.

Diversity

Our Commitment

Currently servicing 80 customers across six continents, GTECH is committed to including Minority Business Enterprises (MBEs) and Women Business Enterprises (WBEs) in our business. GTECH has established many solid relationships with local MBEs and WBEs throughout the U.S. and continues to grow and expand its involvement with small businesses. In Illinois in 2011, Northstar more than doubled its annual goal in minority spending, awarding contracts valuing approximately $15.2 million to firms owned by Illinois minorities, women, and people with disabilities. The total number of such contracts in place in Illinois today is 42. This great achievement is representative of only a small portion of GTECH's total commitment to utilizing the service businesses owned by minorities, women, and persons with disabilities throughout its organization.

We believe the development and maintenance of a stable and diverse business community will contribute to the overall economic growth of the State of Indiana and foster the full participation of MBEs and WBEs. The Provider's MWBE Plan, as more fully described below, is designed to assist the Commission in achieving, to the greatest extent possible, its annual goals for the equitable participation of minorities and women in all phases of the Lottery.

MWBE Plan

Outreach

GTECH and the Provider will work with local business associations to ensure that qualified Indiana MBEs and WBEs are aware of opportunities to provide good and services to the Provider and its Affiliates. Organizations such as the following will assist us in our outreach efforts by acting as meaningful sources and liaisons in publicizing our supplier needs:

- Indiana Chamber of Commerce.
- Greater Indianapolis Chamber of Commerce and Hispanic Business Council.
- Economic Club of Indiana.
- The National Association of Women Business Owners (NAWBO).
- Indiana State Hispanic Chamber of Commerce.

We will utilize their resources to conduct outreach initiatives, including vendor fairs and other direct communication opportunities with their membership. These types of activities have been successfully utilized in other GTECH locations to develop relationships with qualified local companies.

We will strive to enhance supplier diversity with respect to contracting, purchasing, and bidding out long-term relationships. As an example, in preparation for this opportunity, we have already begun to work with Indiana minority- and women-owned businesses, including such as Borshoff Public Relations, the Keystone Group, Sondhi Solutions, BCforward, and Heritage Ford, toward this objective. Please refer to the Affiliate and Subcontractor Roles & Responsibilities subsection within the Organizational Design, Personnel Plan, and References section of the Business Plan for more details about our proposed subcontractors. Our goal will always be to maintain a diverse workplace with high-performing talented individuals who share the same goal.

Subcontracting

When the need arises to procure goods and services in support of the Hoosier Lottery operation, we will make every effort to identify potential MBE and WBE subcontractors for consideration. In engaging these, or any, subcontractors, we will represent the Commission's best interests through a fair and honest procurement process. All terms and conditions will be sufficiently detailed to make certain a transparent process is conducted, including observing all restrictions, rules, and prohibitions that govern the procurement process. Our goal will always be to attain the greatest overall value, best products, and superior services, while maintaining the highest level of integrity during any such procurement effort.

The Provider, as a newly-formed single purpose limited liability company, will be limited in the number of subcontractors it will directly engage throughout the Term. However, Affiliates of the Provider, such as GTECH and GTECH Printing Corporation, will have ample opportunity to engage third-party subcontractors to provide ancillary goods and services. To that end, the Provider's MWBE outreach efforts with respect to third-party subcontracting will extend beyond the Provider itself and be augmented and supported by the Provider's Affiliates, all of whom will participate in the furtherance of the Commission's goals by utilizing goods and services from MBE and WBE suppliers wherever possible.

Board of Advisors and MWBE Officer

The Board of Advisors will oversee our community involvement programs including implementation of our MWBE Plan. The individuals on this Board of Advisors will have experience or other expertise implementing effective programs that encourage economic participation by MWBE organizations. In particular, the Board will be responsible for advising the Provider on best practices in the recruitment, selection, and engagement of minority and women's business enterprises. The Board will also play an active role in monitoring and reviewing all aspects of contracting procedures, including, where appropriate, recommendation of the suspension of any procedure, decisions or transaction which is not consistent with the MWBE Plan.

In addition, the Provider will appoint a MWBE Plan Officer who shall be directly responsible for the organization and continuing implementation of the MWBE Plan. In this role, the MWBE Officer will be responsible for monitoring and reviewing our personnel, contracting procedures, and other processes related to MBE and WBE participation.

Education and Training

To ensure use of MBE and WBE firms to the greatest extent possible, part of the MWBE Plan will center on creating awareness within the GTECH organizations. The Provider will offer training and educational programs for key Provider personnel to understand and participate in outreach efforts and effectively communicate with and encourage Indiana minority and women's business enterprises to compete for Lottery contract opportunities on an equal basis.

Annual Review

As contemplated by the ISA, with each Updated Annual Business Plan the Provider will provide a written summary to the Commission which details the Company's efforts and compliance with the ISA and achievements with respect to its MWBE Plan. The summary will include, at a minimum, reports, documentation and statistical information. Each such summary will outline the Provider's good faith efforts in implementing the MWBE Plan; details of actual use of MWBE subcontractors, including dollars spent with such subcontractors; contractor rates of pay and other forms of compensation; and training programs and selection procedures.

This review will also analyze the action steps, strategies, and activities taken to further our outreach and subcontracting efforts. This is in addition to our continuous monitoring of these processes and strategies to identify the need for a new affirmative action effort and/or deletion of ineffective existing activities.

All changes to the MWBE Plan will be submitted to the Indiana Board of Advisors for approval. Our MWBE Officer will continually monitor the rates of contracts awarded to MBE and WBE businesses in an effort to identify any type of underutilization. If underutilization exists, corrective action will be immediately implemented. The goals and timetables will also be reviewed periodically and updated when necessary.

We will enforce compliance with our polices and the MWBE Plan by implementing practices to execute these policies in the day-to-day operation of our business, training of our employees, and discipline of individuals for breach of these policies and procedures. Notwithstanding any of the above, the MWBE Plan will comply with all jurisdictional laws, rules, and regulations governing non-discrimination of employees.

Diversity in Hiring

The most critical component of our success in Indiana will be our people. We have global experience operating the most successful lotteries in the world, and we will bring that experience to Indiana. Our success in Indiana will depend on attracting and recruiting a diverse and talented group of Hoosiers to join our team, so we can marry our global experience with the best local talent possible. GTECH is an Equal Opportunity Employer, and we are committed to assembling a team of Hoosiers that represents the great diversity of the State and are capable of achieving our commitments to Indiana.

Brand Integrity

Our operator experience shows that consumer research and market insights are a key element of responsibly growing the market. For this reason our Business Plan is based on in-depth consumer (both player and non-player) research regarding consumer behavior and perceptions.

The following list of studies, also described in the Strategic Approach to Growing Provider Net Income section of our Business Plan, highlights the research we have conducted in preparation for this opportunity.

Figure 5.0 – 7:

Market Research Studies on Indiana and the Hoosier Lottery

	WHO	WHEN	METHODOLOGY	NOTES
A&U STUDY	KS&R	June/July 2012	• 998 interviews with Indiana consumers	
GAME CONCEPT CONSUMER RESEARCH	KS&R	June/July 2012	• Surveys with 997 Indiana consumers*	
RETAILER FOCUS GROUPS	KS&R with GTECH	June 2012	• 32 lottery retailers and 10 non-lottery retailers across different trade styles	
RETAILER INTERVIEWS AND STORE OBSERVATIONS	GTECH	June/July 2012	• Retailer interviews and store visits in Indianapolis/Gary/ Evansville/Merrillville	
FIELD SERVICE TECHNICIAN (FST) FOCUS GROUPS	GTECH	June 2012	• Focus group with 8 GTECH FSTs	
FST RETAILER PROSPECT VISIT	GTECH	June/July 2012	• 228 prospect visits	
ADVERTISING RESEARCH REPORT	OMD	June/July 2012	• Advertising market and media review of Hoosier Lottery	

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

Much of this research will form the baseline data we will use to gauge the strength of the Hoosier Lottery franchise and participation in lottery games. The following schedule represents our plan to update that research to monitor the strength of the Hoosier Lottery franchise and participation in lottery games and understand the most recent market conditions as we move forward.

Figure 5.0 – 8:

Planned Market Research Update Timetable

	SFY 2012	SFY 2013	SFY 2014	SFY 2015	SFY 2016	SFY 2017	SFY 2018
Player Segmentation*							
Attitude & Usage Research							
Tracking Study							
New Game Concept Testing							
Player/Non-Player Focus Groups							

The key measures for each of these studies are highlighted in the following figure.

Figure 5.0 – 9: Brand Integrity Key Tracking Measures

Attitude and Usage Study	• Measure what consumers are buying • Understand how Lottery products are viewed by players • Identify games that need to be re-branded to change or reinforce product value proposition • Reveal awareness and feelings toward Lottery campaigns, communications, overall brand values and return to programs that benefit Indiana residents • Need to update specific data annually about Indiana player base • Demographics of each player (and non-player) segment
Tracking Study	• Measure player spending, frequency of spending, and other related buying behaviors on a quarterly basis • Identify the impact of promotions, new game launches, and economic influencers • Identify shifts in how games are doing and allow the Lottery to react if needed • Understand geographic and seasonal differences in Lottery performance • Media awareness
Segmentation Study	• Analyze a market and define the various sub-categories that exist based on attitudes, consumption behaviors, and other key metrics that are appropriate • Understand what the Lottery's segments are, and who they are to design marketing programs to grow those segments appropriately
New Game Concept Testing	• Test appeal of new game concepts, existing game enhancements, or promotions • Forecast the potential of games in the marketplace
Focus Groups	• Address special issues, service levels, in-store merchandising impact and effectiveness, new games, and promotions (pre-post) • Monitor advertising awareness, recall, and persuasiveness and tie to participation • Test new names, logos, tag lines

OBJECTIVES

Our objectives for growing Hoosier Lottery brand integrity, as determined through our previously listed research, include improving the:

- Past Month Participation from 47% to 60-65%.
- Past Year Participation from 60% to 75-80%.
- Positive Opinion of the Lottery from 50% to 65%.
- Very Well Informed from 14% to 30%.
- Part of Life in Indiana from 48% to 65%.
- Markets Its Games in a Socially Responsible Way from 45% to 65%.
- Provides Entertainment value for the dollar from 41% to 55%.
- Is For People Like Me from 35% to 50%.
- Is Fun & Entertaining from 34% to 50%.
- Is Innovative & Modern from 32% to 50%.
- Recall of Advertising & Promotions from 34% to 45%.
- Persuasion Factor of Ads and Promotion from 23% to 40%.

Furthermore, to grow the Hoosier Lottery's brand integrity, we will also use newspaper ads to communicate statewide Lottery growth, Lottery transfer to the State, amount earned by Indiana businesses, and amount won by players. Additional information about our planned initiatives surrounding the Hoosier Lottery brand can be found in the Brand Transformation and Marketing Plan section.

REPORTING

As the Integrated Services Provider, we will report to the Commission about the state of the Hoosier Lottery's brand integrity.

6.0 Supporting Experience

GTECH and its parent company, the Lottomatica Group S.p.A., have unique lottery-industry expertise and knowledge obtained from working with 80 lotteries of varying sizes and geographies throughout the world. Our expertise and knowledge includes that gained from serving in the role of:

- Operator (in some cases called "private manager") in four different jurisdictions inside and outside of the U.S.
- Provider of services across the lottery value chain, including optimization of sales processes and retail management.

In the U.S., GTECH is not only a service provider but also a trusted advisor for key decisions regarding the business growth of many of its clients.

Private Manager Experience

Our major experience as an operator/private manager includes:

1. **Illinois**: GTECH is the majority shareholder and leader of the Northstar Lottery Group (Northstar), which has been operating the Illinois Lottery since July 2011. Since then, the Illinois Lottery has experienced major growth, closing FY12 with sales of $2.68 billion compared to $2.26 billion in FY11 (18% growth). The player base has also grown significantly from an estimated 6.1 million in December 2010 to 7.2 million in February 2012.
2. **Italy**: Lottomatica in Italy operates:
   - The world's largest instant lottery, Gratta e Vinci, which has grown exponentially since Lottomatica became operator in 2004. Sales in FY11 were 10.1 billion compared to 490 million in FY04, while the player base grew from 4.9 million to 17.2 million over the same period.
   - The world's largest draw-based lottery game (Lotto), with sales of 6.8 billion in FY11 and a player base of 14 million.
3. **Spain**: GTECH leads a joint venture with a local partner to operate the instant and draw game portfolio for ONCE (National Organization of Spanish Blind People) and has done so since May 2010. Under GTECH's management, instant sales have increased from 152 million in 2009 to 280 million in 2011 (85% growth), and the player base has grown from 2.3 million to 4.4 million over the same period.

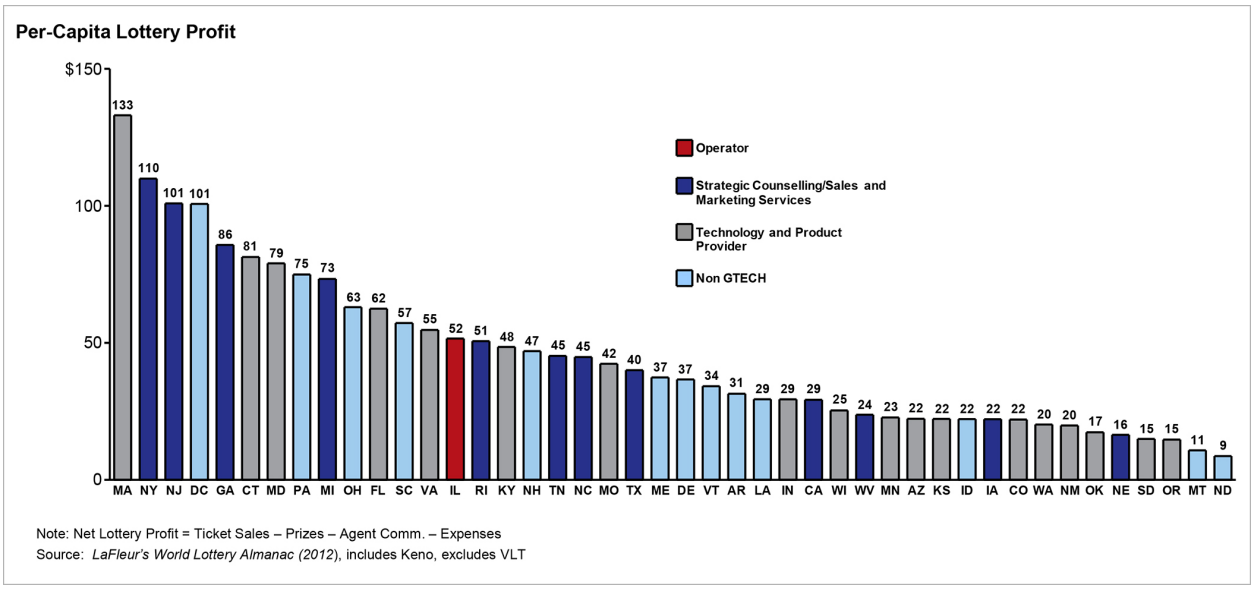
4. **Colombia:** GTECH has been operating Colombia's national lotto game (Baloto) since its inception in 2001 and initiated a major growth strategy in 2011. The lottery has started to reap the benefits of this strategy, as sales grew from $43 million in 2010 to $78 million in 2011 (81% growth), while the player base grew from 616,000 to 748,000 (21% growth).

Our excellent track record recently helped us win the contract to operate the National Lottery of Costa Rica, with operational start-up activities scheduled to start in March 2013.

Service Provider Experience

Apart from its direct experience as operator, GTECH has been providing product services to many lotteries, including the optimization of sales processes and retail management. Of the 20 most successful lotteries in the U.S. (ranked by per-capita lottery profit), GTECH works with 15 and provides strategic counseling and/or commercial services to 8, including Michigan, New York, New Jersey, Georgia and California. Overseas, we have worked closely with the U.K. (Camelot), Finland (Veikkaus), Sweden (Svenska Spel), and others.

Figure 6.0 – 1: GTECH's U.S. Clients



GTECH's lottery-management record proves its capacity to deliver results in widely differing competitive environments and channels, including:

- Jurisdictions with multiple providers (e.g., Italy and Spain) as well as sole providers (e.g., Illinois).
- Business segments across the gaming industry other than just lotteries.
- Retail and Internet-based sales channels.
- Different activities along the value chain (market insights, product innovation, marketing and communication, channel strategy, logistics and distribution, technology and operations, and Internet).

Case Studies

The cases described in this document illustrate how GTECH and Lottomatica were able to achieve responsible sales and player-base growth in the above-mentioned competitive contexts and sales channels. The following figure highlights the main activities or growth levers that were pursued in each case, while the key results of the cases are summarized in the figure after that.

Figure 6.0 – 2:

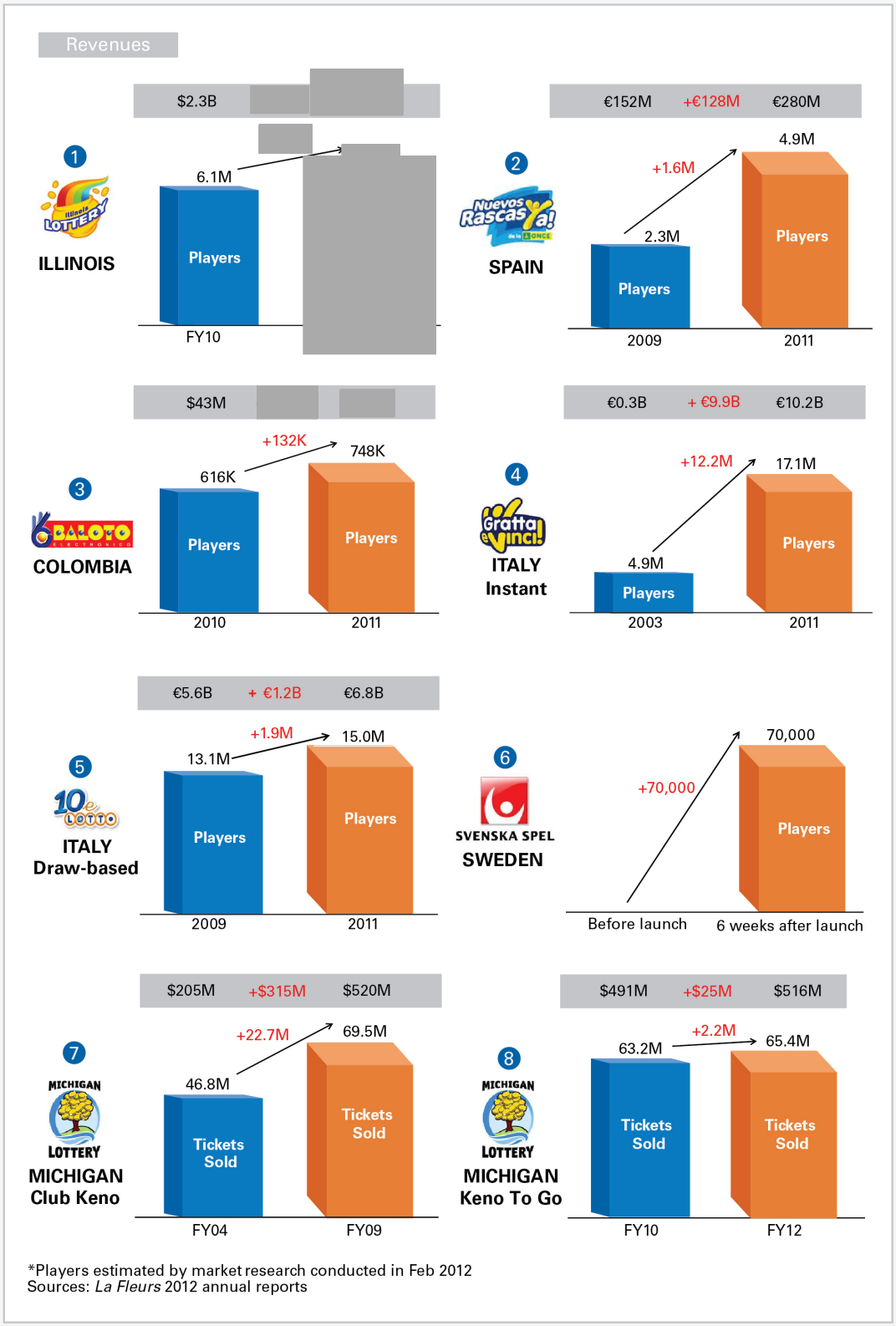
Summary of Activities Pursued for Each Case Study

ACTIVITES	OPERATOR					LOTTERY SERVICE PROVIDER		
	ILLINOIS	SPAIN	COLOMBIA	ITALY		SWEDEN	MICHIGAN	CALIFORNIA
				DeLOTTO	GRATTA E VINCI			
Market Insights	✓	✓	✓	✓	✓			
Product Innovation	✓	✓	✓	✓	✓	✓		
Advertising/ Communication	✓	✓	✓	✓	✓			
Retail Network Expansion	✓	✓	✓	✓	✓		✓	
Retail Network Optimization	✓	✓	✓	✓	✓			✓
Multi-Channel Strategy	✓				✓	✓	✓	
Game Promotion	✓	✓	✓	✓	✓	✓		

GTECH | LOTTOMATICA

Figure 6.0 – 3:

Indiana Supporting Experience – Results Overview



*Players estimated by market research conducted in Feb 2012
Sources: *La Fleurs* 2012 annual reports

Case Study: Northstar Lottery Group in Illinois

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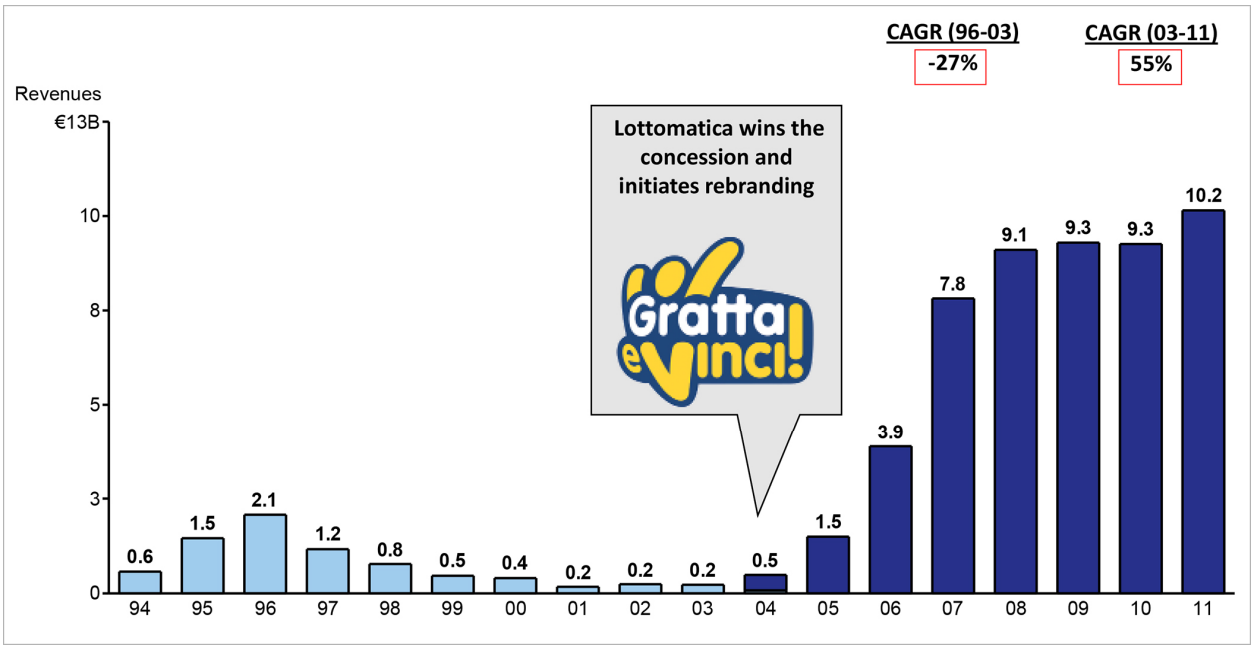
Case Study: Lottomatica in Italy – Gratta e Vinci

Gratta e Vinci ranks among the most comprehensive examples of growing sales and the customer base that any lottery has ever achieved. As shown in the following figure, Gratta e Vinci sales had been in steady decline for almost a decade and had bottomed out at less than €300 million in 2003. The player base had shrunk to less than 5 million as a result of competition from other games and a scandal that had damaged the game's reputation at the end of the 1990s.

Figure 6.0 – 8: Gratta e Vinci Sales Evolution



Between 2004 and 2011, Lottomatica was able to turn Gratta e Vinci into the world's largest instant lottery, specifically:

- Revenues increased by a factor of 32 (from less than 300 million in 2003 to 10.2 billion in 2011) over the same period.
- The player base grew more than threefold to 17.2 million in 2011, from 4.9 million in 2004.

Key Actions Taken

1. Rebranding of Gratta e Vinci

A new logo was designed, and the brand was completely transformed for the Gratta e Vinci category, which Lottomatica could leverage across all the tickets to maximize synergies in marketing and communication investments.

Effective communication and advertising contributed to establishing the brand and the category. The focus of advertising has shifted over the years, initially concentrating on establishing the brand and only recently shifting towards promoting specific games.

2. Product Portfolio Development

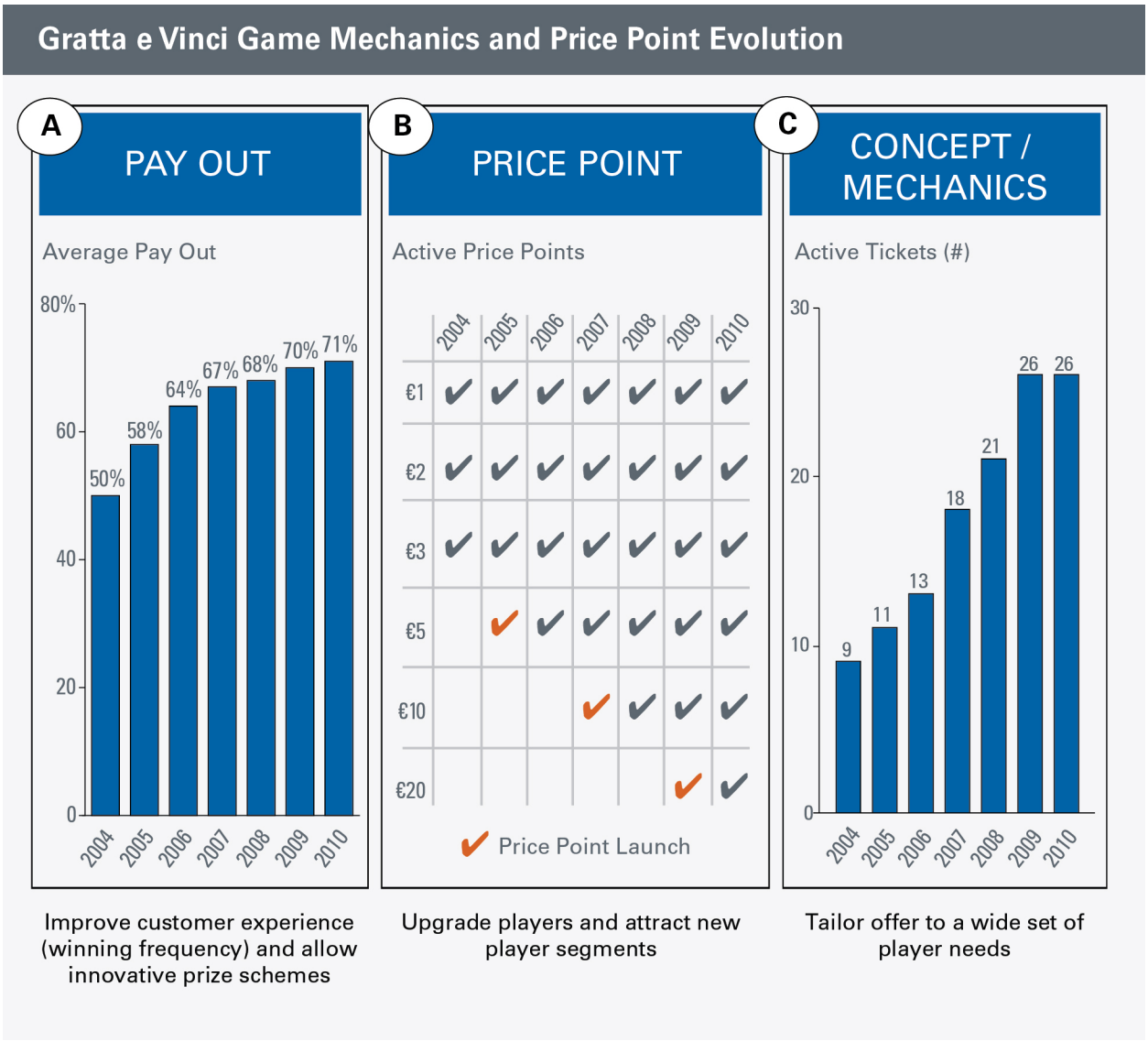
The Gratta e Vinci tickets were completely redesigned in terms of layout, graphics, price point, payout, themes, and game families. A set of core games was on sale at any given time and was characterized by a very compelling prize structure as a result of the longer print runs. The following figure illustrates the game range offered between January 2010 and June 2011.

Figure 6.0 – 9:

Gratta e Vinci Product Portfolio (January 2010 – June 2011)
1€
2€
3€
5€
10€
20€
April 2010
Oct 2010
Oct 2010
April 2010
Sept 2010
Feb 2011
Feb 2010
May 2010
Jan 2010
March 2010
June 2010
March 2010
Oct 2010
Jan 2010

Players' needs were satisfied by a compelling game portfolio. New games were not developed in a stand-alone context but, instead, carefully designed to maximize the overall contribution to sales. This strategy ensured that player satisfaction would be extended to the whole portfolio rather than to any single game. The following figure illustrates how the game's mechanics evolved over time.

Figure 6.0 – 10:



3. Retailer Base Expansion

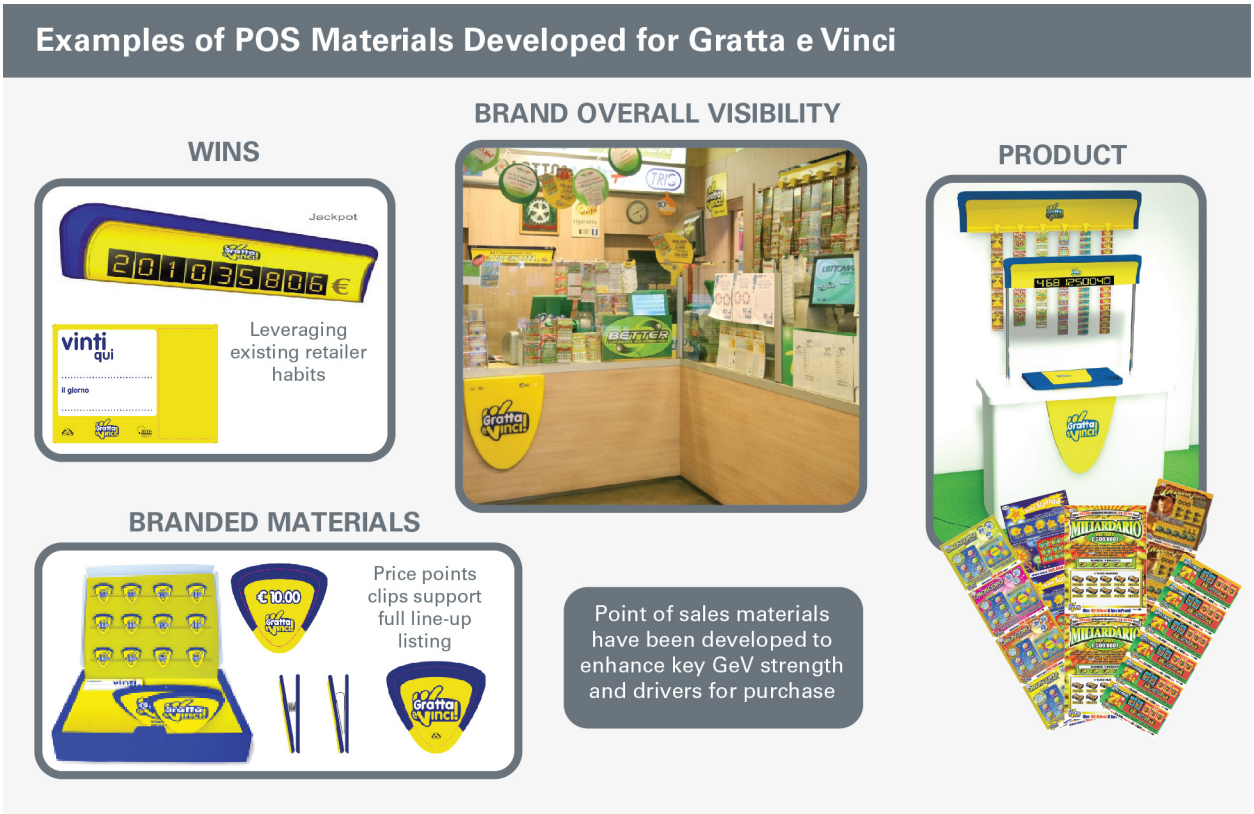
Between 2004 and 2011, the retailer network was expanded from approximately 24,000 stores to more than 62,000 stores, reaching a penetration level of 1 retailer for every 1,000 people and establishing a level consistent with international best practices.

4. Revisiting of Gratta e Vinci Point of Sale

The retailer base expansion pursued by Lottomatica meant that Gratta e Vinci would be sold within a very wide range of retailer outlets with different layouts, business drivers, and product categories. It was therefore necessary to rethink the game's in-store presentation and develop a wide enough range of merchandize to match each type of retailer.

The following figure illustrates the POS materials that were launched through the years, in areas ranging from "winners' corners" to customized stands.

Figure 6.0 – 11:

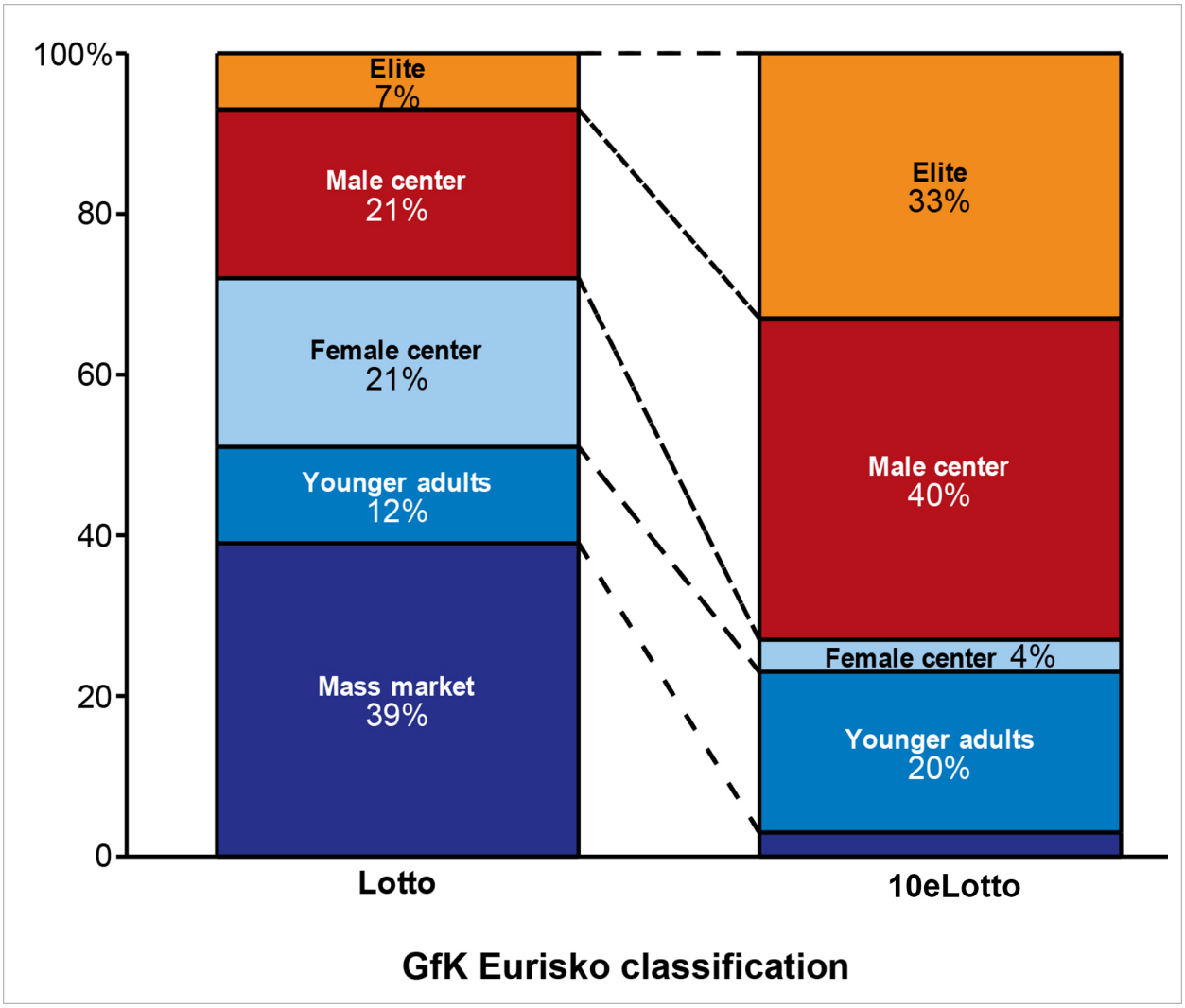


Case Study: Lottomatica in Italy – 10eLotto

Lotto (a number game, despite its name, not a jackpot game) in Italy had been suffering from declining wagers since the early 2000s as a result of competition from other games (Super Enalotto and Gratta e Vinci). After a new product development process that lasted almost five years, Lottomatica introduced 10eLotto, which succeeded in turning the tide for the whole lotto category.

Between 2009 and 2010, the overall lotto player base grew from 13 million to 15 million, with 10eLotto accounting for 4 million players on its own. Furthermore, a playership study conducted by GfK Eurisko indicated that the 10eLotto player base was significantly different in terms of socio-graphic traits from that of the traditional lotto game. GfK's study confirmed that 10eLotto had succeeded in attracting truly new players to the lottery.

Figure 6.0 – 12: Socio-Graphic Segmentation of Lotto Players



Key Actions Taken

1. Development of the New Game Concept

Consumer research reported that the younger segments of the Italian population viewed lotto games as "old-fashioned," "outdated," and "difficult to win."

To address this issue, Lottomatica studied the behavior of regular and lapsed lotto players over several years, with the objective of developing a new game that could:

- Rejuvenate the lotto portfolio.
- Attract new players, including individuals from population segments that had traditionally ignored draw games.

Lottomatica's efforts culminated with the launch of the 10eLotto game at the end of 2009.

2. Retailer Network Development

Lottomatica's retail management team rolled out the development plan for 10eLotto, investing €25 million in additional retailer equipment in 33,000 points of sale within one year from the game's launch.

3. New Game Promotion Campaign

The rollout of 10eLotto was complemented by major investments in a communication campaign that was very successful in raising brand awareness among lapsed and non-players. The campaign's success was attributable primarily to three factors:

- **Use of a Viable Celebrity to Endorse the Product:** The 10eLotto television campaign was centered on Claudio Bisio, a renowned comedian appreciated by viewers of all ages.
- **Communication of a Compelling Message:** Using the celebrity's humor, the campaign stressed the fun aspects of the game. It also successfully illustrated its simplicity and that draws could be watched directly from the point of sale.
- **Sustained Investment in Mass Media:** The whole communication campaign was carried out primarily on television (more than 75% of the channel mix), with an investment of approximately €10 million a year.

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Case Study: Club Keno in Michigan

In 2003 GTECH assisted the Michigan Lottery in rolling out the Club Keno game. GTECH was responsible for rolling out a retailer recruitment program aimed at non-traditional retailers (e.g. bars and taverns). The results of the program between 2004 and 2009 are as follows:

- Non-traditional retailer base grew from 1,628 to 2,480 (CAGR of 9%).
- Club Keno sales grew from $205 million to $540 million.
- Number of tickets sold increased from 46.8 million to 69.5 million.

Case Study: Keno to Go in Michigan

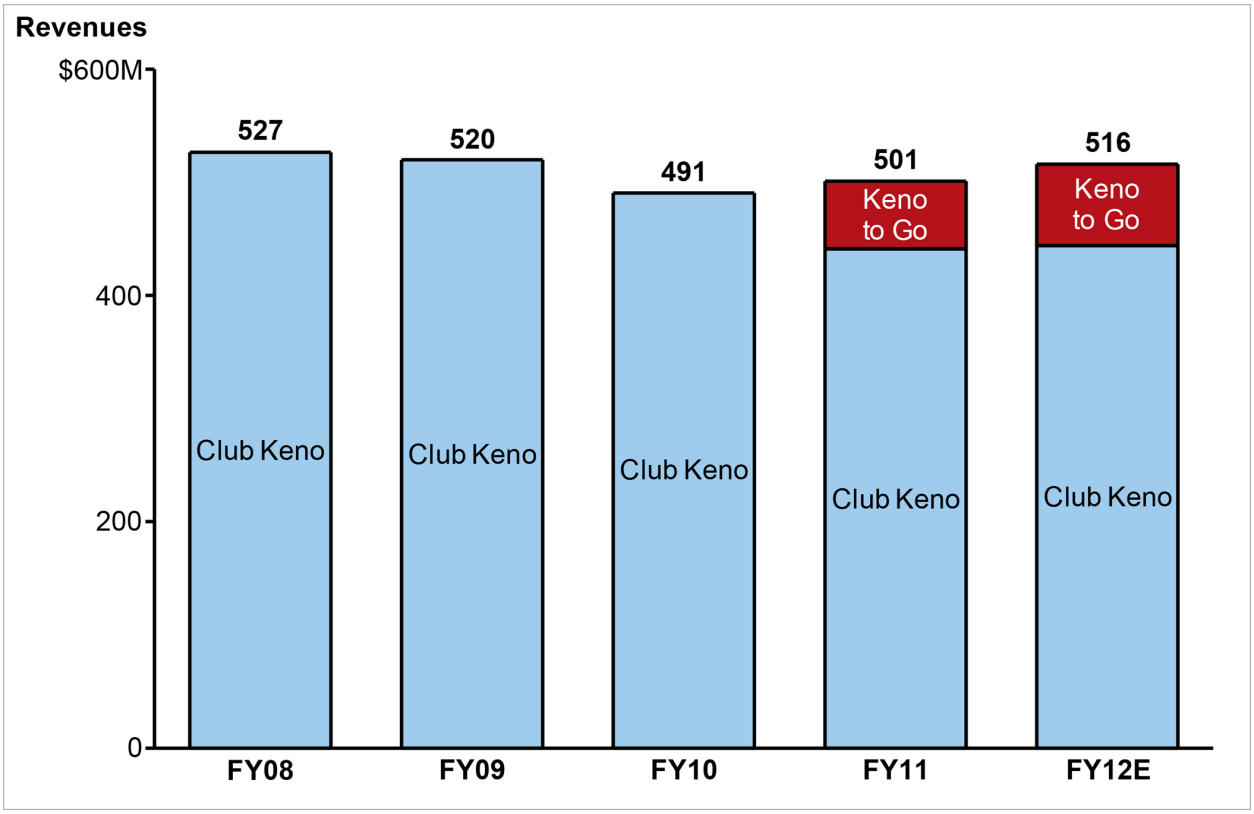
In 2010, GTECH entered into a service contract with the Michigan Lottery to improve its operations, including its retailer management program. One of the highlights of the program was the strengthening of the draw game portfolio, in particular the keno category, which accounted for 23% of total lottery sales in 2008, but had declined to 21% by 2010.

Between 2010 and 2011, GTECH succeeded in revamping the keno category by launching Keno to Go, a game that could be played not just in bars and taverns but everywhere thanks to its Web-based platform.

The launch of Keno to Go succeeded in stopping the keno category's decline:

- Combined Club Keno and Keno to Go ticket sales in 2011 increased by 10%.
- Sales grew by $10 million over the same period (from $491 million to $501 million) and are predicted to increase further in 2012. (The following figure illustrates the sales breakdown between the two games.)

Figure 6.0 – 13: Club Keno Sales Evolution and the Impact of Keno to Go



Building on the success of the "to go" gaming concept, we plan to roll out Bingo to Go in Indiana, as an opportunity for players to get a personalized gaming experience through the Internet or their mobile app (ticket will still be purchased at a retailer, so no Internet wagering will take place).

Key Actions Taken

The revamp of the keno category was the result of two main activities:

1. New Product Development

Prior to GTECH's engagement, the Michigan Lottery included in its portfolio the Club Keno game, which was played primarily in bars and taverns. GTECH broke with tradition by developing Keno to Go, an Internet version of Club Keno that could be played everywhere. The mechanism was simple. Players could place their wagers at licensed retailers and take their tickets with them, as the results could be watched on the Internet. The launch of the Keno to Go portal was complemented by the development of a dedicated mobile device application that could be downloaded by players onto their smart phones so they could stay tuned to the latest draws.

2. Retailer Expansion

To make the new Keno to Go game accessible to the widest possible audience, GTECH rolled out a retail expansion program that extended the keno retailer base from the initial 2,500 points of sale in 2010 to an additional 8,700 locations. At the same time, the GTECH sales team offered bars and taverns the possibility of selling all traditional Michigan Lottery game offerings.

GTECH's success in developing the retailer base for Keno to Go in Michigan helped us to win a contract in May 2012 with the New York Lottery to roll out a similar expansion plan for that state's keno game.

Appendix A – Bid Security

GTECH has provided the Bid Security in the amount of $1,500,000 (U.S. Dollars) as security to assure that it satisfies its obligations under RFI Section 5.1.2 in the event its Offer is recommended to the Commission for consideration and acceptance. By submitting a Response, GTECH understands that the Commission would suffer significant financial loss if the Offer is recommended to the Commission and the submitting Offeror fails to satisfy its obligations under RFI Section 5.1.2. GTECH understands that this loss would be uncertain and difficult to ascertain at such time and that the full amount of the Bid Security required under this Section is a reasonable estimate of actual damages that the Commission would suffer as a result of the Offeror's failure to satisfy its obligations under RFI Section 5.1.2 and not a penalty. Further, GTECH understands the delays, expense, and difficulties involved in proving the actual loss that would be suffered by the Commission if the Offeror fails to satisfy its obligations under RFI Section 5.1.2. Accordingly, instead of requiring any such proof, GTECH agrees that as liquidated damages for failure to satisfy the obligations under RFI Section 5.1.2 in the event that its Offer is recommended to the Commission, the Commission may collect the full amount of the Bid Security.

GTECH understands that in the event that its Offer is not recommended to the Commission for approval, the Bid Security shall be returned to Offeror after the Integrated Services Agreement is fully executed or by December 31, 2012, whichever occurs first. If GTECH's Offer is recommended to the Commission, the Bid Security will be returned upon GTECH's performance of its obligations under RFI Section 5.1.2.

We have provided the Bid Security behind the Response Transmittal Letter tab. It is the last document of the group of documents that follow that tab.

Bid Security

Bid Security

Please see **Binder 1** (as marked on the spine) for the irrevocable standby letter of credit for $1.5M.

Michele Argentieri

Project/Contract Title:
Vice President of Sales

Project/Contract Role:
Michele will establish strategic and tactical plans to responsibly maximize revenues and deliver committed net income. She will oversee the sales and retail development staff to energize the Lottery Retailer network and recruit new quality Lottery Retailers. Michele will meld sales teams to build an entrepreneurial culture focused on analytical, actionable data with superior execution at retail and drive transformational business change for the sales, recruitment, and retail optimization organization.

Current GTECH Title

Sales Director, GTECH Best Practices

Professional Experience

As V.P. of Sales for the Northstar Lottery Group under a private manager agreement in Illinois, Michele recently completed the ramp-up and transition. She was responsible for building a nimble, flexible, entrepreneurial culture focused on analytical, actionable data with superior execution at retail, and driving transformational business change for the sales, recruitment, and retail optimization team. By melding the cultures of the unionized sales team (under the employee use agreement) with Northstar recruitment and sales force employees, the Illinois Lottery achieved a 17.9% YOY total sales increase, 27% instant sales increase, 17% sales lift from retailer merchandising optimization, and completed the recruitment and installation of 1,466 new retailers accounting for nearly $72M in new sales.

Michele joined GTECH in 2007, bringing an extensive background in retail sales, promotions, marketing, and public relations from her nine years with the New York Lottery where she served in several positions, culminating in Director of Sales. She was instrumental in creating and executing statewide sales plans, exceeding revenue mandates, and setting new weekly sales records in four of eight product categories. At GTECH, Michele has developed a suite of lottery best practice case studies, plans, and presentations in the areas of marketing, sales, and retailer management. She helps customers integrate and translate marketing, advertising, promotional, and merchandising strategies into executable sales programs at retail to drive sales.

Education and Training

Michele earned an MBA, summa cum laude, with concentrations in marketing and management, from St. Bonaventure University and a BA in public administration from Alfred University.

Employment History

Northstar Lottery Group — Sept 2010 – May 2012

GTECH Corporation — 2007 – Present
Sales Director, GTECH Best Practices

Mindshare, LLC — 2007 – 2008
Director of Business Development

New York Lottery — 1997 – 2006
Director of Sales
Director of Promotions
Director of Corporate Education Mission Programs

Alan Eland

Project Role:
Member – Board of Directors

GTECH Role:
As Senior Vice President and Chief Operating Officer of GTECH North America, Alan Eland is responsible for lottery operations in the United States and Canada, as well as GTECH Printing Corporation (GPC) and Client Services. Eland leads the Company's growth efforts to provide lottery technology, service solutions, and operational management support to customers throughout North America.

Current GTECH Title

Senior Vice President and Chief Operating Officer of GTECH North America

Professional Experience

Alan is a senior business leader with diverse operations and sales management experience. He began his career at GTECH in 1985, and has held various roles of increasing responsibility throughout his 26 years with the Company. Prior to leading operations in the Americas, he was Vice President and General Manager for GTECH's Gaming Solutions organization where he was responsible for the day-to-day management of SPIELO. From 1998 through 2005, he served as Regional Vice President, Eastern U.S. Operations, where he managed GTECH's largest region. Prior to that, Alan oversaw the launch of the Texas Lottery and later served as Account General Manager for GTECH Texas.

Education and Training

Alan received a bachelor's degree in marketing education from Ohio State University.

Employment History

GTECH Corporation 1985 – Present
Senior Vice President, GTECH Americas
Vice President & General Manager, Gaming Solutions
Regional Vice President, Eastern United States & Canada
General Manager, GTECH Texas
Assistant General Manager, GTECH Texas
Project Manager
System Coordinator
Marketing Supervisor
Lead Trainer

Scott Gunn

Project Role:
Member – Board of Directors

GTECH Role:
Scott is responsible for worldwide government relations leadership and strategy for the Company. He guides GTECH's global network of government relations resources to maintain appropriate government relationships and works to develop the Company's lines of business. Scott is responsible for working with policy makers and government officials to provide them with the Company's perspective on the implications of lottery operator/private management in the U.S. Based in Rhode Island, Scott will work closely with GTECH's Indiana Board of Advisors and our other local representatives to ensure GTECH's activities in Indiana are aligned with the views and direction of government policy makers.

Current GTECH Title

Senior Vice President, Global Government Relations and U.S. Business Development

Professional Experience

Scott has worked for GTECH since 1994 in various positions in sales, business development, public affairs, and global operations. Recently, Scott was a key leader in the Company's efforts to secure the private manager contract in Illinois and served on the Northstar Lottery Group Board of Managers during the initial year of operations.

During his career at GTECH, Scott has served as an Account Executive for several clients, and represented GTECH during the legislative session that created the New Mexico Lottery. As former General Manager for GTECH California, Scott was responsible for the Lottery's conversion to Enterprise Series (ES), the successful launch of Mega Millions, and the addition of 1,000 new locations to the retail network. During his tenure as Vice President, Western Region Operations, Scott oversaw system conversions for lotteries in Washington, Oregon, and Arizona. As SVP, he has led GTECH's U.S. Business Development organization to ensure that GTECH is aligned with and supportive of customer objectives.

Scott began his career in the late 1980s at the public affairs firm of Black, Manafort, Stone and Kelly in Washington, D.C. He was also an associate at National Media Inc., where he worked on media strategy for state and national campaigns. While at William D. Harris and Associates in the early 1990s, Scott managed client issues within the executive and legislative branches of state and federal government.

Education and Training

Scott received a bachelor's degree in political economics from Tulane University.

Employment History

GTECH Corporation — 1994 – Present
SVP, Global Government Relations and U.S. Business Development
Vice President, Western Region Operations
General Manager, GTECH California
Vice President, Government Relations and Business Development
Account Executive

William D. Harris and Associates — 1991 – 1994
Associate

Black, Manafort, Stone and Kelley — 1989 – 1991
Research Associate

Bobby Hatam

Project/Contract Title:
Senior Director of Operations and Technology

Project/Contract Role:
As Senior Director of Operations and Technology, Bobby will be a primary point of contact for the Commission. He will provide support to the Project Managers and oversee the deliverables of the contract. He will have overall responsibility for ongoing operations with a commitment to providing the highest levels of service.

Current GTECH Title

Account Development Manager, GTECH Washington

Professional Experience

Bobby is currently Account Development Manager (ADM) for GTECH's customer in Washington State, a position he has held since 2010. As ADM, Bobby oversees all services provided to Washington's Lottery. He is responsible for complete customer satisfaction and creating new value for the Lottery. Most recently, Bobby was responsible for the coordination of the 2011 implementation of 1,000 next-generation self-service terminals. The terminals successfully went live ahead of schedule, enabling retailers to begin selling tickets sooner and generating increased revenue.

Bobby started working for GTECH in 1998, leading key technology initiatives for the California Lottery. From there, he advanced into successive leadership roles in the areas of technology, operations and business development. In California, he developed and implemented customized solutions, assumed key leadership roles during the 2003 conversion, and led expansion and optimization of the retailer base by adding more than 30,000 pieces of equipment over the years.

Prior to his employment with GTECH, Bobby completed his college internship in computer hardware engineering at Intel. In that position, he performed circuit marginality testing on microprocessors before products were released for production.

Education and Training

Bobby received a BS in computer hardware engineering from California State University in Sacramento. He also has a variety of Cisco, Microsoft and IBM certifications. Bobby has earned numerous GTECH certifications, and been recognized for successfully executing key customer deliverables for GTECH's California and Washington customers.

Employment History

GTECH Corporation — 1998 – Present
Account Development Manager, GTECH Washington
Deputy Account Development Manager, GTECH California
Director of Operations, GTECH California
Technology Operations Manager
Senior LAN/WAN Engineer

Intel Corporation — 1996 – 1998
Hardware Engineering Internship

Connie Laverty O'Connor

Project/Contract Title:
CEO (Transitional)

Project/Contract Role:
Connie will lead the Provider organization in the delivery of integrated services and serve as the primary point of accountability for the Commission. She will oversee the strategic direction of the operation and allocate resources in support of strategic objectives to maximize performance in a socially responsible manner. Connie is responsible for ensuring the quality of operational services and effective cooperation between GTECH and the State.

Current GTECH Title

Senior Vice President and Chief Marketing Officer

Professional Experience

Connie recently spent 20 months as the Transitional CEO of Northstar Lottery Group, an Illinois limited liability company that is the private manager of the Illinois Lottery. She brings her experience and lessons learned to the Hoosier Lottery project.

As Senior Vice President and Chief Marketing Officer of GTECH Corporation, Connie helps drive the overall strategic direction of the Company while providing strong leadership and direction to the marketing function. She is responsible for the review and enhancement of marketing processes, measurements, and information systems that are necessary to operate effectively and achieve business objectives. Connie also identifies market trends and long-range market opportunities for product development, content development, sales, and potential acquisitions.

Prior to joining GTECH in April 2006, Connie served as Chief Operating Officer of the Georgia Lottery Corporation. Prior to that, she spent more than 30 years with the New York Lottery; her final 14 years there were spent as Director of Marketing and Sales.

Education and Training

Connie holds a BA in English and psychology from Empire State College in Albany, New York, and an MA in English and psychology from State University of New York at Albany.

Employment History

GTECH Corporation — 2006 – Present
Transitional CEO, Northstar Lottery Group
Senior Vice President and Chief Marketing Officer

Georgia Lottery Corporation — 2005 – 2006
Chief Operating Officer

New York Lottery — 1974 – 2005
Director of Marketing, Sales, Advertising & Product Development
Deputy Director of Operations

Stefano Monterosso

Project Role:
Member – Board of Directors

GTECH Role:
As Senior Vice President of Marketing Operations for GTECH Corporation, Stefano oversees the collaboration of GTECH's various business units and marketing teams, with the goal of further integrating product development, advertising, and marketing. He is responsible for the expansion of operator sales, as well as the development of consumer and retail insights for a full range of global gaming opportunities.

Current GTECH Title

Senior Vice President, Marketing Operations

Professional Experience

Stefano has more than 20 years of engineering, business development, analytics, and consulting experience.

Prior to joining GTECH in July 2011, Stefano served for 16 years as Associate Partner with Bain & Company in Rome. During his time at Bain, he developed substantial relevant lottery and gaming experience across the world, contributing to a number of successful growth initiatives such as the development of the lottery, betting, and gaming machines businesses of Lottomatica, and provided support to the Lottomatica Group in key initiatives related to market development, including Illinois Private Manager (2010), Gratta e Vinci (instant lottery scratch cards, since start-up in 2009), and Sports Betting (2007).

Previously, Stefano worked for Procter & Gamble supporting retail development and promotional programs; the European Space Agency in the Netherlands in mission analysis for future spacecraft launches; the United Nations; and the Italian National Bank in Information Technology.

Education and Training

Stefano holds bachelor's and master's degrees in electrical engineering from the University of Rome La Sapienza, as well as an MBA from INSEAD in France.

Employment History

GTECH Corporation: Senior Vice President of Marketing Operations	2011 – Present
Bain & Company, Italy Associate Partner	1996 – 2011
Italian National Bank Senior Analyst	1993 – 1996
European Space Agency, The Netherlands System Analyst	1992 – 1993
United Nations, New York Software Analyst	1992 – 1992
Procter & Gamble, Italy Project Manager	1991 – 1992

Jaymin Patel

Project Role:
Chairman – Board of Directors

GTECH Role:
Jaymin is responsible for overseeing the strategic direction and global operations of GTECH, a leading lottery operator and provider of technology solutions and systems to regulated gaming markets around the world. The company operates in 27 U.S. jurisdictions and 55 countries and has more than 5,000 employees.

Current GTECH Title

President and Chief Executive Officer

Professional Experience

Jaymin was appointed Chief Executive Officer of GTECH Corporation in January 2008 after serving as President and Chief Operating Officer. Having joined GTECH in 1994, Jaymin has extensive international experience and been instrumental in the Company's business development initiatives and global operations.

Over the past several years, Jaymin has led the Company's efforts to expand its business to become a gaming operator as well as a solutions provider. Northstar Lottery Group, which is 80% owned by GTECH, was awarded the first-ever private manager contract in the United States to operate the Illinois Lottery. Jaymin led the business development team that pursued the opportunity and serves as Chairman of Northstar Lottery Group.

Since 2010, Jaymin has driven GTECH's efforts to help customers revive same-store lottery sales growth through the integration of offerings, the introduction of new innovations, and a focus on organic-growth opportunities. During 2007 and 2008, Jaymin led the Company's efforts to acquire businesses specializing in gaming technology, content, and operator services over the Internet. The acquisition and integration of these companies resulted in Lottomatica Group being well positioned to compete in new growth sectors including sports betting, poker, bingo, and casino games in the regulated gaming industry.

Prior to joining GTECH, Jaymin spent approximately five years with PricewaterhouseCoopers (PwC) in London.

Education and Training

Jaymin holds a BA (honors) from Birmingham Polytechnic (UK) and qualified as a Chartered Accountant with PwC.

Employment History

GTECH Corporation — 1994 – Present
President and Chief Executive Officer (CEO)
President and Chief Operating Officer (COO)
Senior Vice President (SVP) and Chief Financial Officer (CFO)
Vice President, Financial Planning and Evaluation
Director, Financial Planning and Evaluation
Finance Director, Europe and Africa
U.K. Financial Controller

PricewaterhouseCoopers — 1989 – 1994
Assistant Manager
Articled Clerk

Jessica Halter-Powell

Project/Contract Title:
Vice President Marketing and Advertising

Project/Contract Role:
Jessica will create strategies that elevate the Hoosier Lottery brand while simultaneously selling product. She will build teams to engage the most effective advertising, digital, promotions, and public relations to responsibly create demand for Lottery products.

Professional Experience

In her role at Northstar, private manager of the Illinois Lottery, Jessica directs an integrated 20-member team responsible for product development, research, advertising, promotions and public relations. Under her direction, the team achieved 15 consecutive record-breaking sales months totaling nearly $2 billion in FY2011/12.

Jessica managed the innovative user experience process and marketing program for the introduction of the first legal e-commerce website for the purchase of lottery tickets online. She redesigned the instant game portfolio to focus on families and core games and implemented a 360-degree communications strategy lifting awareness 45% and increasing YOY sales 39% to over $1.1 billion. Jessica initiated agency reviews for advertising, public relations, and promotions partners and negotiated contracts in excess of $45 million. She also led brand transformation, repositioning the Lottery as a beacon of optimism and possibility and increasing brand relevance 10 points in 9 months.

Prior to her employment with Northstar, Jessica managed the gaming and tourism group at David&Goliath, a Los Angeles advertising agency. Her clients included Monte Carlo Casino, the California Lottery, and Mammoth Mountain Ski Area. As a Vice President at Energy BBDO in Chicago, Jessica was responsible for prospecting and acquiring new business for BBDO. She served as the "agency's agency" by developing and executing marketing and public relations programs.

Education and Training

Jessica attended the Chicago Management Institute at the University of Chicago, Graduate School of Business, in 2007. She also received a BS from Southeast Missouri State University in 1993, with a double major in advertising and graphic design.

Employment History

Northstar Lottery Group — 2011 – Present
Vice President of Marketing

David&Goliath — 2008 – 2011
Business Director
Account Director

Energy BBDO — 2005 – 2008
Vice President
Account Director

DDB Worldwide — 2002 – 2005
Account Supervisor, New York Lottery

Appendix C – ISA Schedule 6.3.1

PROVIDER KEY PERSONNEL

Title: Chief Executive Officer
Name of Employee: Connie Laverty O'Connor
Supervises: • Vice President and Deputy General Manager • Vice President of Marketing: Jessica Powell • Vice President of Sales: Michele Argentieri • Director of Corporate Affairs • Chief Financial Officer • General Counsel • Vice President of Human Resources • Senior Director of Operations & Technology: Bobby Hatam • Executive Administrative Assistant
Reports to: Governing Board of Provider
Primary Responsibilities: • Leads the Provider organization in the delivery of integrated services • Responsible for effective cooperation between the Provider and the Commission • Primary point of accountability for the Commission • Oversees the strategic direction of the operation • Allocates resources in support of the strategic objectives • Responsible for ensuring the quality of operational services

Title: Vice President and Deputy General Manager

Name of Employee: TBD

Supervises:

- Director of Corporate Social Responsibility and Integrated Services Agreement (ISA) Compliance
- Manager of Procurement
- Receptionist

Reports to: Chief Executive Officer

Primary Responsibilities:

- Ensures compliance with execution of ISA
- Relationship management with State regulators
- Translates regulator changes into business practices
- Integrates corporate social responsibility
- Leads efforts to secure Level 4 World Lottery Association accreditation for responsible gaming
- Responsible gaming programs and training
- Oversees subcontractor and vendor procurements
- Ensures participation of WMBE businesses

Title: Vice President of Marketing

Name of Employee: Jessica Powell

Supervises:

- Director of Product Management (Draw)
- Director of Product Management (Instants)
- Business Analytics
- Director of Marketing Communications and Advertising
- Manager of Marketing Research
- Manager of Retailer Experience
- Manager of Web Design

Reports to: Chief Executive Officer

Primary Responsibilities:

- Establishes a comprehensive marketing strategy
- Manages the Hoosier Lottery's brand
- Establishes and leads an organization of marketing professionals working closely with the Provider's advertising and communications agency
- Provides strategic and tactical direction
- Provides expertise on consumer insights, game design and innovation, promotions development, marketing and advertising communications design and execution
- Leverages global lottery-industry best practices
- Communicates a well-balanced product mix, clearly conveying the benefits in a socially responsible manner
- Maximizes the value of the Hoosier Lottery game portfolio
- Enables the full potential of the Hoosier Lottery market

Title: Vice President of Sales
Name of Employee: Michele Argentieri
Supervises: • Sales Director • Director of Corporate Accounts • Director of Retailer Expansion • Senior Manager of Retailer Optimization • Manager of Sales and Service Operations • Sales Analyst • Senior Administrative Assistant
Reports to: Chief Executive Officer
Primary Responsibilities: • Establishes strategic and tactical plans • Oversees Lottery Retailer recruitment • Client relationship management • Sales operations and optimization • Develops and utilizes sales analytics to drive actionable sales programs • Designs and implements marketing campaigns and sales promotions • Designs performance-driven incentive programs • Develops effective relationships with local corporate accounts • Leverages national account relationships

Title: Director of Corporate Affairs
Name of Employee: TBD
Supervises: • Social Media Specialist • Public Relations Specialist
Reports to: Chief Executive Officer
Primary Responsibilities: • Ensures all messaging protects and preserves the integrity of the Hoosier Lottery brand • Represents a positive business image of the Provider in the community • Establishes the strategy for, and leads external communications with, various media outlets • Creates and executes Social Media Plan • Develops and implements community outreach programs

Title: CFO

Name of Employee: TBD

Supervises:

- Financial Analyst
- AP/AR Clerk

Reports to: Chief Executive Officer

Primary Responsibilities:

- Oversees all financial activities, including:
  - Planning and controlling
  - Budgeting
  - Forecasting
  - Balancing sales with revenue
  - Managing net income commitments
- Accountable for the financial integrity of the business, compliance with accounting standards, and regulatory and legal requirements
- Designs and implements internal controls
- Maintains accounting records
- Prepares financial reports for management and shareholders
- Works with the Commission to ensure full transparency and that the trust of the public and players is maintained

Title: General Counsel

Name of Employee: TBD

Supervises:

- Corporate Counsel
- Paralegal

Reports to: Chief Executive Officer

Primary Responsibilities:

- Works closely with the Commission to manage all legal matters for the Provider, including:
  - Legal strategy
  - Legal compliance
  - Litigation
  - Regulatory matters
  - Security
- Serves as senior legal advisor to management team
- Counsels on the legal implications of all organization activities and problems
- Responsible for issuing RFPs and preparing rules and regulations, as well as required executive directives, for Hoosier Lottery games and promotions
- Establishes policies and procedures to ensure compliance with all legal and regulatory requirements
- Responsible for drafting, negotiating, and monitoring all legal contracts
- Oversees and directs engagements of outside counsel

Title: Vice President of Human Resources
Name of Employee: TBD
Supervises: • HR Representative
Reports to: Chief Executive Officer
Primary Responsibilities: • Ensures that a top-tier workforce is established, developed, and retained • Oversees creation and implementation of HR strategy and programs that enable the organization to achieve the Business Plan, through our people • Responsible for integrating the current Commission staff with GTECH's own employees • Establishes a common set of policies, procedures, and programs • Establishes market competitive benefits and compensation, including performance-based incentives • Ensures compliance with all State and federal laws and regulations pertaining to employees

Title: Senior Director, Operations and Technology
Name of Employee: Bobby Hatam
Supervises: • Manager of Technical Operations • Information Technology (IT) Specialist • Application Developer (Web) • Manager of Security • Provider Subcontractors - Tell Sell - Distribution and Logistics
Reports to: Chief Executive Officer
Primary Responsibilities: • Establishes and executes technical and operational services • Works with internal and external parties to ensure marketing and sales initiatives are executed efficiently • Optimizes the player and Lottery Retailer experience • Oversees performance of IT infrastructure • Manages systems integration of outsourced suppliers • Designs and implements enhancements to the technology platform • Optimizes efficiency of supply chain

Instant Ticket Supply Agreement

Confidential

Instant Ticket Technology Services Agreement

Confidential

Online Lottery Technology Services Agreement

Confidential

Appendix E – Technology

Conversion Experience and Expertise

We agree that, if selected, the Provider will be responsible for meeting or exceeding the applicable Service Levels as set forth in the Integrated Services Agreement (ISA), Schedule 5.5, Service Level Exhibit, even where doing so would be dependent on the provision of Services by Subcontractors.

[redacted]

Experience Relevant to Indiana

GTECH's proposed Conversion Plan is based on our nearly 32 years of performing conversions and implementations, as well as on more recent projects that are relevant to the project we will be completing in Indiana. Since the year 2000, GTECH has completed more than 200 successful projects all over the world. The lessons learned and experiences gained from those projects are constantly being used to better our processes and procedures. The following figure demonstrates our experience.

Figure E – 1:

GTECH's Implementation Experience: 2000-2012

2012
- California Second Chance Draw
- California Subscriptions*
- Luxembourg Rebid Phase II*
- Texas - Phase II*
- Illinois Phase II*
- Turkey Evolution*
- Poland CS and Horse Racing*
- Belgium Interactive Phase II*
- France ES*
- Costa Rica
- Colombia Baloto*
- Georgia Extension*
- MIssouri Extension*
- New York Interactive*
- Oregon Play for Fun*
- WestLotto Evolution*

2011
- Mifal Hapayis
- Kentucky
- Pan Malaysian Pools
- Nebraska
- Poland
- Illinois
- Thüringen
- Texas
- Shenzhen
- Massachusetts ESC
- Mexico Terminal Expansion
- Finland Inlane Integration
- Ireland ESI Website
- Madagascar National Lottery
- Denmark LI - Phase II
- Portugal Evolution
- Argentina Cordoba Imagine
- New York LVM
- Finland Web Kiosk
- Luxembourg Rebid - Phase II
- Kentucky Dual Comm
- Swiss ITVM
- California ES Upgrade

2010
- California (extension)
- Czech Telecom Network
- New Jersey
- Arizona IPS
- New York
- MInnesota Gemini
- South Australia
- ALC Terminals
- Columbia CS - Phase II
- Finland Interactive Bingo
- UK Commerical Services
- Columbia Radio Frequency
- Argentina IPLC
- Swiss Loro Interactive
- North Carolina (extension)
- ONCE FM Service
- Illinois (extension)
- Wisconsin (extension)
- Washington LVM
- Connecticut ITVM
- Nigeria - Phase II
- Finland Web 10
- RI Dual Comm

2009
- Sweden Video
- Kansas Video
- Chile Polla
- Nigeria
- Michigan
- Taiwan
- Maryland ITVM
- California (extension)
- Georgia (extension)
- Minnesota (extension)
- United Kingdom/Camelot
- Jamaica Telebetting
- Czech ESC
- West Virginia
- South Dakota
- Belgium Interactive
- New South Wales ESC/B2B
- Colombia CS
- Denmark B2B
- Dominican Republic
- UK ES Direct
- Finland In-Lane
- Mauritius
- Wisconsin BDC

2008
- Mexico B2B
- Saxony IPS
- Beijing B2B
- Israel Altura
- Chile ESMM
- France ESC
- Ghana GO
- Finland - Phase III
- Taiwan Sports
- Denmark Terminals
- Belarus
- Oregon
- Ohio Keno
- UK Terminal Emulation
- Pennsylvania Video
- Luxembourg ESi - Phase II
- New York Lottery Inside
- Rhode Island Altura
- New Zealand ESi
- Singapore Altura - Phase II
- Manitoba Bingo
- Lithuania CS
- Shenzhen Relocation
- Poland ESC
- Kansas

2007
- Swiss LoRo - Phase II
- Finland - Phase II
- Central America
- Belgium Altura
- Ireland - Phase II
- WCLC - Phase II
- Slovakia Altura
- Manitoba Video
- Beijing
- Trinidad
- Jamaica Comm
- New York - Phase II
- Rhode Island Video
- Luxembourg ES Interactive
- Saxony ES Upgrade
- Rhode Island - Phase II
- Singapore Terminals
- Pennsylvania Video
- Louisiana Video
- New South Wales
- Virginia

2006
- Oregon Video
- Tennessee HotTrax
- Ireland - Phase I
- Finland - Phase I
- Poland Altura
- Pennsylvania CCS
- New York Video - Phase I
- Atlantic Lottery Corp. Video
- Czech Republic - Phase I and II
- Luxembourg GamePoint
- MUSL
- Mexico
- WCLC
- Arizona
- Swiss LoRo - Phase I
- Rhode Island
- North Carolina
- Washington
- New Zealand

2005
- China Shenzhen
- Jamaica Video
- Italy Video
- Jamaica
- Thüringen
- Barbados
- Missouri
- Florida

2004
- Germany Westlotto
- Leeward Islands
- Tennessee
- Wisconsin
- California
- Sri Lanka

2003
- Germany Saxony
- Spain ONCE
- Minnesota
- Georgia
- Belgium
- Barbados
- BCLC
- Idaho
- Brazil

2002
- Brazil - Santa Catarina
- United Kingdom
- Luxembourg
- New York
- Louisiana
- Poland
- Ireland
- Kansas
- Taiwan
- Texas

2001
- West Australia
- Nebraska
- Columbia
- Portugal
- Virginia
- Jamaica
- Beijing
- France
- Illinois
- Ohio
- Spain
- STL

2000
- New South Wales
- South Africa
- Morocco
- Ukraine

* Scheduled

Successful Projects Around the World: GTECH's experience spans the globe, and the depth of its resources enables the Company to perform numerous projects simultaneously.

GTECH has recently completed several domestic conversions, including:

- **Arizona State Lottery**: GTECH successfully converted Arizona's instant ticket management system from a Scientific Games AEGIS system to GTECH's Enterprise Series Instant Processing System (ES IPS).
- **West Virginia Lottery**: We successfully converted from a Scientific Games AWI system to ES IPS.
- **South Dakota Lottery**: We successfully converted the Scientific Games AEGIS system to ES IPS.
- **Nebraska Lottery**: The highly successful conversion of a fully integrated ES system, including ES IPS, replaced a system from Intralot.

In Texas, we seamlessly converted the instant ticket management system to the latest ES IPS system, transferring a large inventory of instant tickets to the new system without interruption to the retailer's daily activities. In Texas, the GTECH system handles all pack movements, validations, inventory and distribution. The conversion team converted 298 games and nearly 41,500,000 pack records, including partial packs.

In all of these jurisdictions, the GTECH instant management system has the ability to validate the instant games of all instant game suppliers.

GTECH's Conversion Expertise

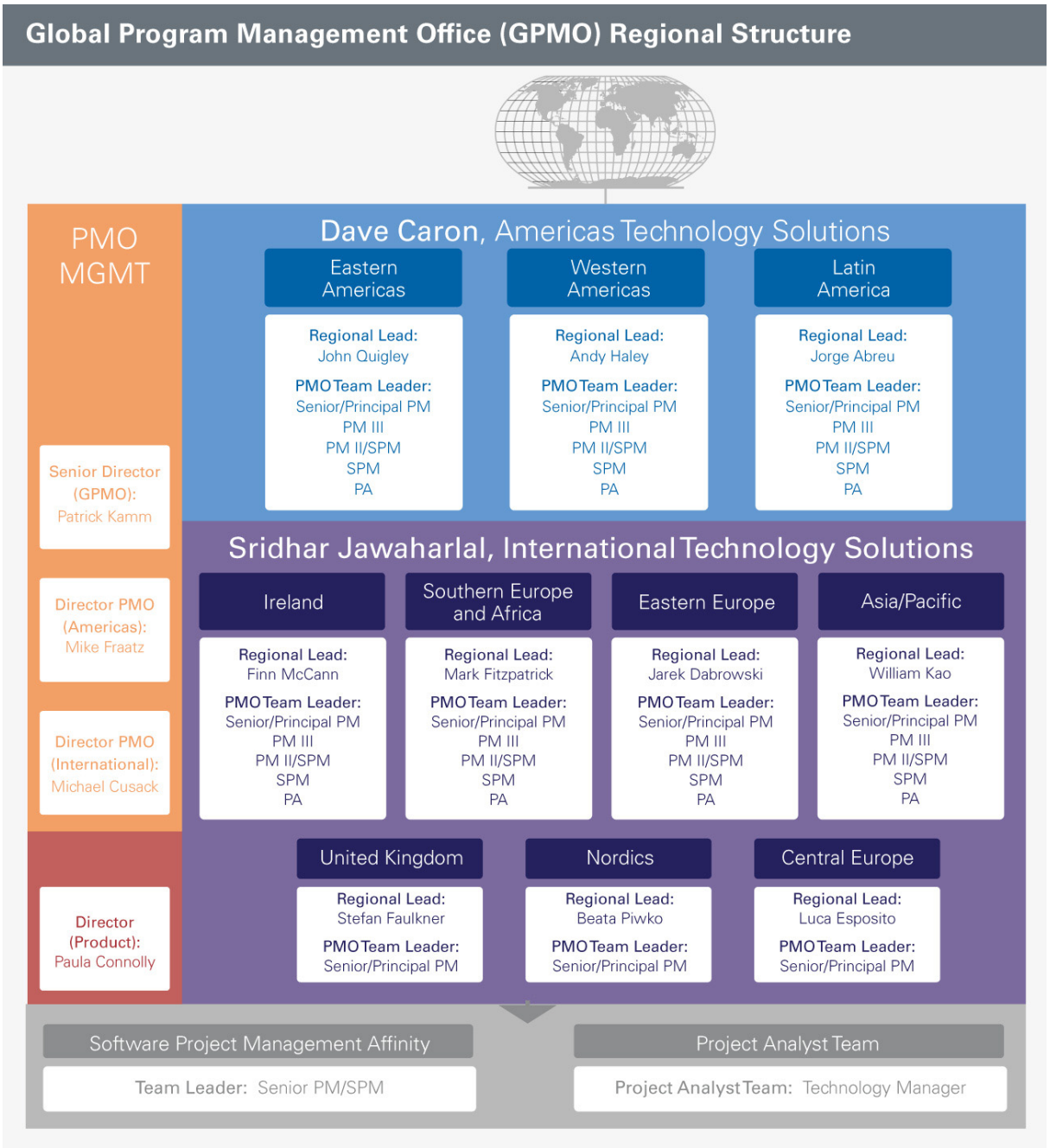
A successful conversion cannot happen without exceptional project management maturity, leadership, and expertise. GTECH's project management organization operates with one major goal in mind – to provide timely and seamless conversions with no interruption to sales or services.

The Global Program Management Office (GPMO)

The conversion of the Hoosier Lottery technology will be run by our Global Program Management Office (GPMO), a mature organization that provides the tools and knowledge to efficiently deliver a global portfolio of systems and services projects on time and on budget – consistently. Since 2000, the GPMO has performed more than 200 successful implementations and conversions. It supports all GTECH project teams, which are led by experienced project managers with Project Management Professional (PMP) certification from the Project Management Institute (PMI).

GTECH's project management process has been perfected over more than 30 years of global deliveries and as part of a continuous improvement program. Most recently, we have improved the way the GPMO serves its customers by regionalizing project management resources to bring them closer to their customers, as shown in the following figure.

Figure E – 2:



Expert Resources in All Corners of the Globe: The structure of this organization and the oversight it provides ensure that each customer's project receives the appropriate level of experienced leadership and continuity between the project and the ongoing services throughout the life of the contract.

Overview of Project Management at GTECH

The expertise to plan, manage, and execute a technical project derives from:

- Project management experience.
- Mature organization.
- Sound and proven processes.
- Tools.

Project Management Experience

In the past 12 years, GTECH has successfully completed more than 200 implementations, as indicated in the figure titled GTECH's Implementation Experience: 2000–2012. As previously stated, we use the experiences and lessons learned from these past implementations to improve our project management going forward. These improvements will be used to smoothly complete the Commission's project.

Mature Organization

The GPMO consists of product, project delivery, and service personnel who are allocated across the 11 global regions shown in the figure titled Global Program Management Office (GPMO) Regional Structure. By regionalizing our structure, we offer our customers critical continuity of and access to specific resources, from the start of the project through the contract period. The GPMO standardizes project management practices, facilitates global project portfolio management, identifies and mitigates risk, and determines methodologies for repeatable processes.

We look at each implementation project from every possible angle. We then create a plan that meets our customer's stated objectives and ensures minimal impact to their retailers, players, and revenues. The GPMO reports directly to the GTECH Global Technology Solutions organization, which is accountable for delivering all services and solutions.

GPMO Benefits and Responsibilities

The GPMO provides the following benefits to our project teams to ensure quality deliveries for the customer:

- **Project Support:** Provides project management guidance to project managers in business units. Under the GPMO's regional structure, this guidance includes an enhanced local perspective.
- **Project Management Process/Methodology:** Develops and implements a consistent, standardized, and repeatable process to ensure a consistent, quality outcome for all customers. This process is based on best practices as well as expertise accumulated through past experiences.

- **Training:** Conducts training and certification programs.
- **Internal Consulting and Mentoring:** Advises employees about best practices.
- **Project Management Software Tools:** Selects and maintains the best available project management tools for use by project management teams.
- **Portfolio Management:** Organizes a series of projects into a single portfolio to review project objectives, costs, schedules, resources, and risks.

The GPMO is responsible for the following:

- Defining, planning, and controlling GTECH project-management standards and best practices to guarantee compliance with Capability Maturity Model Integration-DEV v1.2 Level 3 (CMMI-DEV) software development standards and the PMI's standards.
- Working with core project teams in a mentoring and consulting capacity to guide project delivery teams in achieving project objectives.
- Monitoring all active project delivery teams and facilitating executive status reporting for all projects.
- Ensuring quality in terms of deliveries executed on time, on budget, and with high customer-satisfaction.
- Maintaining a repository of project-related information for reference.
- Training project managers, mandating PMP certification, providing new project manager on-boarding, and conducting monthly Lunch & Learn sessions for professional development.
- Serving as the escalation point for projects, with immediate access to GTECH executives for quick problem resolution.

Sound and Proven Processes: The Integrated Delivery Model

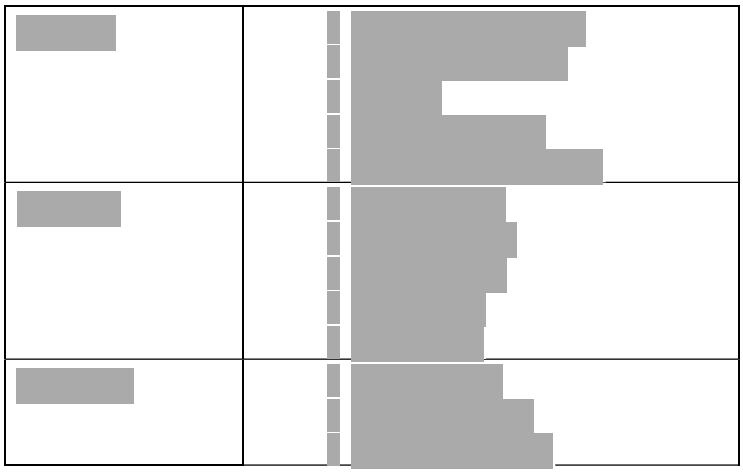
GTECH's technology transitions are completed through strict adherence to the Integrated Delivery Model (IDM), which has five distinct phases.

The IDM is a standard system of procedures, developed by and for GTECH, which helps our project managers complete all of our implementations at a high level of quality. GTECH project teams have been using the IDM for the last 12 years. It is a mature, reliable framework for repeatable delivery success. The IDM has continually evolved over time to maintain alignment to the most current industry best practices and to incorporate the GTECH-specific experiences and lessons learned from hundreds of project deliveries around the world. The GPMO owns and administers the IDM and facilitates quarterly meetings with business-process owners representing all disciplines; this ensures that the most up-to-date processes, procedures, and templates are available to our delivery teams in support of the various roles making up the project team.

Each of our project managers is trained to follow the five phases of the IDM and manage team-member deliverables in accordance with all of the steps and actions outlined in the IDM workflow. Throughout a project, the GPMO conducts compliance reviews against the IDM to make sure our proven set of processes and procedures are being applied appropriately and are assisting the team in the overall management and tracking of specific project deliverables. This quality measure of management oversight allows for proactive correction and/or adjustments to be implemented in consideration of specific project circumstances, so that the team is poised for success.

Project managers follow the five phases to ensure the project adheres to our standards and industry best practices. The following figure provides an overview of each phase.

Figure E – 3: Integrated Delivery Model Phases of Steps



[redacted]	[redacted]
[redacted]	[redacted]

Translated into actions, the IDM is the framework through which all major disciplines manage their respective parts of the project.

TOOLS

Our project team will use many tools to plan, schedule, and manage project activities. Using these tools, as well as the Key Performance Indicators (KPIs) derived from them, our project team will quickly evaluate the quality of our deliverables and will use that information to make adjustments to improve quality outputs where required. Some of the many tools our project team will use are:

- [redacted]
- [redacted]
- [redacted]
- [redacted]

- [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

Training

The GPMO staff has worldwide leadership experience with more than 100 customers, resulting in the SRS being implemented under the principles of the Project Management Book of Knowledge (PMBOK) and Project Management Maturity Model (OPM3) by GTECH PMPs who are certified by the internationally recognized PMI, creator of the PMBOK and OPM3.

Project Management Professional Certification

All GTECH's project managers are required to achieve PMP certification from the PMI, the organization that governs standard principles and procedures for project managers worldwide. PMP certification is the profession's most globally recognized and respected certification. The high number of certified PMPs at GTECH demonstrates the value we place on project management experience and education and on continual quality improvement. We also invest in our project managers to complete advanced project-management certification courses annually (e.g., risk management, problem resolution, organizational finance).

Elements of a Conversion Plan

The key to any successful conversion is proper planning and timing. To facilitate this, our conversion plan will begin before the Agreement Effective Date and start with an in-depth assessment of the current systems as soon as the Commission makes its selection. This early start will provide additional time for the conversion and create a strong foundation upon which the project will be built.

During a typical conversion, GTECH will perform the following major activities and tasks:

- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]

[redacted]

Technology Replacement Options

[redacted]

Industry-Leading Systems and Service Is Reflected in GTECH's Global Footprint

With 80 customers worldwide and a unique set of customized technology solutions and services for each, GTECH is the leading provider and innovator in the lottery industry, with an established global footprint that includes:

- More than 55 GTECH Enterprise Series (ES) system solutions deployed worldwide.
- More than 373,000 Altura® retailer terminals worldwide.
- More than 49,000 self-service terminals selling draw or instant games (or both) in 36 jurisdictions.
- Approximately 180,000 wireless terminals worldwide.
- 135,000 satellite installations worldwide.

The reason we have so many customers and have delivered so many of the innovative solutions mentioned above is that we listen to our customers and learn from them. The result is that we constantly evolve and improve our products to meet customer needs, as well as the processes and services we provide.

The following figure provides some details regarding our product offerings, many of which could be implemented in Indiana if necessary.

Figure E – 4: Possible Technology Options

Enterprise Series Retailer Management (ESRM)	An end-to-end business-management solution with a flexible, Web-based tool set that enables lotteries (or operators) to efficiently coordinate, control, and monitor the entire retailer life cycle; brings retailers online faster and more easily; and facilitates reporting and billing
Enterprise Series Online Product Management (ES OLPM)	A tool for controlling games and monitoring gaming data in real time. A Web-based application used to set up and control games and liabilities and to monitor and manage system activity related to transaction processing, draw processing, games, and terminal administration
Enterprise Series Business Intelligence (ESBI)	A single, intuitive, Web-based interface to timely, meaningful information, with a feature-rich third-party reporting solution (SAP BusinessObjects Web Intelligence) that makes all data readily available across a lottery organization
Enterprise Series Instant Processing System (ES IPS)	A comprehensive, fully integrated solutions and services suite with unique and powerful capabilities that enable a lottery (or operator) to manage its instant ticket games efficiently and drive revenue performance via product, distribution, marketing, and technology optimization
Enterprise Series Claims And Payment (ES CAP)	An integrated solution for validating claims, generating payments, check-writing, and reporting payment information for draw and instant tickets. Enables draw and instant ticket validations
Enterprise Series Player Services (ESPS)	A suite of solutions and services focused on lottery players across retail and the Internet that enables a lottery to customize and target game portfolios, marketing communications, and promotions
Enterprise Series Connect (ES Connect)	A highly secure, high-volume, open-standards Internet Protocol (IP) network interface (front-end processor) that connects a central system (GTECH's ESTE) to a multitude of sales terminals. It is virtually addressable up to 100,000+ active terminals per ES Connect server, increasing the ES system's flexibility and speed and decreasing its complexity and risk
Enterprise Series Multimedia (ESMM)	An in-store, flat-panel advertising solution that enables lotteries to manage, distribute, and display vibrant multimedia content (dynamic lottery advertising, promotions, jackpot updates, winner awareness, and other messages) to shoppers
GTECH Player Direct	A comprehensive interactive gaming and player card program that includes the Player Direct Card, a lottery-branded, reloadable debit card; the Player Direct Club, a high-quality website and players club that bridges the way to Internet gaming
Altura GT1200	A state-of-the-art, full-functioning retailer terminal with multiple computing platforms, featuring the fastest reader in the industry and play slip buffering to help retailers service their customers more efficiently than ever before

Altura GT1200 Compact	The same Graphical User Interface (GUI) layout and applications as the Altura GT1200, in a smaller footprint design
Gemini® Self-Service Terminals	Highly configurable self-service devices that provide the “twin features” of instant and Quick Pick online games at the touch of a button; available in two sizes and multiple configurations, including instant-only versions that can be upgraded in the field to sell draw games
TicketScan® Plus – Self-Service Ticket Checker	GTECH’s next-generation self-service device – now with a 2D bar code reader, a 3.5-inch color Liquid Crystal Display (LCD), and an open read area, in an even more compact design – that lets players check their own draw and instant tickets quickly, easily, and securely
Multi-Media LCD Advertising Monitors	Flat-panel advertising solutions with full content management through ESMM, allowing display of vibrant multimedia content (games, dynamic lottery advertising, promotions, jackpot updates, winner awareness, and other messages) to shoppers right at the point of sale
External Bar Code Reader	The GT1200’s external bar code reader is fast, ergonomic, and easy to use and reads all industry-standard 1D and 2D bar codes
AccuView® Vacuum Fluorescent Display (VFD)	The workhorse of lottery displays that offers exceptional value and durability. The AccuView display’s two-line-by-20-character messages provide high visibility for players in low-light areas and draw attention to lottery products and promotions at the sales counter
AccuTherm® Ultra	The fastest lottery printer on the market, the perfect complement to GTECH’s online terminals, with quick and easy paper-loading capabilities, cutting-edge thermal technology, and space-saving design
Mobile Handheld Terminal (MHT)	A small, compact terminal that lotteries and retailers can take almost anywhere to sell both draw games and instant tickets
Compact Validation Terminal (CVT)	The perfect countertop solution for instant ticket and draw game validation in locations with extremely limited space
Lottery Inside	An innovative, scalable, cost-effective software solution for the multilane retail environments that enables the sale of Quick Pick lottery games from a third-party point-of-sale device, generally a cash register
Sales Force Automation	A secure interface to the gaming and the back office systems providing lottery sales reps with the data they need to support their activities in the field
Communications Network Solutions & Services	Fast, secure, redundant, end-to-end communications packages offering custom design, flawless implementation, and superior support services – technology tailored to the specific needs of each lottery retailer
Dual Comm Inside	GTECH’s high-availability, fault-tolerant, no-single-point-of-failure solution – the most advanced connection-type available to lotteries – that connects a combination of two stable and proven digital communications technologies (for example, VSAT and fixed wireless) to a single lottery terminal

Risk Mitigation Detailed Activity Plan

GTECH has created a second Microsoft Project Gantt Chart that outlines all project activity for the Transition in the event that we move forward with this risk mitigation strategy. Please refer to the **Detailed Activity Plan – Risk Mitigation** insert, which follows this page.

The Microsoft Project Gantt Chart outlining the Transition in our Base Business Plan can be found as a part of the Transition Plan, located in Section 3.0, Base Business Plan.

Detailed Activity Plan
Risk Mitigation

Confidential

Retailer Focus Newsletter

January 2012

Retailer Focus

Happy New Powerball!

More millionaires.
Bigger jackpots.
Better odds.
More commissions.

POWERBALL

Now More Powerful Than Ever!
Arrives January 15!

Plus a new addition to the
Cash For Life Family!

To Celebrate $2 Powerball –
2 Powerful Incentives!

See Insert for details on these new initiatives and all things Powerball

Holiday Promotions

Retailer Incentive

Are you on track to earn 10% commissions on instant games sales over your goal? Work with your Lottery Sales Representative on sales and marketing best practices.

November 2011 / Insert

Retailer Focus

Holiday Retailer Incentive

Double Your Scratch Game Commissions to

10%

You Keep Selling, We'll Keep Paying!

For the 10 weeks beginning November 6, 2011 if you hit your scratch game (instant ticket) sales target, you will receive an additional 5% (10% total) commission **on all scratch game sales** over the target. Statewide, scratch sales are already up 22% over last year and we plan to continue this tremendous sales momentum.

We will send each retailer a letter outlining your sales goal based upon a careful analysis of your past holiday game sales and your recent scratch sales performance.

Earn double the standard commission for all scratch sales over that goal in the 10-week period! In other words, for every $1,000 of scratch product sold over your incentive goal, you receive an **extra** $50 in commission. Look for your individual incentive sales goal to arrive in the mail, along with a special incentive tracking sheet to help you mark your progress. Your Lottery Sales Representative will also have your goal.

The Top 3 ways to exceed your goal are to use these lottery best practices:

1. Increase the number of games on display on the counter at the point of purchase. "The more you show, the more you sell."
2. Don't stock out. Make sure you have two to three weeks' worth of backup inventory. If you're running low, call the Retailer Hotline at 1-800-842-3155 immediately for next-day delivery. Don't wait to be called or run out.
3. Ask every customer to purchase a lottery product.

Retailer Incentive Program Official Rules

1. Lottery retailer must remain active and in good standing for the entire promotion period (10/30/2011-1/16/2012).
2. New retailers activated during the incentive period and change of ownership are not eligible to participate in the program.
3. In the 10-week period, if the retailer's sales goal is met, the retailer will receive a 10% commission on all scratch sales (lottery). If the retailer sells below the goal but exceeds sales lottery, the lottery will establish a scratch incentive sales goal based upon the average regional sales goal.
4. The Lottery reserve the right to establish a minimum incentive sales goal or a "cap" on sales.
5. "Sales" for the purposes of the incentive program will be scratch games net sales (sales minus returns). Scratch game returns will be deducted from sales as reflected on the Weekly Settlement Report. Settled books must have at least 1 ticket/book to qualify. Qualification will be determined at the end of the 10 week period.
6. Locations with multiple devices will be considered a single retailer with a consolidated sales goal.
7. Retailers must exceed their assigned 10 week scratch incentive sales goal to qualify for incentive commissions.
8. Sales over the incentive sales goal will be increased commission for all scratch game sales (lottery) for the 10 week sales period.
9. Books settled during the promotion period cannot be returned.
10. The Lottery reserve the right to terminate the program, change the retailer sales goals, or withdraw, settlement and return, prior to or during the integrity of the program, if the Lottery determines it is not cost on the Supplement Sort Pro, January 13, 2012, Settlement Report.
11. Locations with multiple devices will be considered a single retailer with a consolidated sales goal.
12. Retailers must exceed their assigned 10 week scratch incentive sales goal to qualify for incentive commissions.
13. Sales over the incentive sales goal will be increased commission for all scratch game sales (lottery) for the 10 week sales period.
14. Books settled during the promotion period cannot be returned.
15. The Lottery reserve the right to terminate the program, change the retailer sales goals, or withdraw, settlement and return, prior to or during the integrity of the program, if the Lottery determines it is not cost on the Supplement Sort Pro, January 13, 2012, Settlement Report.

With the Holiday Incentive in full swing, it's easy to track your progress toward doubling your instant games commissions. Just fill in your net instant sales each week on your individualized Incentive Tracking Sheet and compare those figures to your sales goals. If you did not receive your tracking sheet or need a second copy, please call **1-855-MY-LOTTO** or ask your Lottery Sales Representative. The Holiday Incentive program runs through January 16.

Coupons

Coupons are a very powerful tool to drive sampling and bring in new players. Buy One, Get One Free coupons for Lotto, Little Lotto, Mega Millions, and Powerball games and a coupon for $1 off a $5 purchase of instant games were sent to 1.8 million homes around the state at the end of November. Please remind your customers to redeem them by January 14.

Note: Complete instructions for redemption are on the back of each coupon. You will receive a $1 credit for each coupon redeemed. Credit will appear on the Promotions line of your Today Report.

Advertising & Promotions

To drive traffic to your store in January, we will support the launch of the New Powerball with an extensive mass media campaign across the state, including television, radio, print, digital, billboard, and other media, as well as a comprehensive point of sale campaign. Powerball street teams and promotions at sporting events will drive the "More, Bigger, Better" Powerball message statewide.

We will also support $5,000 A Week For Life!, the new $10 Cash For Life game, with television commercials and point of sale during the month.

PROJECT EDGE

Enhance Display → Grow Earnings

Update

The Project EGDE team is making its way across the state. Project EDGE retailers are enjoying double-digit sales growth after their product visibility transformation! If you are interested in increasing your lottery sales and commissions through improved product visibility, please call 1-855-MY-LOTTO.

Point of Sale

Put Up

$10 Cash For Life;
New $2 Powerball and
How to Play brochure;
January instant ticket topper.

Take Down

Holiday POS

NEW $2 POWERBALL COMING JANUARY 15!

Playing the lottery has never been more exciting…
and selling Powerball has never been more rewarding!

Illinois LOTTERY

New $2 price pt

Powerball Enhancements

1 MORE Millionaires

- Second prize (match 5) is now **$1 million cash**. That's **5 times more!**
- With Power Play, still just $1 per game, **match 5 wins $2 million Cash** – guaranteed!

2 BIGGER Jackpots

- Jackpots start at **$40 million,** double today's $20 million.

3 BETTER Odds and Prizes

- Overall odds improve from 1 in 35 to 1 in 31.85
- Odds of winning the jackpot improve from about 1 in 195 million to about 1 in 175 million.
- Lowest prize (matching Powerball only) increases from $3 to $4.

4 BETTER Game Matrix

- 35 Powerball numbers, instead of 39 in the previous game, improve the odds.
- Power Play prizes are now fixed – easier to understand and easier to sell!

Match	Regular Prizes	Power Play Prizes
5 of 59	$1,000,000	$2,000,000
4 of 59 + Powerball	$10,000	$40,000
4 of 59	$100	$200
3 of 59 + Powerball	$100	$200
3 of 59	$7	$14
2 of 59 + Powerball	$7	$14
1 of 59 + Powerball	$4	$12
0 of 59 + Powerball	$4	$12

5 BETTER Draw Break

- More time to sell. Draw break moves to 9:00 p.m.

6 MORE MONEY for Lottery Retailers

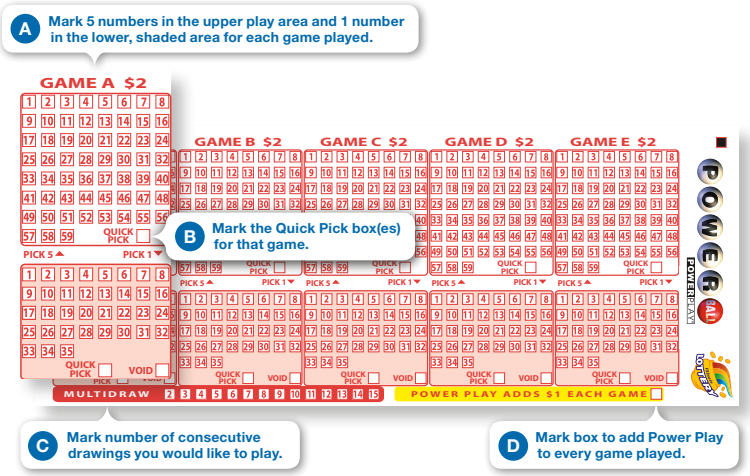
- New base price of $2 means you earn **double the commission** on each ticket sold.
- 2 powerful incentive programs (see reverse).

Buy Two Powerball Plays or More on One Ticket, Get a $1 Little Lotto Quick Pick Free

January 15-21, we will be driving player trial with this limited time offer. There will be extensive advertising statewide and an advertising display screen to publicize this promotion, but no other in-store POS, so please be sure to talk it up to your customers! The terminal will auto-generate a free play and the credit will appear on your Settlement Report in the promotion line.

New Play Slips

- Newly designed play slips will be shipped to arrive January 11.
- Please discard any old play slips you have left on January 15. They will not work after that date.



Advance Sale Step Down

The phase out of advance play of the $1 Powerball game continues. The number of available draws decreases until January 15, when players will again be able to purchase 15 draws.

Date Range	Advance Draws Available
12/15–12/17	8
12/18–12/21	7
12/22–12/24	6
12/25–12/28	5
12/29–12/31	4
1/1–1/4	3
1/5–1/7	2
1/8–1/11	1
1/12–1/14	0
1/15 and forward	15

$2 Powerball Ask for the Sale Promotion

2 Powerful Incentives!

Each participating retailer will receive 60 clerk stickers

1 Motivates Staff
Retailer/Clerk Incentive

How does it work?

1. Store personnel wear Ask for the Sale stickers and Ask for the Sale from every customer 18 and over during promotion period (January 15-February 4, 2012).
2. The Lottery will provide 50 $1 instant game tickets (7-11-21) free to each participating store.
3. If the clerk doesn't tell a customer about the new Powerball, the customer gets one of the promotional $1 7-11-21 tickets free, while supplies last.
4. Tickets remaining from the original 50 at the end of the promotion period are to be kept by the retailer and shared with the staff as a reward for a job well done!

What's in it for you?

- **The chance to win or share up to $3,000** with 50 $1 promotional instant tickets (7-11-21)
- Ask for the Sale promotional Point of Sale
- Stickers to be worn by clerks/associates/retailers during the entire promotion period
- Promotional instant ticket log to track all tickets awarded to customers
- T-shirts for retailer staff
- The chance to win additional merchandise prizes when a mystery shopper catches you asking

2 Rewards Retailer
Cash Incentive

Over $100,000 in Cash Prizes

Each retailer who participates in the **Retailer/Clerk Incentive** and is compliant with the rules and eligibility during the promotion will be *automatically entered* into the Cash Incentive.

Guaranteed prizes in each region!

Retailer entries will be grouped by Lottery regions, and separate random drawings will be held for each region. Statewide, 393 prizes will be awarded as follows:

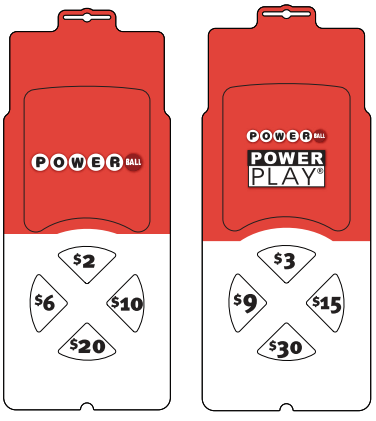
9	**$2,500 prizes**
24	**$1,000 prizes**
45	**$500 prizes**
315	**$100 prizes**

Drawings will be held on or about February 13, 2012, and cash prizes will be awarded as an Adjustment on winning retailers' Settlement Reports on or about February 28, 2012.

Just ask your sales representative to sign you up or call 855-MY-LOTTO by December 23.

Attention Gemini Retailers

Stickers for the 2 Powerball buttons will be mailed to you on January 6 along with instructions as to when and how to apply them. GTECH will install the permanent keys January 15-31.



Sales Terminal Changes January 15

Terminal Home screen Quick Pick buttons for Powerball will support the price of $2 per board.

Home screen Quick Pick buttons for Powerball with Power Play will support the price of $3 per board.

Powerball screen wager amount values will support the price of $2 per board and display as $2, $4, $6, $8, $10, $12, $14, $16, $18, $20.

Powerball with Power Play wager amount values will support the price of $3 per board and display as $3, $6, $9, $12, $15, $18, $21, $24, $27, $30.

Powerball with Power Play manual entry screen will provide numbers 1-35 for the "red ball."

Launching January 3

$10
$5,000 A Week For Life!

Highest prize ever on a $10 ticket

$340 in prizes guaranteed in every book

Newest Cash For Life Family Member offers a chance for even more Lifetime Security

$2
Royal Riches

$8 million in total prizes

Find a Crown symbol, win all 10 prizes

$3
Winning Colors

Match your green or orange numbers double or triple your prize

$10 Cash For Life

The Cash For Life Family continues to sell well and bring in new players, with weekly sales accounting for 11.5% of total instant sales after more than 34 weeks on the market, and total sales already over $150 million. Now comes the biggest, best, highest paying Cash For Life Game yet – **$5,000 A Week For Life!** (that's more than a quarter of a million dollars a year!). This life-changing top prize is sure to make it a favorite with players statewide.

Grow Cash For Life Profits

Use the newest Cash For Life game to drive sales of the entire Cash For Life family.

- Promote winners: Cash For Life games have paid out **over $100 million in prizes** so far!
- Remind your players that these games are here for good – and so are the top prizes. **Top prizes never run out!**
- Above all, **never stock out!** Call the Retailer Hotline immediately if you are running low on inventory.

Make Room for New Cash For Life Dispenser

With the launch of $5,000 A Week For Life!, new four-game dispensers will allow you to showcase the entire Cash For Life Family together.

Best Practice Star Retailer

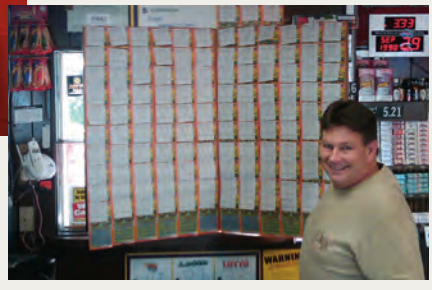
Bottoms Up Beer and Liquor

When it comes to lottery sales, Mark Carrithers makes his own luck. He and his clerks talk up the lottery with every customer, asking for the sale and pointing out the many winning tickets posted on the walls of the store. These lottery best practices paid off big this summer, when Bottoms Up sold a $6.5 million winning Lotto ticket – and Mark earned a **selling bonus of $65,000!**

Robin and Mark Carrithers at winner news conference in Springfield

Bottoms Up Winner Awareness Tip:

Always post your winning tickets in the store. Winner awareness drives sales!



Winner awareness in action at Bottoms Up

Winning Ticket Best Practices

Pay all winners of prizes up to $600.

1. It's good for business – the vast majority of winners use their prize money to buy more lottery tickets or other items in your store.
2. You receive 1% of all prizes cashed.

More than **$3 million in cashing bonuses** have been paid in just 14 weeks!

Prize Center Locations

Rockford
200 South Wyman
Rockford, IL 61101
815-987-7018

Des Plaines
9511 Harrison Street
Des Plaines, Illinois 60016
847-294-4851

Chicago
James R. Thompson Center
100 West Randolph Street
Chicago, IL 60601
312-793-2385

Springfield
Willard Ice Building
3201 Robbins Road
Springfield, IL 62704
217-524-5147

Fairview Heights
15 Executive Drive, Suite 1
Fairview Heights, IL 62208
618-624-8670

For winning tickets with prizes over $600, refer your players to the prize centers listed above, or give them a Claim Form to mail in to the Lottery. Please make sure you have Claim Forms on hand; if not, call Retailer Hotline at 1-800-842-3155.

Hours of operation:
All prize centers are open from 8:30 a.m. to 4:30 p.m.

Player Hotline:
1-800-252-1775

Responsible Play on Your Radar

Winning & Spending Responsibly for the New Year!

Often the first question people are asked when they win the lottery is, "What will you do with the money?" As we enter the New Year with more exciting games and prizes than ever before, we ask that you encourage your players to spend their winnings responsibly.

Please urge big winners to wait until the funds arrive in their account, rather than spending their own money, intending to replace it with their winnings. This one step can set them on their way to winning and spending responsibly.

Games You Should Carry January 2012

Core Games

$5	$200,000 Bingo	811
$5	$75,000 Crossword	787
$5	$2,500 A Week For Life!	773
$3	Bonus Bar Bingo (Replaces Blue Line Bingo)	827
$3	Crossword	805
$2	Icy Hot 7-11-21	810
$2	$1,000 A Week For Life!	772
$1	7-11-21	808
$1	$500 A Week For Life!	771

Best-Selling Games

$30	$3,000,000 Cash Jackpot!	704
$20	$3,000,000 Cash Bonanza	797
$20	Platinum Payout 20X	742
$10	$200,000,000 Cash Spectacular	812
$10	Illinois Lottery Black	779
$10	The Color of Money	741
$5	Black Pearls	826
$5	10X The Money	821
$5	Power 7s	806
$5	Wheel of Fortune	796
$2	Cherry / Lemon Tripler	824
$2	$25 Grand	809
$1	Fast $50	823
$1	Freezing Your Bucks Off	819
$1	Awesome Aces	807

New Games*

$10	$5,000 A Week For Life!	831
$3	Winning Colors	825
$2	Royal Riches	829

*Please display new games as soon as they are delivered to take advantage of advertising and promotional support.

Need Assistance?

With the launch of new Powerball, a new sticker with Hotline numbers, draw breaks, and draw times is on its way to you. Apply the sticker to the sales terminal for easy access!

Note:
Draw breaks as of 1/15/12.

Need Assistance?
Retailer Hotline: 1-800-842-3155; 6 a.m.—11 p.m. every day
For instant games orders, equipment issues, consumables, etc., or to report stolen tickets.
Player Hotline: 1-800-252-1775; 24 hrs a day
Gambling Problem: 1-800-GAMBLER; 24 hrs a day

Draw Breaks / Draw Times

Pick 3	7 days a week Midday at 12:35 p.m. / 12:40 p.m. Evening at 9:15 p.m. / 9:22 p.m.
Pick 4	
Illinois Lotto	7 days at 9:15 p.m. / 9:22 p.m.
Lotto	Mon, Wed & Sat at 9:15 p.m. / 9:22 p.m.
Mega Millions	Tue & Fri at 9:45 p.m. / 10:00 p.m.
Powerball	Wed & Sat at 9:00 p.m. / 9:59 p.m.

Play responsibly. Must be 18 or older to play. If you or someone you know has a gambling problem, crisis counseling and referral services can be accessed by calling 1-800-GAMBLER (1-800-426-2537). For more info or to exclude yourself call 1-800-252-1775 or visit illinoislottery.com.

Perfect Store Example

CURRENT SITUATION

Play stations worn and dated

Duratrans faded, logos barely recognizable, space on side of the machine not utilized

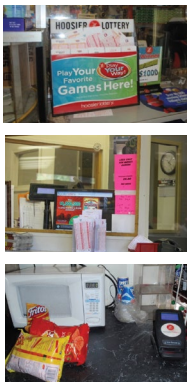
Inconsistent in-store Lottery Retailer merchandising with hand-made winner awareness signs creating an unprofessional presentation

Some cardboard signs seen for jackpot games, but not fully distributed

Bowed-front dispensers very effective but not universal in all stores

Retailers develop own methods to showcase small-tier winners

Jackpot sign shown not fully distributed across network; jackpot needs to be set manually; difficult to set



Lottery material not in centralized location in stores and includes some outdated play slips

Tip cards used inconsistently; need to be used on a monthly basis

OPTIMAL SITUATION*

Instant ticket clip allows retailers to use best practice waterfall merchandising technique

Promote winner awareness in a professional manner for both draw and instant games with a tiered signage program based on the dollar amount won

Update playstation to provide players a designated play area in stores

Refresh trim kits on all vending machines, add side merchandiser to leverage space, and create a designated play area focused on the current product campaign

Decal "wallpaper" and lucky store oval

Print-on-demand poster

Template poster

Monthly new ticket topper

New ticket and number swipes for dispensers to highlight new games and facilitate player/retailer communication

Jackpot awareness post-it pads

Spiral winning numbers pad

Clerk jackpot stickers

Counter mat

Keep well trained clerk staff with monthly tip cards

Lottery destination area provide consistent Lottery look and feel as well as home for ticket checker, play slips, winning numbers, and POS

Triple jackpot sign, facing in-store

Ceiling-hung how to play board

*(Illinois Lottery visuals shown for example purposes only; all materials will be customized with new Hoosier Lottery logo)

CURRENT SITUATION

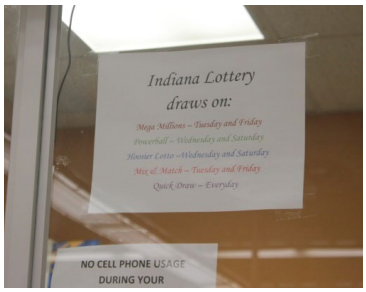
Limited and dated exterior-facing currently designates stores as Lottery Retailers

Exterior signage is not fully distributed; the updated exterior signs are limited to Sales Maker locations

From the curb to the entrance, using professional and highly durable signs, we will break through the typical, competitive consumer-goods-sign clutter to identify stores as a place to play the Hoosier Lottery

Only a limited number of stores have digital jackpot signs

No door signage except for sporadic placement of jackpot signs



Hand-made signs are being used to announce the weekly draw game schedule

PAD placement and screen messages not optimized; promotional POS not consistently displayed in stores

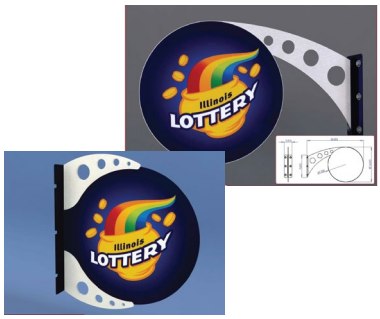
Minimal draw game POS and infrequent counter mat placement

Size of promotional POS content does not break through the clutter at retail

OPTIMAL SITUATION*

Draw players into the Lottery Retail store with clear, consistent exterior signage from curb to entrance

Use exterior banners and pole signs to draw attention to retailers that sell the Hoosier Lottery



Use steel exterior sign on outdoor pole or building wall mount

Highlight draw game schedule to emphasize that drawings happen every day

Push/Pull Door Decals

Mesh Window Sign

Include door signs in POS merchandising

Place quad jackpot signs across the Lottery Retailer network

Motivate clerks to ask for the sale with promotions tailored to reward their efforts

Use interruptive POS to highlight key marketing programs

Synchronize all points of contact with the player throughout the store

*(Illinois Lottery visuals shown for example purposes only; all materials will be customized with new Hoosier Lottery logo)

Retail Recruitment Brochure

Grow Your Business with the New Illinois Lottery

Why partner with the Illinois Lottery?

1. Lottery adds $ to your bottom line

- 5% commission on every ticket sold. Top retailers make more than $100,000 a year in lottery commissions.
- 1% cashing bonus on **all** winning tickets cashed by your store.
- Plus 1% selling bonus on winning tickets of $1,000 or more sold – up to $500,000 per ticket.

2. Products your customers want will increase traffic – and your core business

3. It's good for Illinois...and good for Illinois businesses!

"My commission helps pay my bills, and it brings people into my store."

Navin Patel
Andy's Food Market, Loves Park
Lottery retailer, since 2000
FY 2011 Lottery sales: $1,242,015

FY 2011 Lottery commission: $62,100

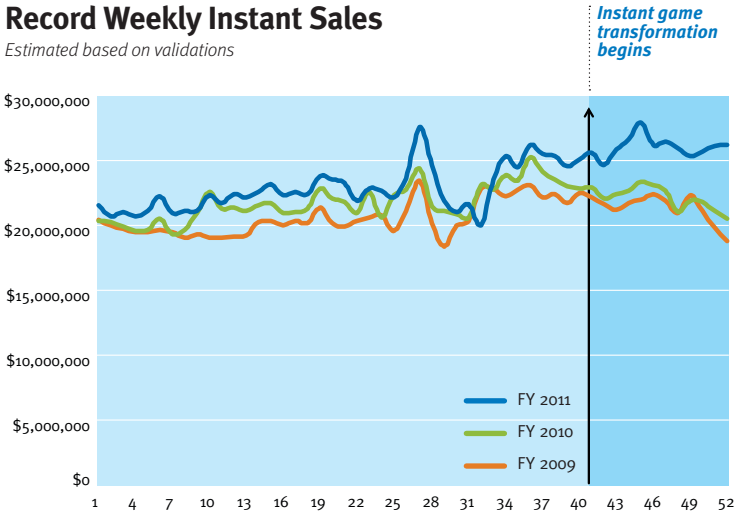
Why now? *It's a brand new day!*

On March 1, Northstar Lottery Group, the first Lottery private manager, began brand transformation initiatives to maximize revenues for our retailer partners and returns to the state of Illinois.

We've already invested tens of millions of dollars to help retailers like you grow your business – and it's working! More advertising and promotions, new technology, new and exciting games – and more! – make the Lottery the hottest ticket in town.

Record Weekly Instant Sales

Estimated based on validations



Lottery adds $ to your bottom line

1

More Profits for You

5% commission on every ticket sold plus generous 1% selling bonus for all winning tickets of $1,000 or more sold by your store (up to $500,000) and **new** 1% cashing bonus for all prizes paid.

	Lottery Sales per Store per Week	Annual Sales	Annual Commission (5% of Sales)*
Average Illinois Lottery Retailer	$6,114	$317,939	$15,897
Top 25 Illinois Lottery Retailer (average)	$47,127	$2,450,627	$122,531
Top Illinois Lottery Retailer	$78,787	$4,096,919	$204,846

** FY 2011. Commission only. Figures do not include bonuses.*

Did You Know?

You can pay winning tickets up to $600 (reimbursed by the Lottery). Cashing tickets generates a 1% cashing bonus for the retailer. Paying winners can also turn winnings into additional in-store purchases and build a larger, loyal customer base.

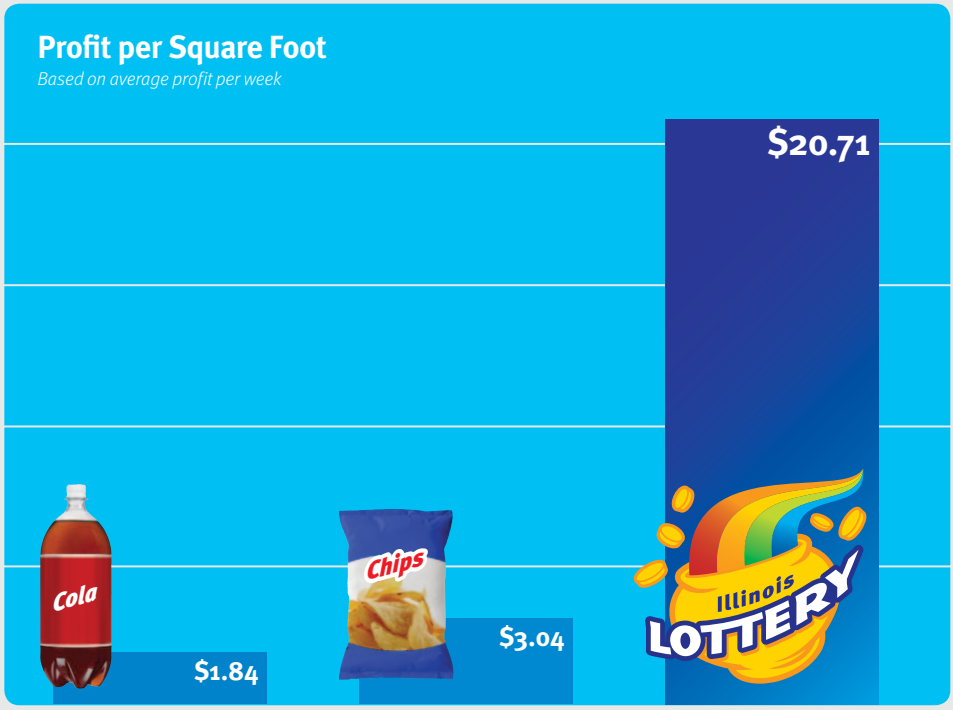
High Rate of Return

Lottery tickets:

- Take up very little space.
- Have no upfront cost to you
- Generate higher weekly/yearly profit revenue and much higher profit per square foot than many other popular items, such as soft drinks and chips. *And that's not even counting the bonuses you can receive for selling winning tickets!*

"With our regular inventory we can incur losses and spoilage. Lottery is pure profit."

Justyna Koc
Kordians Market, Chicago
FY 2011 Lottery sales: $700,119



2-Liter Bottles of Soda
approx. 24 sq. ft.

Full-Size Bags of Chips
approx. 16 sq. ft.

Lottery Tickets
approx. 14 sq. ft.
(terminal plus dispensers)

Products your customers want will increase traffic—and your core business

2

Most of Your Customers Already Play Lottery

- **More than 60%** of Illinois residents play the lottery—why not keep them in your store?
- Lottery products are **highly impulse** purchases, driven by convenience.
- You can provide fun and excitement to your existing customers and take advantage of missed profits.

Lottery players visit more often, spend more money, and buy other products

NACS study shows that lottery players:

- Visit stores **26% more often** than non-lottery customers.
- **Spend twice as much per visit.**
- Buy other products along with their lottery purchases 85% of the time.

Increase Customer Traffic & Repeat Visits with Game Drawings Every Day

	Mon	Tues	Wed	Thurs	Fri	Sat	Sun
Mega Millions		●			●		
Lotto	●		●			●	
Powerball			●			●	
Little Lotto	●	●	●	●	●	●	●
Pick 3 Midday & Evening	●	●	●	●	●	●	●
Pick 4 Midday & Evening	●	●	●	●	●	●	●

"Without the Lottery I wouldn't survive. A lot of people stop at the store for the Lottery. Then they come back for something else."

Elsa Sanchez
Family Neighbor Food, Northlake
FY 2011 Lottery sales: $446,150

Best-Selling Games Provide Increased Revenue and Instant Excitement

From Cash For Life to 7-11-21, Bingo to Crosswords, instant games offer an exciting variety of play styles, prizes, and prices.

- **New, better prize structures:** More and bigger winners.
- **Record-breaking sales:** First three months under new management were the Lottery's three best instant sales months *ever!*
- **Higher commissions:** On average, $13.5 million more paid to retailers each month under new management.

When a player wins instantly, it creates a buzz in a store. Cashing winners drives players to reinvest and to spend winnings on other store products.

It's good for Illinois ... and good for Illinois businesses!

Where the Money Goes

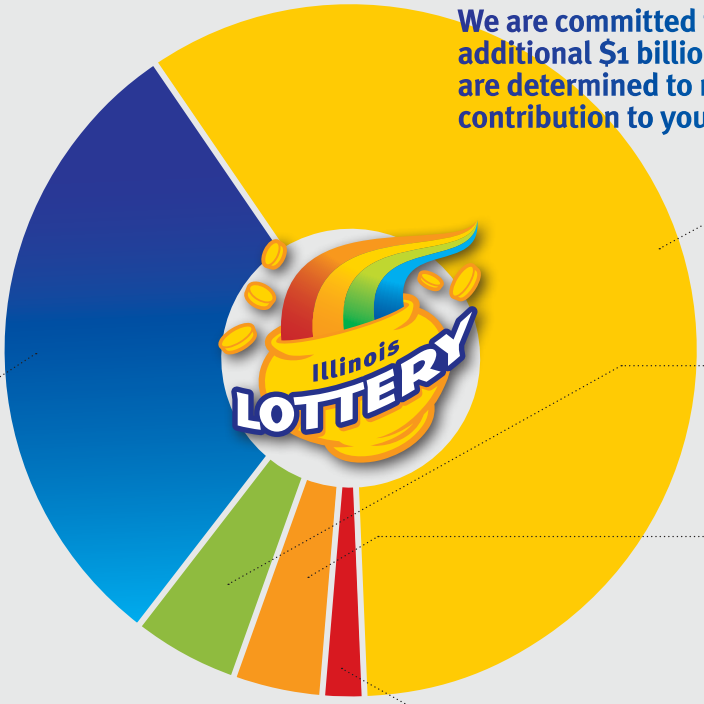
It's a proven fact; consumers are drawn to a cause. Proceeds from Lottery sales help fund K-12 public school education in Illinois (**nearly $17 billion** since the Lottery's inception) and help the state to build roads, bike trails, and schools–and provide thousands of jobs to Illinoisans.

30%

Transfers to Good Causes
Common School Fund, Capital Projects Fund, and Specialty Tickets

$690 million
in Fiscal Year 2011

We are committed to generating an additional $1 billion for Illinois. We are determined to make a significant contribution to your communities.



59%
Prizes Paid to Winners
$1.33 billion in FY 2011

5%
Retailer Commissions/ Selling Bonuses
$111 million in FY 2011

4%
Other Expenses
(including Operations)
$98 million in FY 2011

2%
Vendor Commissions
$46 million in FY 2011

Lottery Sales Totaled $2.28 billion in Fiscal Year 2011. Figures are estimates and subject to final audit.

Getting started is easy as 1, 2, 3 (4–6 Weeks to Selling)

How to Get Started

1. Complete application process: application includes checks: background/credit check, site visit and approval, proof of separate lottery bank account.
2. Attend mandatory classroom training.
3. Have equipment installed – free.

Fees

$50 application fee†	New applicants, change of ownership applicants, and each additional location of current lottery retailers
$25 license renewal fee	Every 2 years
$10‡	Weekly

† *To earn back the $50 application fee through commissions, sell just $1,000 in lottery tickets.*

‡ *To earn back the $10 weekly fee through commissions, sell just $200 in lottery tickets.*

Account Management

One of Northstar's top priorities has been to streamline and improve the lottery ticket management process.

- You are not required to pay for instant tickets until 90 days after receipt or whenever the tickets are actually sold and the cash is in the drawer (90% redeemed).
- Accounting for online ticket sales is easy – the terminal does it automatically for you!
- Each week, a report shows how much you owe the Lottery; this amount is collected through Electronic Funds Transfer (EFT).
- Commissions, selling bonuses, and prize payments are also credited to you each week.
- Daily reports and running sales totals can be produced on demand.
- A new instant ticket inventory management system automatically tracks ticket sales and stock and provides accurate end-of-day reconciliation.
- Your Lottery Sales Representative and hotline resources are **always** available to help!

New, small-footprint equipment all provided FREE of charge

State-of-the-art equipment:

Small, fast, and easy to use, the new equipment makes selling lottery a snap yet takes up very little counter space.

Check-A-Ticket

Just 8.8"W x 5.5"D.

Allows players to check their own tickets while you concentrate on selling.

Enhances player satisfaction.

Instant Ticket Dispenser

Just 8.9"W x 7.4"D per set of two.

Stackable for space savings.

Attractive units showcase instant tickets to stimulate sales.

Printer

Just 6.6" W x 12.8"D.

Modular design – so you can place it where you want it.

Quick & quiet thermal printing; no messy ribbons to change.

"Drop & Sell" paper loading.

Advertising Display

17" flat-screen monitor mounts directly on terminal for space savings.

Displays information about winners, jackpots, games, promotions, etc.

Encourages impulse purchase of Lottery games at checkout.

Lottery Sales Terminal

Just 12.5"W x 18.9"D for easy placement on store counters.

Easy touch screen with the most robust and reliable technology available.

Triple Jackpot Sign

36"W x 25"D

Mounts in window to attract players from outside and drive them into store.

Jackpot awareness stimulates purchases.

Wirelessly updated, always displays correct jackpots.

As part of its brand transformation initiatives, Northstar has brought to the Lottery new, cutting-edge technology; enhanced reporting capabilities; infrastructure improvements; eye-catching display signs; brand remerchandising; retailer incentives; and more!

Why now?
It's a brand new day!

There's never been a better time to partner with the Illinois Lottery.

You will benefit from the *tens of millions of dollars being invested* by the Northstar Lottery Group and many exciting initiatives designed *to enhance and grow your business.*

Rebranding
$3.5 Million Investment

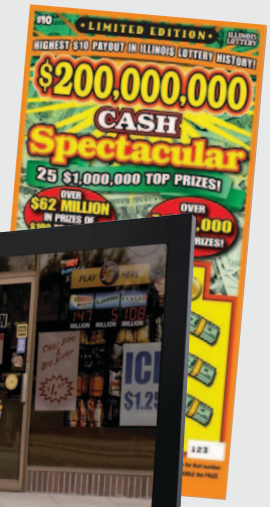
Strikingly fresh banners, pole signs, electronic signage, and more – all featuring the new, iconic Lottery logo – to drive customers into your store and spur sales once they're inside.

Instant Game Transformation

New and improved prize structures – more cash prizes, higher payout percentage, higher top prizes.

Statewide Advertising Campaigns
$8 Million Investment

- **Cash For Life** ($3 million): The best-selling product in Lottery history, and a core Lottery game for years to come, Cash For Life has changed Illinoisans' perceptions of the lottery forever.
- **Wheel of Fortune ($2 million).**
- **$200,000,000 Cash Spectacular ($3 million).**



Jackpot & Numbers Games Statewide Promotions

Increased payouts for Pick 3/Pick 4 Bonus Weeks and cross-promotions with Powerball, Mega Millions, Lotto, and Little Lotto to drive players to lottery locations.

Retailer Incentives

New, performance-based incentive programs to add still more to your bottom line.

Northstar Core Values

Integrity, Transparency, Inclusivity, Responsibility.

Even More Money for Retailers

New 1% cashing bonus for all tickets cashed in-store means an extra **$10 million – $11 million** annually for Lottery retailers (based on previous 12 months' sales).

New Retailer Website

Internet access to financial reports, accurate inventory tracking, and upgraded accounting capabilities.

Managed by:
Northstar Lottery Group

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Overcoming Retailer Concerns

OVERCOMING CONCERNS

CONCERN: **Retailer commissions don't seem high enough to make it worth my time.**

KEEP IN MIND THAT:

- Average retailer commissions in Fiscal Year 2010 were over $15,000. In addition, you will receive a 1% selling bonus on all games sold at your store. *(NOTE: Refer to more localized commission information on sales by county/ zipcode tool for CY 2009 and predicted increases).*
- Higher commissions are easy, since it takes no more work to sell a $20 ticket and earn $1 commission than it does to sell a $1 ticket and earn $.05.
- Lottery products are a volume business, like coffee, cigarettes, and newspapers, with a stronger profit per square foot than other consumer goods.
- With the state-of-the-art equipment provided, transactions are very fast. There is no need for additional labor and it won't slow down customer service.
- Unlike other consumer products, there are no inventory carrying costs. You pay when the product sells – this saves on any upfront costs.
- Lottery players spend more money per visit; visit more often; and almost always purchase other products along with their lottery tickets. The Lottery will draw more customers into your store.

CONCERN: **Transactions and accounting seem time consuming.**

KEEP IN MIND THAT:

- Lottery equipment is state-of-the-art, with quick transaction processing – the Altura® GT1200 lottery terminal is newer, quicker, and very reliable.
- Terminal transactions are very easy for staff to learn, and ongoing training support is available.
- The Lottery has several self-service tools that help reduce the time it takes for a clerk to wait on a customer, including self-service instant ticket dispensing machines, jackpot signs, and ticket checkers. If eligible, your location could receive all of these tools.
- If high jackpots drive players into your shop, this will probably generate sales of other products. In fact, according to a National Association of Convenience Store (NACS) study, 95% of players buy something else when they are in the store.
- Terminal reporting and tracking speed up store accounting and reconciliation time. The initial training you receive as a new retailer also includes setting up simplified accounting for your store.

CONCERN: **Daily game players will disrupt business.**

KEEP IN MIND THAT:

- Daily traffic from these players is actually good news as it will help support the sales of other products in your store. In fact, according to a National Association of Convenience Store (NACS) study, 95% of players buy something else when they are in the store.
- Lottery players can help increase the sales of your core business, as lottery players visit more often, spend more money and buy other products. A NACS study showed that lottery players:
  - Visit stores 26% more frequently than non-lottery customers.
  - Spend twice as much per visit.
  - Buy other products along with their lottery purchase 95% of the time.
- It's fine to ask players to use play slips for these games, which will help speed up the processing.

CONCERN: **There is no room for equipment.**

KEEP IN MIND THAT:

- The equipment footprint has shrunk significantly over the years; terminal is now smaller than a register. (***Note: share photos and dimensions.***)
- Flexible installation solutions allow some of the equipment – ticket checker and ESMM – to be located in various locations in the store.
- According to a National Association of Convenience Stores survey, the lottery footprint has a strong profit per square foot – $298 vs. $8 combined for all other products. So it's worth the space.
- Lottery products, especially instant tickets, are an impulse sale driven by convenience and counter display, like candy, gum, etc. Having proper placement will significantly increase sales.

CONCERN: **Employees might steal tickets.**

KEEP IN MIND THAT:

- The initial training you receive as a new retailer also includes setting up simplified accounting for your store. Our sales staff will continue to work with you at every visit if necessary.
- Terminal reporting and tracking shorten accounting and reconciliation time.
- Some of the self-service devices, like instant ticket dispensing machines, actually take the concern about loss away, since they give limited access to the inventory and automate most of the accounting (***Note: Not all retailers will be eligible for ticket dispensing machines.***)

CONCERN: **There are no winners or not enough winners in lottery games.**

KEEP IN MIND THAT:

- *Note: Be prepared to share stories about local winners or information on amounts of local winners.*
- 58 cents of every dollar sold (58% of sales) is paid out to players in the form of prizes; that amounted to $1.27 billion in Fiscal Year 2010. (FYI: $.30 goes to the support of K-12 public education, capital projects, and other worthy causes, $661 million in Fiscal Year 2010; $.07 goes to retailer and vendor commissions and bonuses, $149 million in Fiscal Year 2010; only $.05 goes to other operating expenses, including salaries, advertising, and communications, $118 million in Fiscal Year 2010.)
- Lottery winners equal more profits to retailers, since you will receive a generous selling bonus of 1% on all winning games sold at your store. (Powerball and Mega Millions bonuses are capped at $500,000.)
- The Common School Fund, the Capital Projects Fund, and worthy causes funded by specialty tickets (veterans' programs, cancer research, etc.) are also winners, with $625 million, $32.875 million, and $4 million received respectively in Fiscal Year 2010.

CONCERN: **Money doesn't really go to a good cause.**

KEEP IN MIND THAT:

- 30 cents on every dollar sold (30% of sales) goes to the Common School Fund, the Capital Projects Fund, and other worthy causes funded by specialty tickets: $625 million, more than $32 million, and $4 million respectively in Fiscal Year 2010. (FYI - $.58, or 58% of sales, is paid out to players in the form of prizes; that amounted to $1.27 billion in Fiscal Year 2010. $.07 goes to retailer and vendor commissions and bonuses; $149 million in Fiscal Year 2010. Only $.05 goes to other operating expenses, including salaries, advertising and communications; $118 million in Fiscal Year 2010.)
- Lottery profits up to $625 million are deposited into the state's Common School Fund, which helps finance K-12 public schools throughout Illinois.
- Profits over the $625 million cap go to the Illinois Capital Projects Fund. In FY 2010, the Lottery transferred $32.875 million to support infrastructure and transportation projects, higher education, water and sewer upgrades, and more capital projects throughout the state.
- In addition, the Lottery offers several "specialty" instant games that benefit other worthy causes. In Fiscal Year 2010, the Lottery raised over $4 million for Illinois veterans' support programs, breast cancer research and education, HIV/AIDS awareness and support initiatives, and multiple sclerosis research.
- The Illinois Lottery, with sales of $2.2 billion in Fiscal Year 2010, is the fourth largest revenue generator in the state, contributing more than $661 million annually to the State of Illinois.
- With operating expenses of less than 5% of sales, the Illinois Lottery is one of the most cost-efficient and profitable lotteries in the world.

NOTE: Use annual report to show local support; be prepared to talk about safe gaming initiatives.

CONCERN: **My religious beliefs say that the lottery is bad.**

KEEP IN MIND THAT:

- The Illinois Lottery is committed to responsible gaming. Only people who are 18 years of age or older can play all the Illinois Lottery games, and problem gamblers are encouraged to join the Lottery's self-exclusion program.
- The Illinois Lottery provides help for players with gambling problems – 1-800-GAMBLER (1-800-426-2537).
- The Illinois Lottery, with sales of $2.2 billion in Fiscal Year 2010, is the fourth largest revenue generator in the state, contributing more than $661 million annually to the State of Illinois.
- With operating expenses of less than 5% of sales, the Illinois Lottery is one of the most cost efficient and profitable lotteries in the world.
- Money raised by the Lottery supports the children of Illinois. Lottery profits up to $625 million are earmarked for the state's Common School Fund (CSF), which helps finance K-12 public schools throughout the state.
- In addition to raising money for public education, the Lottery offers several "specialty" instant games that benefit other worthy causes. In Fiscal Year '10 the Lottery raised more than $4 million for Illinois veterans' support programs, breast cancer research and education, HIV/AIDS awareness and support initiatives, and multiple sclerosis research.
- Profits over the $625 million cap go to the Illinois Capital Projects Fund. In FY 2010, the Lottery transferred $32.875 million to support infrastructure and transportation projects, higher education, water and sewer upgrades, and more capital projects throughout the state.
- ***NOTE: Use annual report to show local support; be prepared to talk about safe gaming initiatives.***

Illinois LOTTERY

Profit Per Square Foot

Case Study:

Lottery Grows Sales and Profit

ANYTHING'S POSSIBLE™

Question

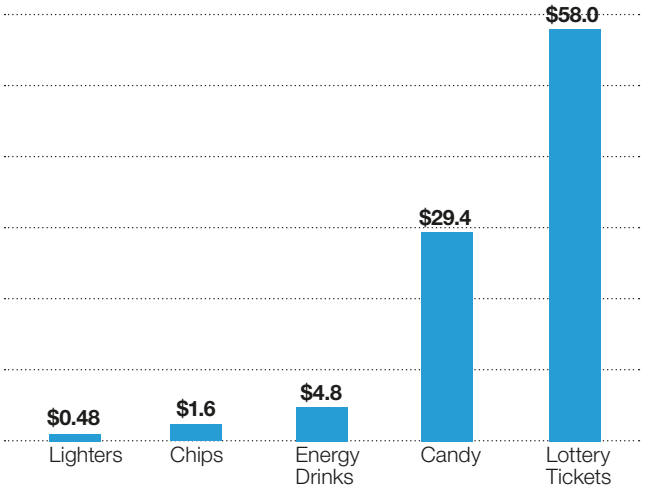
How Does Lottery Add Dollars to Your Bottom Line?

Answer

Lottery Outsells Other Popular Items

Lottery is a $58 billion industry in the U.S. Compare that with other popular items you may sell.

Sales Per Year (Billions)



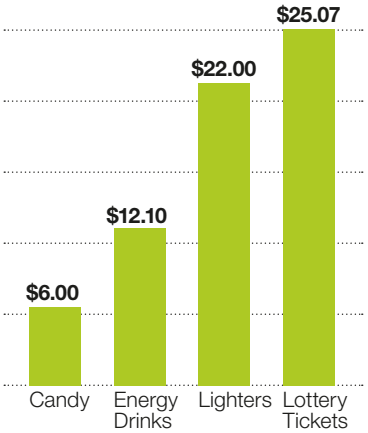
The Illinois Lottery has generated more than $17 billion for the Common School Fund since its inception.

Answer

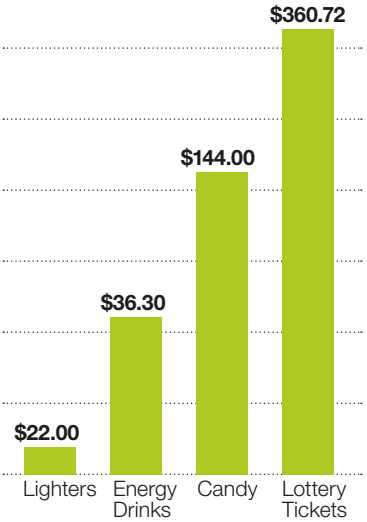
Lottery Profits Outperform Other Popular Items

Profit revenue and profit per square foot (PPSF) of floor or counter space are much greater for lottery than for many other items – and there's no upfront cost.

Avg. Weekly Profit Per Square Foot



Avg. Weekly Gross Profit



Weekly Profits / PPSF

	Candy	Energy Drinks	Lighters	Lottery
Upfront cost of goods	$153.00	$103.00	$212.00	$0*
Retail price per unit	$0.99	$2.50	$1.29	$1.65 avg.
Gross sales per week	$297	$137.50	$64.50	$6,679.20
Gross profit per unit	$0.48	$0.66	$0.44	$0.089
Profit percentage	48%	26%	34%	5.4%**
Units sold per week***	300	55	50	4,048
Gross profit per week	$144.00	$36.30	$22.00	$360.72
Sq. ft. to display	24	3	1	14
Profit per sq. ft.	$6.00	$12.10	$22.00	$25.07

*$10 service fee.
**Average Illinois Lottery retailer aggregate earnings. Includes 5% commission plus 1% cashing bonus and 1% selling bonus on winning tickets.
***Based on current sales (week ending 5/6/12)

Sales Needed to Equal Average Lottery Gross Profit

	Units sold per week (avg.)	Units needed to equal average lottery profit	% increase needed
Candy	300	751/wk	150%
Energy Drinks	55	546/wk	923%
Lighters	50	818/wk	1,636%

Source (for Sq. feet information): NACS FY 09

Pete's Fresh Market Proposal

Proposal for Pete's Fresh Market

Prepared by
Northstar Lottery Group

Date:
June 14, 2012

Please contact Vanessa Davis, Business Development Associate, at (630) 486-0526 to learn more about what the Illinois Lottery can do for you.

Illinois LOTTERY®

ANYTHING'S POSSIBLE™

Pete's fresh Market

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Why Partner with the Illinois Lottery?

The NEW Illinois Lottery will add significant revenue, drive traffic to your stores, increase your core business, and bring to Pete's Fresh Market the same principle values on which the company was founded: *great service, great product,* and *great value*.

Great Service: As a two-time Talk of the Town Award winner, you have clearly made service a top priority. Your customers are already playing lottery games: By offering lottery products, you will increase your customer satisfaction and loyalty even more, as well as improve your revenues.

Great Product: In the 7 zip codes in which Pete's Fresh Markets are located, players have won more than $28 million since January 1, 2012. Back-to-back giant jackpot winners and games such as Cash for Life have everyone in Illinois talking – and playing. And all net Lottery profits support the Common School and Capital Projects Funds.

As a result of new products, brand transformation initiatives, and innovative sales and marketing programs implemented by Northstar Lottery Group, Illinois Lottery sales are up by $500 million (18.5%) and Lottery retailers have earned 30% more, or an additional $25 million, in commissions YTD. Retailers earn 5% commission on every ticket sold plus a 1% cashing bonus on all winning tickets cashed by your store and a 1% selling bonus on winning tickets of $1,000 or more sold – up to $500,000 per ticket. Since January 1, 2012, Lottery retailers have earned more than $2.5 million in selling bonuses. Just recently, two Illinois retailers each received $500,000 for selling winning Mega Millions tickets! And like other consumer good products, the Illinois Lottery has implemented incentive programs, paying out more than $1.7 million in additional commissions in the last year.

Great Value: Upscale Chicago-area grocery chains similar to Pete's average more than **$39,000 net** lottery revenue annually—**per store**. Plus, when customers win mid-tier prizes ($100–$200), they tend to reinvest in your store by purchasing additional products.

Like you, we pride ourselves on our customer service. That's why we have developed a **customized sales and marketing plan specifically for Pete's** and will work with you to ensure selling lottery is a profitable and enjoyable experience for you and your customers.

Lottery Sales and Revenue – High-End Chicago Area Chains

Grocery Chain	Number of Stores	Average Weekly Sales per Store	Average Weekly Sales Total	Average Annual Net Revenue per Store*
Store X	8	$ 16,006	$ 128,028	$ 44,945
Store Y	8	$ 15,087	$ 120,696	$ 42,364
Store Z	9	$ 10,945	$ 98,505	$ 30,735

Based on sales from quarter ending March 31, 2012.
*5.4% aggregate includes 5% commission on every ticket sold plus cashing and selling bonuses.

We don't just sell tickets. We sell possibilities.

The Illinois Lottery: See what you didn't even know you were missing!

We recognize the tremendous value that Pete's Fresh Market can bring to the Illinois Lottery and good causes it supports. Therefore, we will partner with you to establish strong lottery sales in all nine of your locations. What do we offer?

- → State-of-the-art equipment at no cost, including Gemini self-service machine selling both instant and draw games, minimizing work of your employees (see next page).
- → An investment of approximately $1,000 per store on professional, eye-catching merchandising visuals to drive sales (see next page). All equipment and merchandising incorporates the clean look of your high-end grocery store.
- → All nine locations can be managed through your accounting department, using one bank account. This is available through our sales portal; only two authorized team members will have access to the portal information.
- → Program dedicated to jump-starting lottery sales in your stores, with promotional support valued at $12,600, plus free Lucky Day Lotto tickets, significant labor investment, and merchandising (see details following).

In-Store Marketing Support Just for Pete's Fresh Markets

Northstar Lottery Group will dedicate to your account a Retail Specialist who will work directly with Pete's Fresh Market developing a plan to establish lottery sales, aligned with your sales and marketing plans. To maximize lottery revenues in the shortest possible time, we will train your staff on lottery products and sales tactics, make your existing customers aware that Pete's Fresh Market now offers lottery products, and encourage trial.

Specific initiatives for all 9 locations will include:

- → Weekly "ambassador" programs promoting lottery purchases, including free instant tickets giveaways. Approximately 200 $1 instant tickets will be given away each week for six weeks, for a total value of **$10,800**.
- → Two second chance promotions per store, where players can enter non-winning tickets for a chance to win prizes including 10 prizes of $10 worth of Lottery tickets, for a total value of **$1,800**.
- → A week-long terminal promotion available only at Pete's Fresh Markets: Buy $3 in Mega Millions, get a free $1 Lucky Day Lotto ticket.
- → Promotions advertised via your store flier, Website and Facebook.

We strongly believe that these initiatives will establish robust lottery sales and benefit your bottom line, both directly and indirectly, this calendar year.

At any given moment, we can change someone's day. Or even their life. And we can bring fun to everyone who plays.

State-of-the-Art Equipment and Merchandising at No Cost to You

Sharp, contemporary, easy to use equipment makes selling lottery a snap yet takes up very little space.

Gemini Self-Service Machine

Installed in high-end and high-volume retailers such as **Jewel, Dominick's, Tony's Finer Foods, Butera's, Caputo's** – and coming soon, all seven **Treasure Island** locations – the Gemini sells instant and draw games at the touch of a button. Retailers love the labor-saving, time-saving, Gemini self-service machine!

On-Counter Merchandising Unit & Check-A-Ticket

Sleek, new on-counter merchandising units create a single, compact lottery destination. Check-a Ticket allows players to check their own tickets while your sales associates concentrate on selling.

Instant Ticket Dispensers

Stackable for space savings. Attractive units showcase instant tickets to stimulate sales.

Compact Lottery Sales Terminal

Just 9.4" x 17.4" for easy placement on store counters. Easy touch screen with the most robust and reliable technology available to sell and redeem game tickets. The terminal comes complete with a quick and quiet thermal printer and an integrated printer stand.

Advertising Display

17" flat-screen monitor displays information about winners, jackpots, games, promotions, etc., and encourages impulse purchase of lottery games at checkout.

Triple Jackpot Sign

Mounts in windows to attract players from outside and drive them into stores. Wirelessly updated, always displays correct jackpots.

Little Lotto Retailer Agreement Form

LITTLE LOTTO

2-Week Clerk Ask for the Sale Promotion Retailer Agreement Form

I agree to participate in the new Little Lotto Ask for the Sale Promotion beginning in April 2012, and to follow the rules outlined below. I understand that my location will be visited periodically by my Lottery Sales Representative and/or mystery shopper; if my location is not following the rules I will return the free tickets or agree to be billed for these tickets.

1. Have all store personnel ask every customer 18 years of age and older to purchase the new Little Lotto from the Illinois Lottery.
2. Post new Little Lotto Ask for the Sale promotional point of sale material in a visible location at the point of purchase.
3. Have store personnel waiting on customers wear Ask for the Sale stickers, tags or buttons where they are visible.
4. Give customers a free $1 promotional instant ticket (100 provided per store) if store personnel fail to "Ask for the Sale," and log, on tracking sheet provided, ticket number and clerk name. The completed log must be provided to Lottery Sales Representative at the end of the promotion.
5. At the conclusion of the promotion after properly logging all tickets awarded to customers on provided form, share remaining instant tickets from promotion with staff.
6. I understand and agree that promotional instant tickets will not be sold.

Retailer Name	Beginning of Promotion: Range of Tickets Provided to	Beginning of Promotion: Signature
Retailer Number	End of Promotion: Number of Tickets Awarded to Clerk	End of Promotion: Signature
Retailer Name	Beginning of Promotion: Range of Tickets Provided to	Beginning of Promotion: Signature
Retailer Number	End of Promotion: Number of Tickets Awarded to Clerk	End of Promotion: Signature
Retailer Name	Beginning of Promotion: Range of Tickets Provided to	Beginning of Promotion: Signature
Retailer Number	End of Promotion: Number of Tickets Awarded to Clerk	End of Promotion: Signature
Retailer Name	Beginning of Promotion: Range of Tickets Provided to	Beginning of Promotion: Signature
Retailer Number	End of Promotion: Number of Tickets Awarded to Clerk	End of Promotion: Signature
Retailer Name	Beginning of Promotion: Range of Tickets Provided to	Beginning of Promotion: Signature
Retailer Number	End of Promotion: Number of Tickets Awarded to Clerk	End of Promotion: Signature
Retailer Name	Beginning of Promotion: Range of Tickets Provided to	Beginning of Promotion: Signature
Retailer Number	End of Promotion: Number of Tickets Awarded to Clerk	End of Promotion: Signature
Retailer Name	Beginning of Promotion: Range of Tickets Provided to	Beginning of Promotion: Signature
Retailer Number	End of Promotion: Number of Tickets Awarded to Clerk	End of Promotion: Signature
Retailer Name	Beginning of Promotion: Range of Tickets Provided to	Beginning of Promotion: Signature
Retailer Number	End of Promotion: Number of Tickets Awarded to Clerk	End of Promotion: Signature

Retailer Name	Beginning of Promotion: Range of Tickets Provided to	Beginning of Promotion: Signature
Retailer Number	End of Promotion: Number of Tickets Awarded to Clerk	End of Promotion: Signature
Retailer Name	Beginning of Promotion: Range of Tickets Provided to	Beginning of Promotion: Signature
Retailer Number	End of Promotion: Number of Tickets Awarded to Clerk	End of Promotion: Signature
Retailer Name	Beginning of Promotion: Range of Tickets Provided to	Beginning of Promotion: Signature
Retailer Number	End of Promotion: Number of Tickets Awarded to Clerk	End of Promotion: Signature
Retailer Name	Beginning of Promotion: Range of Tickets Provided to	Beginning of Promotion: Signature
Retailer Number	End of Promotion: Number of Tickets Awarded to Clerk	End of Promotion: Signature
Retailer Name	Beginning of Promotion: Range of Tickets Provided to	Beginning of Promotion: Signature
Retailer Number	End of Promotion: Number of Tickets Awarded to Clerk	End of Promotion: Signature
Retailer Name	Beginning of Promotion: Range of Tickets Provided to	Beginning of Promotion: Signature
Retailer Number	End of Promotion: Number of Tickets Awarded to Clerk	End of Promotion: Signature
Retailer Name	Beginning of Promotion: Range of Tickets Provided to	Beginning of Promotion: Signature
Retailer Number	End of Promotion: Number of Tickets Awarded to Clerk	End of Promotion: Signature
Retailer Name	Beginning of Promotion: Range of Tickets Provided to	Beginning of Promotion: Signature
Retailer Number	End of Promotion: Number of Tickets Awarded to Clerk	End of Promotion: Signature
Retailer Name	Beginning of Promotion: Range of Tickets Provided to	Beginning of Promotion: Signature
Retailer Number	End of Promotion: Number of Tickets Awarded to Clerk	End of Promotion: Signature
Retailer Name	Beginning of Promotion: Range of Tickets Provided to	Beginning of Promotion: Signature
Retailer Number	End of Promotion: Number of Tickets Awarded to Clerk	End of Promotion: Signature
Retailer Name	Beginning of Promotion: Range of Tickets Provided to	Beginning of Promotion: Signature
Retailer Number	End of Promotion: Number of Tickets Awarded to Clerk	End of Promotion: Signature

LSR Region Number	LSR Number	LSR Name

Lucky Day Lotto Mystery Shopper Form

Ask for the Sale Promotion Mystery Shopper Form

Lucky Day LOTTO with EZmatch™

Illinois LOTTERY ANYTHING'S POSSIBLE™

Promotion Rules

1. Have all store personnel wear Ask for the Sale lanyards and ask every customer 18 years of age and older to purchase a Lucky Day Lotto with *EZ*match ticket.
2. Post Lucky Day Lotto with *EZ*match Ask for the Sale promotional point of sale material in a visible location at the point of purchase.
3. Have store personnel waiting on customers wear Ask for the Sale lanyards where they are visible.
4. Give customers one of the 100 free $1 promotional instant tickets provided by the Lottery if store personnel fail to "Ask for the Sale," and log, on tracking sheet provided, ticket number.
5. At the conclusion of the promotion (May 26, 2012), after my LSR visits my store to account for all tickets, share remaining instant tickets from promotion with staff.
6. Promotional instant tickets must not be sold.

Retailers in compliance with Rules 1-6 receive on-the-spot merchandise prizes.

Retailers will be removed from promotion if:

A. Retailer opts out and request to be removed.

B. Retailer not active/in good standing during the promotion.

C. Retailer not compliant/not willing to be compliant with rules at end of visit.

Mystery Shopper Name

Retailer Name			Retailer No.	Date of visit	No. tickets awarded
Asked for the sale? ☐ Yes ☐ No	POS? ☐ Yes ☐ No	Lanyard? ☐ Yes ☐ No	Tickets if not asked? ☐ Yes ☐ No ☐ N/A	Accounting? ☐ Yes ☐ No	Compliant? ☐ Yes ☐ No
If compliant, prize awarded? ☐ Yes ☐ No	If disqualified, reason (see rules) ☐ A ☐ B ☐ C	Specify issue(s)		Retailer signature	

Retailer Name			Retailer No.	Date of visit	No. tickets awarded
Asked for the sale? ☐ Yes ☐ No	POS? ☐ Yes ☐ No	Lanyard? ☐ Yes ☐ No	Tickets if not asked? ☐ Yes ☐ No ☐ N/A	Accounting? ☐ Yes ☐ No	Compliant? ☐ Yes ☐ No
If compliant, prize awarded? ☐ Yes ☐ No	If disqualified, reason (see rules) ☐ A ☐ B ☐ C	Specify issue(s)		Retailer signature	

Retailer Name			Retailer No.	Date of visit	No. tickets awarded
Asked for the sale? ☐ Yes ☐ No	POS? ☐ Yes ☐ No	Lanyard? ☐ Yes ☐ No	Tickets if not asked? ☐ Yes ☐ No ☐ N/A	Accounting? ☐ Yes ☐ No	Compliant? ☐ Yes ☐ No
If compliant, prize awarded? ☐ Yes ☐ No	If disqualified, reason (see rules) ☐ A ☐ B ☐ C	Specify issue(s)		Retailer signature	

Retailer Name			Retailer No.	Date of visit	No. tickets awarded
Asked for the sale? ☐ Yes ☐ No	POS? ☐ Yes ☐ No	Lanyard? ☐ Yes ☐ No	Tickets if not asked? ☐ Yes ☐ No ☐ N/A	Accounting? ☐ Yes ☐ No	Compliant? ☐ Yes ☐ No
If compliant, prize awarded? ☐ Yes ☐ No	If disqualified, reason (see rules) ☐ A ☐ B ☐ C	Specify issue(s)		Retailer signature	

Retailer Name			Retailer No.	Date of visit	No. tickets awarded
Asked for the sale? ☐ Yes ☐ No	POS? ☐ Yes ☐ No	Lanyard? ☐ Yes ☐ No	Tickets if not asked? ☐ Yes ☐ No ☐ N/A	Accounting? ☐ Yes ☐ No	Compliant? ☐ Yes ☐ No
If compliant, prize awarded? ☐ Yes ☐ No	If disqualified, reason (see rules) ☐ A ☐ B ☐ C	Specify issue(s)		Retailer signature	

Lucky Day Lotto Receipt

LuckyDay LOTTO with EZmatch™

Ask for the Sale Promotion Promotional Ticket Return Receipt

Illinois LOTTERY ANYTHING'S POSSIBLE™

Retailer Location Name / Retailer Number

Retailer has been removed from promotion because:

☐ Retailer has opted out and requested to be removed.
☐ Retailer is not active/in good standing during the promotion.
☐ Retailer store at the time of the visit by an LSR or mystery shopper, is not compliant with at least 2 of the following rules (unless prior exceptions are approved by Northstar)

a. Ask for the Sale advertising display surround POS posted
b. Clerk asking for the sale
c. Clerk wearing lanyard
d. Clerks rewarding players if they do not ask for the sale
e. Store keeping accurate accounting of tickets awarded to players.

Lottery Representative has taken possession of promotional ($1 Cash For Life) tickets previously supplied:

No. of Tickets

Ticket Range

Retailer Name (printed)

Retailer Signature

Date

Lottery Representative Name (printed)

Lottery Representative Signature

Date

(LOTTERY COPY)

LuckyDay LOTTO

Ask for the Sale Promotion Promotional Ticket Return Receipt

Illinois LOTTERY ANYTHING'S POSSIBLE™

Retailer Location Name / Retailer Number

Retailer has been removed from promotion because:

☐ Retailer has opted out and requested to be removed.
☐ Retailer is not active/in good standing during the promotion.
☐ Retailer store at the time of the visit by an LSR or mystery shopper, is not compliant with at least 2 of the following rules (unless prior exceptions are approved by Northstar)

a. Ask for the Sale advertising display surround POS posted
b. Clerk asking for the sale
c. Clerk wearing lanyard
d. Clerks rewarding players if they do not ask for the sale
e. Store keeping accurate accounting of tickets awarded to players.

Lottery Representative has taken possession of promotional ($1 Cash For Life) tickets previously supplied:

No. of Tickets

Ticket Range

Retailer Name (printed)

Retailer Signature

Date

Lottery Representative Name (printed)

Lottery Representative Signature

Date

(RETAILER COPY)

Lucky Day Lotto Tracking Sheet

Ask for the Sale Promotion Promotional Ticket Tracking Sheet

Retailer Name	Retailer No.	Promotional Ticket Range to	Signature

Please make sure to log each ticket given to a customer as part of the Lucky Day Lotto Ask for the Sale promotion, along with date and name of the sales associate or clerk who awarded the ticket.

Remember to hold all non-awarded tickets until your Lottery Sales Representative logs results at promotion's end.

No.	Promo Ticket No.	Date	Sales Associate Name
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			

No.	Promo Ticket No.	Date	Sales Associate Name
26			
27			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41			
42			
43			
44			
45			
46			
47			
48			
49			
50			

No.	Promo Ticket No.	Date	Sales Associate Name
51			
52			
53			
54			
55			
56			
57			
58			
59			
60			
61			
62			
63			
64			
65			
66			
67			
68			
69			
70			
71			
72			
73			
74			
75			

No.	Promo Ticket No.	Date	Sales Associate Name
76			
77			
78			
79			
80			
81			
82			
83			
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86			
87			
88			
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100			

To be eligible for the Lucky Day Lotto Ask for the Sale Promotion, you must complete the following four items, and remain active and in good standing to for the entire promotion period from May 13, 2012 – May 26, 2012.

1. Clerks must Ask for the Sale
2. Clerks must wear an Ask for the Sale lanyard
3. Ask for the Sale Point of Sale materials must be displayed
4. Promotional instant ticket must be logged to track award to customers

Cash for Life Retailer Incentive

Cash For Life Family of Games Retailer CASH Incentive

Win up to $2,800 Cash

You Keep Selling, We'll Keep Paying

3,216 Prizes Totaling $444,000 Cash to Be Awarded

DISPENSER DIMENSIONS

Vertical Dispenser	Horizontal Dispenser
Width: 4.75″	Width: 13.69″
Depth: 8.5″	Depth: 8.5″
Height: 19.38″	Height: 7″

PRIZES

Monthly Prizes:

1,000 winners of $100 each month for three months – April, May, and June 2011 (3,000 winners total).

All qualifying entries for Monthly Prizes throughout the incentive period (April 5 – June 30, 2011) will be entered in the Regional Grand Prize drawing.

Lottery Regional* Grand Prizes:

Grand Prizes – $2,500: 2 winners per region (12 winners total).

Second Prizes – $1,000: 4 winners per region (24 winners total).

Third Prizes – $500: 30 winners per region (180 winners total).

*Equal number of prizes will be awarded for each Lottery region, 1-6.

HOW TO QUALIFY – IT'S EASY AS 1, 2, 3

1. Merchandise the Cash For Life Family of Games in the Lottery-provided special dispenser.
2. You will automatically receive one entry for each book of $1 $500 A Week For Life (IL771), $2 $1,000 A Week For Life (IL772), and $5 $2,500 A Week For Life! (IL773) settled. Books reported as stolen or books returned by a retailer will not qualify.
3. Remain active and in good standing with the Illinois Lottery at the time of each drawing.

DRAWINGS AND CASH AWARDS

The Lottery will conduct three (3) monthly drawings and one (1) Regional Grand Prize drawing. The first drawing, for entries generated from qualifying instant books settled April 5 – April 30, 2011, will be held on or about May 3, 2011; cash prizes for this drawing will be included in weekly settlements on the adjustment line by May 17, 2011. The second drawing, for entries generated from qualifying instant books settled May 1 – May 31, 2011, will be held on or about June 1, 2011; cash prizes for this drawing will be included in weekly settlements on the adjustment line by June 14, 2011. The third drawing, for entries generated from qualifying instant books settled June 1 – June 30, 2011, will be held on or about July 5, 2011; cash prizes for this drawing will be included in weekly settlements on the adjustment line by July 19, 2011. Entries generated from all qualifying instant books settled April 5 – June 30, 2011 will be sorted by the six (6) Lottery sales regions and entered into the Regional Grand Prize drawing, to be held on or about July 5, 2011. Cash prizes for the Regional Grand Prize drawing will be included in weekly settlements on the adjustment line by July 19, 2011. The Lottery and its private manager, Northstar Lottery Group, reserve the right to adjust these dates to ensure the accuracy and integrity of these drawings.

Each retailer, including multiple terminal locations, can win only once per month and only one Regional Grand Prize.

A chain with multiple locations can win at more than one location.

Lucky Day Lotto Sell-In Sheet

LITTLE LOTTO → **Lucky Day LOTTO** with EZmatch™

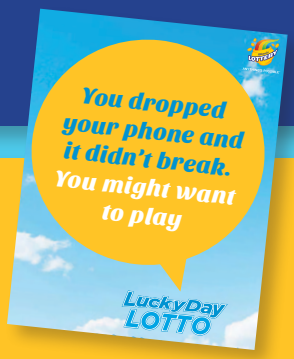
Illinois LOTTERY
ANYTHING'S POSSIBLE™

Player Promotion! Ask for the Sale Incentive! See Inside

April 29:

Little Lotto is becoming Lucky Day Lotto! It's the same $1 game with a fresh new look and name.

- Will **attract new players** while offering current Little Lotto players their favorite game!
- Players still **pick 5 out of 39 numbers.**
- Jackpot starts at **$100,000**.
- **4 ways to WIN**: Match 2, 3, 4 or 5 numbers. The more you match, the more you win.
- Over **35,000 winners** on average every single day.



Add EZmatch for $1 Win up to $500 Instantly

May 13:

Add *EZ*match™ to Lucky Day Lotto to Win Instantly

EZmatch Player Benefits

- New way to win instantly on a draw game!
- All prizes can be redeemed at retail. Top prize of $500 can be won instantly.
- Great overall odds – **better than 1 in 5!**
- Player's choice – Lucky Day Lotto can be played with or without *EZ*match.

EZmatch Retailer Benefits

- Attracts new players to draw games.
- Higher profits – $.10 commission on each Lucky Day Lotto with *EZ*match ticket.
- All *EZ*match prizes can be cashed in store – more cashing bonus and more money spent in your store.

1. **Play Lucky Day Lotto for the daily draw.**
2. **Add *EZ*match for $1 per play to win instantly. Each Lucky Day Lotto with *EZ*match game ticket will cost $2. *EZ*match numbers will be generated by the system.**
3. **Win instantly if any of the five *EZ*match numbers match any of the five Lucky Day Lotto numbers printed on the ticket. Player wins the prize amount listed next to the *EZ*match number. Players can win multiple times on a ticket; the prize will be the total of the winning prize amounts listed next to each *EZ*match number matched.**

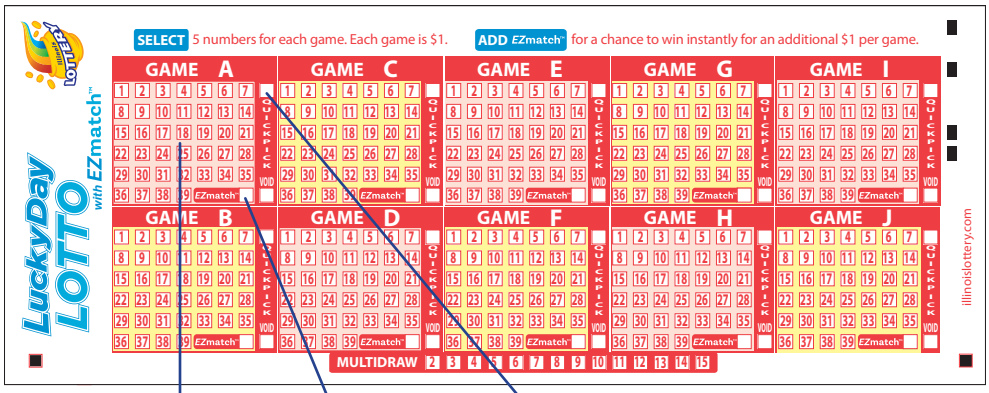
In this example, player wins $500 instantly

EZmatch Pay Table

Prize Level	Odds
$500	1:210,000
$100	1:5,000
$50	1:1,500
$20	1:350
$10	1:250
$5	1:100
$3	1:15
$1	1:8
Overall Odds	1:4.89

How to Play Plus More

Play slip



Lucky Day Lotto Numbers *EZ*match Quick Pick

How to Play Lucky Day Lotto with *EZ*match:

- Player picks 5 of 39 numbers to play Lucky Day Lotto using a play slip or asks for Quick Pick for the daily draw.
- To play *EZ*match, players must play the Lucky Day Lotto base game.
- Players receive one ticket with two sets of 5 numbers.

Cashing Winners:

- Since all *EZ*match prizes are under $600, ***EZmatch winners can cash their tickets instantly in the store and be issued a trailer ticket for the Lucky Day Lotto game drawing.*** OR, player can hold onto the winning ticket for that evening's Lucky Day Lotto drawing.

New Lucky Day Lotto Consumables

- How to Play brochures for Lucky Day Lotto with *EZ*match will be delivered by your Lottery Sales Representative.
- Newly designed play slips will be shipped on April 23. **Please discard any Little Lotto play slips you have left on April 29 and replace with your new Lucky Day Lotto play slips.**

Attention Gemini Retailers

- Stickers to change the Little Lotto buttons to Lucky Day Lotto will be mailed to you on April 20, along with instructions on how and when to apply them. GTECH will install the permanent buttons on the Gemini in the weeks subsequent to April 20.
- *EZ*match can only be purchased via the Gemini by use of a play slip.

Terminal Sales Details

- Players who select *EZ*match for multiple panels will receive separate tickets for each wager.
- Lucky Day Lotto tickets cannot be cancelled.
- A single board multidraw purchase will only allow one *EZ*match play.

Lucky Day Lotto Gemini Stickers will be mailed April 20

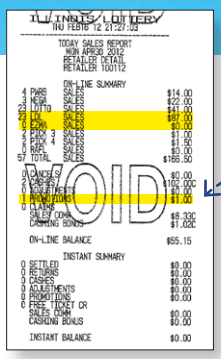
Lucky Days Ahead

April 3–June 25	**Spring into Sales** **Double Your Commission** **Retailer Incentive**
April 10–April 27	**Point of Sale & How to Plays** delivered by Lottery Sales Representatives
April 20	**Gemini button** stickers sent out
April 23	**Play slips** mailed directly to your store
April 29	**Lucky Day Lotto launch** Statewide **ad campaign launch**
April 30–May 12	**Player Promotion** to drive sales: Buy $5 or more in Lucky Day Lotto on one ticket, get a free $1 Lotto game
May 13	***EZ*match launch** Ask for the Sale retailers: peel off player promotion circle to show Ask for the Sale message behind
May 13–May 26	**Ask for the Sale Incentive** to drive sales and reward clerks

2 Terrific New Promotions to Make Increased Commissions EZ!

1. Player Promotion, April 30-May 12

To introduce Lucky Day Lotto, we're kicking off the launch with a 2-week **Buy $5 or more of Lucky Day Lotto on one ticket, get a $1 Lotto Quick Pick FREE** promotion. The terminal will automatically generate free play and the credit will appear on the promotion line of your **Today Sales Report.**



Promotion activity will appear on the Today Sales Report as shown here

Lucky Day Lotto with EZmatch launches May 13

2. Clerk Ask for the Sale Incentive, May 13-May 26

How does it work?

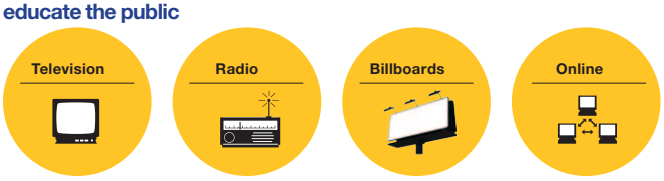
1. Store personnel wear Ask for the Sale lanyards and ask every customer 18 and over during promotion period to buy a Lucky Day Lotto with *EZ*match ticket.
2. The Lottery will provide 100 $1 instant game tickets ($500 A Week For Life!) free to each participating store.
3. If the clerk doesn't ask a customer to try Lucky Day Lotto with *EZ*match, the customer gets one of the promotional $1 Cash For Life tickets free, while supplies last.
4. Tickets remaining from the original 100 at the end of the promotion period are to be kept by the retailer and shared with the staff as a reward for a job well done!
5. Retailers agree to track promotional ticket distribution on log provided.
6. Lottery Sales Representatives and/or mystery shoppers will visit randomly selected locations running the program. Stores in compliance with promotion rules will be awarded Illinois Lottery Anything's Possible t-shirts.

What's in it for you?

1. The chance for your clerks to **win or share up to $500 a week for life** with 100 promotional $1 Cash For Life instant tickets.
2. Ask for the Sale promotional Point of Sale.
3. Lanyards to be worn by clerks/associates/retailers during the entire promotion period.
4. The chance to win additional merchandise prizes.
5. **Increased sales and increased commissions.** Retailers participating in the recent Powerball Ask for the Sale **realized a 47% increase** in Powerball sales and 17% increase in total draw game sales, versus non-participating retailers' 20% Powerball increase and 10% total draw game sales.

Lucky Day Lotto support

Statewide advertising campaign & point of sale to educate the public



Revised Spring Retailer Incentive Tracking Sheet

April 3, 2012 — June 25, 2012

Spring Incentive dates have been revised to match Settlement Weeks (Tues.-Mon.). To avoid any confusion, transfer your weekly sales goals from the tracking sheet previously provided.

Instant Games

Net Settlement (Settled minus Returns)
Goal: $.....

Draw Games

(Mega Millions, Powerball, Lotto, Lucky Day Lotto, Pick 3, Pick 4)
Draw Games Sales Goal $.....

Week	Net Settlements	Weekly Goal	Difference	Draw Sales	Weekly Goal	Difference
1 (4/3 – 4/9)	$.....	$.....	$.....	$.....	$.....	$.....
2 (4/10 – 4/16)	$.....	$.....	$.....	$.....	$.....	$.....
3 (4/17 – 4/23)	$.....	$.....	$.....	$.....	$.....	$.....
4 (4/24 – 4/30)	$.....	$.....	$.....	$.....	$.....	$.....
5 (5/1 – 5/7)	$.....	$.....	$.....	$.....	$.....	$.....
6 (5/8 – 5/14)	$.....	$.....	$.....	$.....	$.....	$.....
7 (5/15 – 5/21)	$.....	$.....	$.....	$.....	$.....	$.....
8 (5/22 – 5/28)	$.....	$.....	$.....	$.....	$.....	$.....
9 (5/29 – 6/4)	$.....	$.....	$.....	$.....	$.....	$.....
10 (6/5 – 6/11)	$.....	$.....	$.....	$.....	$.....	$.....
11 (6/12 – 6/18)	$.....	$.....	$.....	$.....	$.....	$.....
12 (6/19 – 6/25)	$.....	$.....	$.....	$.....	$.....	$.....

Total Weekly Net Settlements **$**.....

Incentive Net Settlement Goal **– $**.....

Exceeds Incentive Goal by **= $**.....

X 5% = $..... **Extra commission earned**

Total Weekly Draw Game Sales **$**.....

Incentive Draw Game Goal **– $**.....

Exceeds Incentive Goal by **= $**.....

X 5% = $..... **Extra commission earned**

Spring Retailer Incentive Program Official Rules

1. Lottery retailer must remain active and in good standing for the entire promotion period (4/3/2012–06/25/2012).
2. Separate 12-week instant game and draw game sales goals will be established for each retailer.
3. The Lottery will establish incentive sales goal for retailers with no prior year sales history using the average regional sales history. The Lottery reserves the right to establish a minimum incentive sales goal on a regional basis.
4. "Instant game sales" for the purposes of the incentive program will be instant games net settlements (settlements minus returns).
5. Locations with multiple devices will be considered a single retailer with a consolidated sales goal(s).
6. Retailers must exceed their assigned instant game incentive sales goal or draw game for the entire period to qualify for the increased commissions.
7. Retailers will receive an additional 5% increased commission for all instant and/or draw game sales over the incentive sales goal(s).
8. Books settled during the promotion period cannot be returned.
9. The Illinois Lottery and Northstar Lottery Group reserve the right to review retailer settlement and return activity to ensure the integrity of the incentive program. All incentive commissions will be paid as an Adjustment to the Settlement Report at the end of the incentive period, tentatively July 10, 2012.

Spectacular Mystery Shopper Incentive

Spectacular Mystery Shopper Incentive

Win up to $100 Cash & Merchandise for Your Clerks

Congratulations!

By showcasing the Cash For Life games in the special Lottery dispenser, your store has qualified to participate in a pilot Mystery Shopper Incentive being conducted only in suburban Chicago.

The Goal

Increase your store's sales and profit using proven Lottery merchandising and marketing strategies.

1. Increasing the number of instant game dispensers at the point of purchase.
2. Triple facing the limited edition $200,000,000 Cash Spectacular game.
3. Utilizing specific dispensers to draw attention to the Cash For Life games.
4. Asking every customer to purchase lottery products.

How You Qualify to Win Cash and Merchandise

1. Continue to showcase all three Cash For Life games in the specific dispenser provided.
2. Have dispensers with three facings of $200,000,000 Cash Spectacular on display.
3. Keep all lottery facings full (no stockouts at counter dispensers or in ITDM).
4. Remain in active and in good standing with the Lottery.
5. Have your clerks ask customers to purchase lottery products.

1. Continue to showcase all three Cash For Life games

2. Three facings of $200,000,000 Cash Spectacular

3. Keep all lottery facings full

How the Mystery Shopper Works

Driveline Retail Merchandising Services, an outside company, will send a mystery shopper into your store two times between September 20 and November 11, 2011.

→ If you meet the first 4 qualifications, you will win $50 and four of the merchandise prizes above to reward your clerks for promoting the Lottery.

→ If your clerk asks the mystery shopper to purchase a lottery product (see no. 5), that clerk will also win a Lottery wind shirt.

All cash prizes will be paid through an adjustment to your settlement statement. Cash prize awards for mystery shopper visits made September 20 – October, 14, 2011 will be paid as an adjustment on settlement statements October 25, 2011. Cash prize awards for mystery shopper visits made October 14 – November 11, 2011 will be paid as an adjustment on settlement statements, November, 22, 2011.

Mystery Shopper Visit Details

1. Mystery shopper will attempt to purchase an item from the clerk to determine if clerk is "asking for the sale" of Lottery products. Shopper may not actually purchase product.
2. Mystery shopper will identify themselves showing proper ID to clerk and/or manager on duty.
3. Mystery shopper will review rules of mystery shopper program with clerk and/or manager on duty, showing mystery shopper flier, and notify clerk and/or manager about qualifying for "ask for the sale" incentive based on shopping experience.
4. Mystery shopper will evaluate and record retailers achievement of the following:
   a. 3 facings of Cash Spectacular.
   b. All 3 Cash For Life games ($1, $2, and $5 products) available for sale in specially designated dispenser.
   c. All lottery dispensers are full.
5. Upon completion of the mystery visit, mystery shopper will review retailer performance and achievement of clerk "ask for the sale" and store incentive
   a. If retailer meets all 3 qualifications in point 4, mystery shopper will notify retailer of $50 award to be made via the adjustment line on their settlement statement and merchandise prizes that will be delivered by Lottery Sales Representative (LSR).
   b. If retailer does not meet all 3 qualifications, mystery shopper will notify retailer of merchandise consolation prize that will be delivered by LSR and continue to encourage participation and drive merchandising and marketing initiatives.
   c. If clerk "asks for the sale," mystery shopper notifies clerk and/or retailer of merchandise prize that will be delivered by LSR.
6. At the completion of wave 1 visit, mystery shopper will notify clerk and/or manager that wave 2 visit will give them another opportunity to qualify.
7. Mystery shopper has clerk/retailer sign form acknowledging visit and visit results.
8. Mystery shopper documents visit.
9. Retailers that continue to showcase Cash For Life games in the specially designated dispensers and remain in active and in good standing with the Lottery will qualify for a wave 2 visit.

Part I: Score Card
(to be filled out by mystery shopper)

☐ Wave 1 ☐ Wave 2

.....
Date

☐ 3 facings of Cash Spectacular.

☐ 3 Cash For Life games available for sale in specially designated dispenser.

☐ All lottery facings are full (no stockouts at counter dispensers or ITDM).

☐ Congratulations! You have met all the qualifications for this visit and will receive a $50 bonus on the adjustment line of your settlement statement and four of the merchandise prizes highlighted on the front of this flier. Your Lottery Sales Representative will be visiting you within the next 2 weeks to deliver your merchandise and notify you of the date that your settlement will reflect this award. Thank you for participating.

☐ Thank you for participating in the mystery shopper program. You did not meet the three qualifications of the program for this visit. However, your Lottery Sales Representative will be visiting you within the next 2 weeks to deliver consolation merchandise prizes to help you continue to drive sales.

Part II: Score Card
(to be filled out by mystery shopper)

☐ Wave 1 ☐ Wave 2

.....
Date

☐ Clerk asked mystery shopper to purchase any lottery product.

☐ Congratulations! You have met the qualification for the clerk “ask for the sale” mystery shopper program. Your Lottery Sales Representative will be visiting you within the next 2 weeks to deliver your wind shirt prize. Thank you for participating.

☐ Thank you for participating in the mystery shopper program. You did not meet the qualification of the “ask for the sale” program for this visit. However, your Lottery Sales Representative will be visiting you within the next 2 weeks to deliver consolation merchandise prizes to help you continue to drive sales in your store.

Congratulations!

Retailer Location Name and Number

You have met all the qualifications
for this visit and will receive a $50 bonus
and merchandise

Retailer Representative Signature / Date

Mystery Shopper Signature / Date

Retailer Representative Printed

Mystery Shopper Printed

Congratulations!

Clerk Name / Retailer Location and Number

You have met the qualification for the clerk
“ask for the sale” mystery shopper program
and will receive a Lottery wind shirt

Retailer Representative Signature / Date

Mystery Shopper Signature / Date

Retailer Representative Printed

Mystery Shopper Printed