

ALC Committees, 2012-13

Audit/Legal

Smokey Campbell
Bruce Engstrom
Steve Faris
Dianne Lamberth

Personnel

Steve Faris
George Hammons*
Dianne Lamberth
Patty Shipp

Retail

Smokey Campbell*
Raymond Frazier
George Hammons
Mike Malone

Higher Education

Raymond Frazier
Mike Malone
Patty Shipp*

*Chair FY 2012

NOTES:

Members listed alphabetically.

Ben Pickard serves *ex-officio* on all Committees.

All Commissioners are welcome at any Committee meeting.

Arkansas



Scholarship Lottery

Report from the Director
June 18, 2012

Comparative Income Statements

May 2012, 2011

GAAP Basis Income				Percentage
<u>Statement</u>	<u>May 2012</u>	<u>May 2011</u>	<u>Variance</u>	<u>Variance</u>
Revenues				
Instant tickets	\$ 31,133,757	\$ 37,743,125	\$ (6,609,368)	-17.5%
Online Tickets	5,711,983	5,491,745	220,238	4.0%
Retailer app. fidelity	<u>41,418</u>	<u>95,295</u>	<u>(53,877)</u>	<u>-56.5%</u>
TOTAL Revenues	<u>36,887,158</u>	<u>43,330,165</u>	<u>(6,443,007)</u>	<u>-14.9%</u>
Operating Expense				
Instant Prizes Net	22,057,348	26,815,662	(4,758,314)	-17.7%
Online Prizes Net	3,498,786	2,698,975	799,811	29.6%
Retailer Commissions	2,049,834	2,444,823	(394,989)	-16.2%
Gaming Contract Costs	1,873,633	2,585,150	(711,517)	-27.5%
Advertising	475,321	466,901	8,420	1.8%
General and Admin.	590,853	711,479	(120,626)	-17.0%
Other Agency Services	<u>109,440</u>	<u>28,100</u>	<u>81,340</u>	<u>289.5%</u>
TOTAL Operating Expenses	<u>30,655,215</u>	<u>35,751,090</u>	<u>(5,095,875)</u>	<u>-14.3%</u>
Operating Income	6,231,943	7,579,075	(1,347,132)	-17.8%
Interest Income	<u>31,965</u>	<u>35,458</u>	<u>(3,493)</u>	<u>-9.9%</u>
Income before transfers	\$ <u>6,263,908</u>	\$ <u>7,614,533</u>	\$ <u>(1,350,625)</u>	<u>-17.7%</u>
Net Proceeds	\$ 7,571,654	\$ 8,521,785	\$ (950,131)	-11.1%

Comparative Income Statements

Actual Versus Budget May 2012

GAAP Basis Income <u>Statement</u>	May 2012 <u>Actual</u>	May 2012 <u>Budget</u>	<u>Variance</u>	Percentage <u>Variance</u>
Revenues				
Instant tickets	\$ 31,133,757	\$ 36,488,659	\$ (5,354,902)	-14.7%
Online Tickets	5,711,983	6,362,251	(650,268)	-10.2%
Retailer app. fidelity	<u>41,418</u>	<u>47,130</u>	<u>(5,712)</u>	<u>-12.1%</u>
TOTAL Revenues	<u>36,887,158</u>	<u>42,898,040</u>	<u>(6,010,882)</u>	<u>-14.0%</u>
Operating Expense				
Instant Game Prizes	22,057,348	24,629,845	(2,572,497)	-10.4%
Online Game Prizes	3,498,786	3,319,066	179,720	5.4%
Retailer Commissions	2,049,834	2,399,370	(349,536)	-14.6%
Gaming Contract Cost	1,873,633	2,185,141	(311,508)	-14.3%
Advertising	475,321	375,000	100,321	26.8%
General and Admin.	590,853	757,796	(166,943)	-22.0%
Other Agency Service	<u>109,440</u>	<u>147,107</u>	<u>(37,667)</u>	<u>-25.6%</u>
TOTAL Operating Expenses	<u>30,655,215</u>	<u>33,813,325</u>	<u>(3,158,110)</u>	<u>-9.3%</u>
Operating Income	6,231,943	9,084,715	(2,852,772)	-31.4%
Interest Income	<u>31,965</u>	<u>18,333</u>	<u>13,632</u>	<u>74.4%</u>
Income before transfers	<u>6,263,908</u>	<u>9,103,048</u>	<u>(2,839,140)</u>	<u>-31.2%</u>
Net Proceeds	7,571,654	9,434,088	(1,862,434)	-19.7%

Comparative Income Statements

YTD May 31, 2012 Compared to May 31, 2011

<u>Statement</u>	<u>Actual</u> <u>YTD 5/31/12</u>	<u>Actual</u> <u>YTD 5/31/11</u>	<u>Variance</u>	<u>Percentage</u> <u>Variance</u>
Revenues				
Instant tickets	\$ 362,838,168	\$ 353,456,190	\$ 9,381,978	2.7%
Online Tickets	75,737,195	71,239,407	4,497,788	6.3%
Retailer app. fidelity	<u>545,794</u>	<u>981,837</u>	<u>(436,043)</u>	<u>-44.4%</u>
TOTAL Revenues	<u>439,121,157</u>	<u>425,677,434</u>	<u>13,443,723</u>	<u>3.2%</u>
Operating Expense				
Instant Prizes Net	254,097,590	246,256,898	7,840,692	3.2%
Online Prizes Net	38,215,803	35,052,820	3,162,983	9.0%
Retailer Commissions	24,601,665	23,992,271	609,394	2.5%
Gaming Contract Costs	22,535,561	22,096,421	439,140	2.0%
Advertising	3,850,365	3,959,864	(109,499)	-2.8%
General and Admin.	6,626,752	7,455,005	(828,253)	-11.1%
Other Agency Services	<u>1,203,840</u>	<u> </u>	<u>1,203,840</u>	<u>100.0%</u>
TOTAL Operating Expenses	<u>351,131,576</u>	<u>338,813,279</u>	<u>12,318,297</u>	<u>3.6%</u>
Operating Income	87,989,581	86,864,155	1,125,426	1.3%
Interest Income	<u>318,153</u>	<u>425,799</u>	<u>(107,646)</u>	<u>-25.3%</u>
Income before transfers	\$ <u>88,307,734</u>	\$ <u>87,289,954</u>	\$ <u>1,017,780</u>	<u>1.2%</u>
Net Proceeds	\$ 88,403,303	\$ 90,556,091	\$ (2,152,788)	-2.4%

ADHE Transfer Analysis

<u>Month</u>	<u>2012 Transfers</u>	<u>2011 Transfers</u>	<u>Over/Under 2011</u>	<u>Cumulative Balance</u>
July, 2011	\$7,152,903	\$8,540,913	\$1,388,010	\$1,388,010
August	7,543,554	7,966,836	423,282	1,811,292
September	6,973,180	7,404,758	431,578	2,242,870
October	8,133,706	7,215,546	918,160	1,324,710
November	7,994,126	8,256,269	262,143	1,586,853
December	7,888,279	6,696,765	1,191,514	395,339
January, 2012	5,522,747	9,033,775	3,511,028	3,906,367
February	9,729,593	8,229,742	1,499,851	2,406,516
March	12,827,373	10,292,244	2,535,129	128,613
April	7,066,188	8,397,458	1,331,270	1,202,657
May	7,571,654	8,521,785	950,131	2,152,788
June		<u>3,673,258</u>		
Totals	<u>\$88,403,303</u>	<u>\$94,229,349</u>		

Player Advertising Displays (PADs)

Overview

- PADs are a Point of Purchase (POP) monitor, similar to a TV, located near the terminal that allow for customizable static and video advertising.

Proposal

- The online gaming contract includes 400 monitors to be used for a monitor game in Arkansas.
- The ALC has asked to trade the monitors in and Intralot has proposed the 600 PADs.
- The PADs are a 17". The proposal also includes the software development, installation, cabling, and maintenance for the life of the contract.

PADs

Content

- The PADs will run content controlled and created by the ALC.

Jackpots & New Games

Top prize odds are 1 in 175, 223, 510.

CURRENT ESTIMATED POWERBALL JACKPOT

\$240 MILLION

POWERBALL® DRAWINGS AT 9:59 P.M. WEDNESDAYS & SATURDAYS

Watch for Winning Numbers on **KARK4** & **KNWA**
NORTHWEST ARKANSAS NEWS

NEW GAMES HOT OFF THE GRILL

Top prize odds are 1 in 175, 711, 536.

CURRENT ESTIMATED MEGA MILLIONS® JACKPOT

\$118 MILLION

MEGA MILLIONS® DRAWINGS AT 10:00 P.M. TUESDAYS & FRIDAYS

Watch for Winning Numbers on **KARK4** & **KNWA**
NORTHWEST ARKANSAS NEWS

EARN SEPTUPLE POINTS IN JUNE WITH JEWEL 7'S.

Check out the great prizes in the Points for Prizes™ store.

X7

Promotions Advertising

PADs

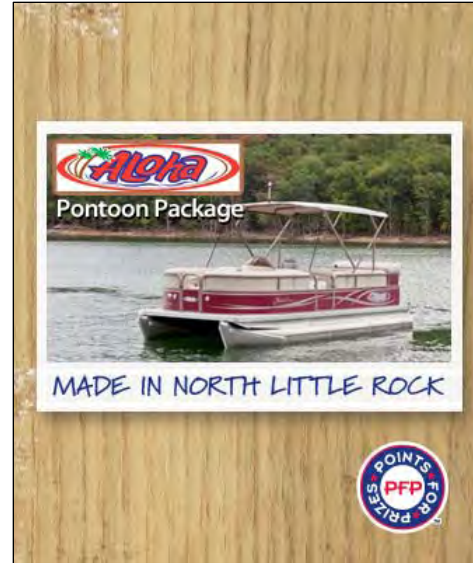


SUMMER SPATACULAR WITH POINTS FOR DRAWINGS

Use your Points for Prizes™ reward points and enter to win a Cantabria hot tub from Caldera Spas.

Enter by July 16, 2012. 100 points per entry.

[FIND OUT MORE DETAILS](#)



MADE IN NORTH LITTLE ROCK



FUN IN THE SUN WITH POINTS FOR DRAWINGS

Use your Points for Prizes™ reward points and enter to win an Aloha Tropical Series 210 Family Pontoon.

Enter by August 13, 2012. 150 points per entry.

[FIND OUT MORE DETAILS](#)

SECOND-CHANCE PROMOTION

ENTER YOUR NON-WINNING TICKETS FOR THE CHANCE TO WIN ONE OF FOUR HARLEY-DAVIDSON® FAT BOY® MOTORCYCLES.

[ENTER NOW](#)



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Player Alerts & Social Media

PADs



STAY CONNECTED

Get up-to-date information on new games, winners, second-chance drawings, jackpot alerts and so much more.

find us on
facebook®

For information on games or odds, visit any lottery retailer, myarkansaslottery.com, or call 501-683-2000. Call 1-800-522-4700 for problem gambling helpline. *Please play responsibly.*

PADs

ADHE – Arkansas Academic Challenge Scholarship



Arkansas Academic Challenge Scholarship

DON'T MISS THE DEADLINE!

JUNE 1

IS RIGHT AROUND THE CORNER.

If you're planning to attend college in the fall, complete the YOUiversal financial aid application by **June 1** at www.adhe.edu

APPLY NOW



"By receiving this scholarship, I am able to focus on my studies and to work in giving back to the community. As a result of this scholarship, I do not have to hold a full time job, and, in turn, I volunteer as a youth soccer coach for the City of Fayetteville. It certainly eases the burden of attending school and I am very grateful for this opportunity."

**James Russell | Fayetteville
University of Arkansas**

\$265,432,460

Arkansas Scholarship Lottery Net Proceeds To Date.

PADs

Social Alerts Responsibility



Arkansas
Scholarship Lottery

Please Play
Responsibly



National Council
on Problem Gambling

1.800.522.4700
ncpgambling.org



MORGAN NICK/AMBER ALERT

CHILD'S PHOTO

TEST MESSAGE

Female/Male Age

Hair Color

ABDUCTOR'S PHOTO

Last Seen: 2009 Vehicle Lic. #123456

FD
14

Contract Analysis

• SGI Contract Analysis	@1.92%	@1.81 %	Savings at 1.81% Percent		@1.75% + \$450K Savings at 1.75% Percent		
• Instant Games Sales	0.0192	0.0181	Saved	0.0175	Saved		
• 375,000,000	7,200,000	6,787,500	412,500	5.73%	7,012,500	187,500	2.60%
• 380,000,000	7,296,000	6,878,000	418,000	5.73%	7,100,000	196,000	2.69%
• 385,000,000	7,392,000	6,968,500	423,500	5.73%	7,187,500	204,500	2.77%
• 390,000,000	7,488,000	7,059,000	429,000	5.73%	7,275,000	213,000	2.84%
• 395,000,000	7,584,000	7,149,500	434,500	5.73%	7,362,500	221,500	2.92%
• 400,000,000	7,680,000	7,240,000	440,000	5.73%	7,450,000	230,000	2.99%
• 405,000,000	7,776,000	7,330,500	445,500	5.73%	7,537,500	238,500	3.07%
• 410,000,000	7,872,000	7,421,000	451,000	5.73%	7,625,000	247,000	3.14%
• 415,000,000	7,968,000	7,511,500	456,500	5.73%	7,712,500	255,500	3.21%
• 420,000,000	8,064,000	7,602,000	462,000	5.73%	7,800,000	264,000	3.27%
• 425,000,000	8,160,000	7,692,500	467,500	5.73%	7,887,500	272,500	3.34%
• 430,000,000	8,256,000	7,783,000	473,000	5.73%	7,975,000	281,000	3.40%
• 450,000,000	8,640,000	8,145,000	495,000	5.73%	8,325,000	315,000	3.65%
• 500,000,000	9,600,000	9,050,000	550,000	5.73%	9,200,000	400,000	4.17%
• 550,000,000	10,560,000	9,955,000	605,000	5.73%	10,075,000	485,000	4.59%
• 600,000,000	11,520,000	10,860,000	660,000	5.73%	10,950,000	570,000	4.95%
• 700,000,000	13,440,000	12,670,000	770,000	5.73%	12,700,000	740,000	5.51%
• 750,000,000	14,400,000	13,575,000	825,000	5.73%	13,575,000	825,000	5.73%

A. In consideration of and as a condition precedent for the following, the Arkansas Lottery Commission (ALC) has obtained all necessary reviews and approvals for an amendment to the August 25, 2009, Recital of Selected Options (the "Recital") for the remainder of the contract term.

B. The parties agree that the contract shall be amended to include following terms and definitions:

"Cooperative Services Program" or "CSP" - ~~Scientific Games International, Inc.~~ (SGI)'s integrated lottery sales, warehousing, distribution, and inventory tracking program described in detail in SGI's proposal.

"Properties Plus®" - SGI's player loyalty program that includes, but is not limited to, web-based players club, unlimited licensed properties, marketing support services, bonus prizes and fulfillment services as described in detail in SGI's proposal.

"Linked Games" - games implemented concurrently by more than one lottery featuring a shared pool of unique prizes or experiential trips offered as the top prize in the game. Licensing fees are waived for the ALC so long as the ALC participates in Properties Plus, however prizes associated with Linked Games must be purchased separately from SGI.

"In-Game Merchandise" - merchandise purchased by the ALC from the prize fund for a game and awarded as instant win prizes whereby a player scratches off a ticket and knows immediately that they have won such merchandise.

"Out of Game Merchandise" - merchandise purchased by the ALC either from the prize fund or other funds outside of and in addition to the instant win prize structure for a game awarded through a second chance mechanism, such as a separate drawing for such merchandise.

C. Amendment to the contract

1. As an incentive to the ALC for affirming the maintaining of the execution and terms of terms of the Recital, ~~Scientific Games International, Inc.~~ (SGI) will tender a cash payment of two million dollars (\$2,000,000) to the ALC on or before June 30, 2012. This will address any issues related to the printing of the first four (4) games from the date of contract.

2. The parties agree to amend the exclusivity clause in the Recital as follows:

The ALC shall have the right to obtain printing services from any third party for a game to the extent SGI is unable to print such game due to SGI's lack of printing capacity or inability to obtain the rights to any third party intellectual property (or a commercially acceptable alternative) that prevents the production of the applicable tickets. In the event that the ALC desires to obtain said printing services for a game from a different vendor, the ALC shall provide the information related to the proposed game to SGI in writing. SGI will have fourteen (14) days from the date of submission of the information by the ALC to provide notice to the ALC as to whether it has the capacity or legal ability to provide printing services to print the proposed game.

This language shall replace the language in the Recital which reads as follows:

"All prices are based upon Scientific Games being the exclusive ticket provider throughout the entire term of the contract."

3. The parties agree to amend the pricing proposal related to Properties Plus as follows in order to clarify the original intent and agreement of the parties regarding the purchase of merchandise by the ALC that is in addition to the merchandise prizes purchased for a particular game:

"As a Properties Plus customer, the ALC shall pay no additional license or royalty fees to participate in an instant game except as noted in item 5 below, nor, except as otherwise stated in the Agreement, will the ALC be required to purchase merchandise related to a specific brand as a part of the ALC's obligation to utilize that particular brand. The ALC may, in its discretion, elect to purchase merchandise prizes to be awarded either instantly ("In-Game Merchandise") or as pursuant to a second chance drawing for a game ("Out of Game Merchandise")."

4. SGI agrees to issue to the ALC a credit in the amount of \$200,000 specifically attributable to additional merchandise purchased by the ALC for ~~the~~ 'Monopoly®' (AR-060), 'Harley-Davidson®' (AR-045) and 'World Poker Tour®' (AR-032). Such credit may be used to purchase merchandise either for use as In-Game Merchandise, Out of Game Merchandise to be used either as prizes or as merchandise for the Points for Prizes program."

5. SGI agrees that in the event the ALC elects to participate in one or more Linked Games offered by SGI, the ALC shall pay a rate for any such Linked Games that is discounted by the rate paid to SGI by the ALC for Properties Plus. That rate shall consist of a combination of linked game fee ~~license fee~~ and prizing. Linked Games are games in which multiple lotteries utilize the same licensed brand and contribute a specified amount of money to a common prize fund that is shared by all participating lotteries.

6. The parties further agree to the following pricing changes to the percentages set forth in the Recital for services provided to the ALC:

Instant Ticket Lottery Game Services	1.58%
Web Site Marketing Services	0.09%
Play It Again/2nd Chance Drawing Management	0.14%
Tel-Sell	Included in Instant Ticket Lottery Games Services fee
Properties Plus	1.50% of Prize Fund
FailSafe	\$1.89/1000 tickets
Incentive	\$2 million paid by 6/30/12
PFP Reimbursement	<hr/>
	<hr/> <u>\$200,000 credit to be used as stated in paragraph 4 above. paid by 6/30/12</u>

The new rates shall be effective for all sales of ALC tickets effective July ~~1~~^{ne 30}, 2012.

C. Amendment to the Contract

1. To address any issues related to the printing of the first four (4) games from the date of the contract, SGI will tender a cash payment of two million dollars (\$2,000,000) to the ALC on or before June 30, 2012.
4. SGI agrees to issue to the ALC a credit in the amount of \$200,000 specifically attributable to additional merchandise purchased by the ALC for “Monopoly®” (AR-060), “Harley-Davidson®” (AR-045) and “World Poker Tour®” (AR-032). Such credit may be used to purchase merchandise either for use as In-Game merchandise, Out of Game merchandise.
6. The parties further agree to the following price changes to the percentages set forth in the Recital for services provided to the ALC:

Instant Ticket Lottery Game Services	1.58%
Web Site Marketing Services	0.09%
Play It Again/2 nd Chance Drawing Management	0.14%
Tel-Sell	Included in Instant Ticket Lottery Games Services Fee
Properties Plus	1.50% of Prize Fund for all instant games included in program
FailSafe	\$1.89/1000 tickets, printed and delivered