November 20, 2013

To: Scott Bowen, Lottery Commissioner

RE: Request for Proposal MSL-12-001, Evaluation Committee Final Rankings and Findings.

BACKGROUND INFORMATION:

Lottery issued Request for Proposal MSL-12-001 ("RFP") on January 8, 2013 to obtain a vendor for the development, implementation, operational support and maintenance of an iLottery System and iLottery Games. Bidders were requested to provide Proposals by March 26, 2013.

Lottery issued the RFP in order to achieve the following objectives:

- Deliver at least one hundred and eighteen ($118) million dollars in incremental profits to the Michigan School Aid Fund during the first four (4) years of iLottery operations and another three hundred and sixty-one ($361) million dollars over the following four (4) years.
- Maintain the highest standards for responsible gaming including player spending limits and age verification performance.
- Maintain the highest standards for geo-location verification of players within the State of Michigan.
- Enhance existing retail partnerships and establish the capability to support virtual types of retailers.
- Install a System and iLottery Games that will meet the needs of the Lottery for the duration ("Term") of the Contract.
- Obtain systems and services that are operationally sound, incorporate the highest level of integrity and security, and minimize risk for the Lottery and its customers.
- Obtain solutions that will lead to high standards for player satisfaction.
- Obtain systems flexible to meet the Lottery's evolving needs.
- Ensure that all proposed systems and services are ready to be operational by the agreed-upon schedule.

EVALUATION COMMITTEE:

The Evaluation Committee ("EC") for this RFP consisted of the following individuals:

Danny Bogus
Interactive Category Manager, Michigan Lottery

Paula Tarrant
Gaming Services Player Direct Financial Specialist, Michigan Lottery

Trisha Townsend
Security Departmental Analyst, Michigan Lottery

Carol Myrick (Expert Advisor to EC)
IT Security Director, Michigan Lottery

PARTICIPATING BIDDERS:

The following Bidders submitted Proposals:

- GTECH
- Incomm
- NDeX
- Pollard Banknote Limited ("PBL")
- Scientific Games

Proposals from two of the Bidders were determined to be nonresponsive as set forth in Section 1.11 of the RFP (Waiver of Deficiencies and Rejection for Non Compliance) as follows:

- Incomm – the materials submitted provided information about the company but did not respond to the requirements of the RFP such as detailing a solution, submitting bonds, or including a price proposal.
- NDeX – the materials submitted provided information about the company but did not respond to the requirements of the RFP such as detailing a solution, submitting bonds, or including a price proposal.

TECHNICAL PROPOSAL SCORING:

Points for technical scoring are "earned" based on the EC's consensus judgment. The EC awarded a percentage of the available points for a criterion using the following scale:

Percent	Proposal Merit
90-100	Proposal was outstanding for this criterion, no significant limitations identified
80-89	Proposal was good for this criterion
70-79	Proposal was fair for this criterion
60-69	Proposal was poor for this criterion, with several serious flaws and concerns
Less than 60	Proposal was found to be so severely flawed for this criterion that the entire Proposal may be rejected

For each of the seven (7) criteria, the Proposal received a score as a result of multiplying the grades (award percentage points) times the points available. All seven (7) scores were then combined for the Proposal's total technical score.

Technical scoring was determined by the EC for each of the three qualified Bidders as follows:

Technical Evaluation Criteria	GTECH	Scientific Games	PBL	Available Points
Section 3.1 iLottery System Configuration	89	87	90	100
Section 3.2 Channel Mix and Portal Development	109	125	103	125
Section 3.3 PAM Software and Services	132	146	140	150
Section 3.4 iLottery Games and Game Integration Services	152	175	144	175
Section 3.5 Marketing and Promotions	143	120	132	150
Section 3.6 Back Office Systems	150	109	111	150
Section 3.7 Staffing, Services and Operations	137	140	148	150
Total Points Awarded / Available	912	902	868	1,000

A total technical score below 60% (less than 600 of the available 1000 points) renders a Proposal ineligible for further consideration. All three responsive Proposals scored high enough to move into price evaluation.

PRICE PROPOSAL SCORING:

The RFP provides up to 600 points for price, based on a ratio of the price of the Proposal being evaluated versus the lowest cost acceptable Proposal:

PRICE POINTS = 600 x (LOWEST COST / PROPOSAL COST)

Under this formula, the lowest cost acceptable Proposal receives all 600 available price points. A Proposal twice as expensive as the lowest cost acceptable Proposal would earn half as many, or 300 price points. Scoring was as follows:

Price Evaluation	GTECH	Scientific Games	PBL
Base Rate (share of game profit)	23.98%	21.00%	19.60%
Estimated Term Cost (4 years)	$28,356,161	$24,832,334	$23,176,845
Points awarded for price	490	560	600

A Specified Option as noted in this RFP is identified as being of interest to the Lottery and the Lottery anticipates acquiring such from the Contractor. However, the Lottery may choose not to exercise such an Option, and makes no commitment in this RFP to the quantity or timing for acquisition. The Bidder is required to include a Specified Option in the Proposal.

Specified Options Pricing:

Component	GTECH	Scientific Games	PBL
Notification Integration with Lottery System	N/C	0.60%	$1,363 / month

OVERALL SCORING:

The points awarded for technical and pricing are then combined to determine the total score, the highest of which will be the apparent overall preferred Proposal. Scoring was as follows:

	GTECH	Scientific Games	PBL	Available Points
Points awarded for technical score	912	902	868	1,000
Points awarded for price	490	560	600	600
Total Points Awarded	1,402	1,462	1,468	1,600

Based on the total scoring, the EC ranks the Proposals in the following order:

1. PBL
2. Scientific Games
3. GTECH

AWARD RECOMMENDATION:

The EC recommends that Pollard Banknote Limited ("PBL") be awarded the Contract for the development, implementation, operational support and maintenance of an iLottery System and iLottery Games at the rate of 19.6% of iLottery Game Gross Profits, which is estimated to be valued at $23,176,845 during the initial Term.

PBL submitted a Proposal that demonstrated a strong understanding of Lottery's requirements and that meets Lottery's objectives at the lowest cost. All technical evaluation criteria and pricing was considered in reaching this recommendation. The following narrative is meant only as a summary of how the Proposal meets Lottery's objectives.

PBL in partnership with its Substantial Subcontractor of NeoGames Network Limited ("NeoGames") have deep experience in the implementation and operation of iLottery systems and games. PBL provides instant game products and services to more than 50 clients worldwide and has nearly 30 years of experience in the industry. NeoGames has more than 40 different clients worldwide that utilize its internet games, internet gaming platform, and operational services.

PBL's Proposal included the development of 24 Instant Games for the initial launch, for both web and mobile distribution. PBL provided broad capabilities for promotion tools that can be configured to drive acquisition and retention of iLottery players. This mix of games and promotion capabilities will ensure that Lottery has the ability to meet the revenue targets established for iLottery.

PBL fully satisfied Lottery's requirement that iLottery maintain the highest responsible gaming standards. The solution included multiple and progressively stringent responsible gaming controls including imposing wagering limits, session limits, self-exclusion options, and other configurable controls. PBL also included a sophisticated method that can self-exclude a player based on a device, which would effectively stop a player from wagering from a separate account.

PBL illustrated a strong method for verifying age and identity of users in order to provide assurances for secure and age-appropriate gaming on the system. The solution utilizes a third-party service that matches identity information against thousands of trusted sources in order to validate both age and identity in real-time.

PBL was extremely thorough in detailing geo-location capabilities that ensure gaming is conducted within the State of Michigan. The proposed System would have the capability to exclude designated regions within the State from play, which could be as granular as a single building. It would also offer mechanisms to prevent location-spoofing, flexible tools to adjust boundaries, and reporting and analysis tools designed to monitor and improve performance. PBL also met the Lottery's preference for installing a primary and backup data center in-state.

PBL was effective at understanding Lottery's objective to strengthen and expand on retailer partnerships with iLottery. A strong Affiliate Retailer Program was included that will help with the acquisition of new players while allowing Lottery to support virtual types of retailers. The solution was robust and it will allow Lottery to realize operational success in partnership with retailers. The program will offer a portal for Affiliate Retailers to access tools, view reporting and communicate with Lottery directly. That portal will have a back-office administration portal that allows Lottery to manage campaign tools, designate commission structures, obtain reporting and communicate with Affiliate Retailers. PBL will also organize and coordinate a Retailer Partnership Program that functions to engage and educate existing retailers with facts, benefits and cross-promotion opportunities associated with iLottery.

The iLottery system will offer many banking-like features, as players must make deposits to fund accounts and then conduct wagers and withdrawals using those funds. PBL maintains a high level of system security and submitted certificates for PCI compliancy, as requested in the RFP, for banking subcontractors. NeoGames has proven experience in managing the operations necessary to effectively establish Virtual Wagering Accounts ("VWAs") while mitigating and preventing fraud on the system. NeoGames illustrated a four-stage fraud management process in the Proposal which includes eighteen separate detection processes that have been developed from previous years of iLottery operational experience.

PBL's Proposal delivered on Lottery's stated preferences for a call center located within Michigan. PBL submitted a self-imposed service level agreement for its call center operations that surpassed the thresholds outlined in the RFP. Operational experience from other jurisdictions supports PBL's ability to maintain and exceed these high levels of service. Additionally, PBL offers start-up experience for installing, staffing, equipping, operating, and monitoring new call center locations. The Proposal offers management for phone, email and live chat. Additionally, PBL's back office solution interacts with live users of the website to allow call center staff to provide proactive service to players that are connected to the system (e.g. if a player is stuck on a banking deposit page for a prolonged period of time then a call center representative will intercept and assist proactively). The combination of localized staffing, operational experience, increased SLA levels, multi-channel support, and proactive back office tools make PBL an exceptional operational partner that will maintain high standards for player satisfaction.

PBL, along with NeoGames, illustrated a solution and past experience that indicates both feasibility and flexibility of the proposed iLottery system. NeoGames has numerous iLottery startups, including programs in Italy and Belgium, which were delivered on time with no major deviations from the functional requirements. The implementation in Belgium included the installation of a data center that was inspected, and approved, by the Belgium Gaming Commission.

Finally, PBL offered the lowest cost Proposal among all responsive Bidders. The pricing reflects initial term (4 years) estimated cost savings of $1.66 million (6.7% reduction) over the nearest price proposal and cost savings of $5.18 million (18.3% reduction) over the highest price proposal.

SIGNATURES:

Danny Bogus _____ Date: 11/20/2013

Paula Tarrant _____ Date: 11/20/2013

Trisha Townsend _____ Date: 11/20/2013

Reviewed and approved by:

_____ Date: 11/25/2013

_____ Date: 11/25/13

_____ Date: 11/25/13

ATTACHMENT A – BIDDER EVALUATION SUMMARIES

Each Bidder's Proposal was thoroughly evaluated by the EC against the requirements and objectives expressed in the RFP. All technical evaluation criteria and pricing was considered. The following is a general summary of key strengths and key deficiencies for each Proposal as determined by the EC.

GTECH Corporation – Technical Score 912 / 1,000 (91.2%)

Section 3.1 iLottery System Configuration

Key Strengths
- Proposal illustrates a complete solution that offers robust security and comprehensive redundancy of components.

Key Deficiencies
- None

Section 3.2 Channel Mix and Portal Development

Key Strengths
- Includes usability testing within the development process.
- Offers a comprehensive CMS and illustrates very strong capabilities.

Key Deficiencies
- Proposes a three phase approach for implementation of the Proposal components and lacks in providing timing parameters for phases beyond the first.

Section 3.3 PAM Software and Services

Key Strengths
- Offers a wide array of funding options for VWA's along with detailed capabilities and limitations of each method.
- Offers VISA audit verification to comply with certain banking requirements.
- Offers a strong solution to responsible gaming limits that includes self-exclusion, session limits and cooling-off periods.
- Offers notification integration into Lottery's existing system at no additional cost.
- Geo-location software was strong and includes highly accurate methods for mobile location, buffer zones, granular exclusion areas and robust reporting.

Key Deficiencies
- Assumes utilization of the existing www.mywoncard.com portal and functionality for implementation of the iLottery portal and registration process.

Section 3.4 iLottery Games and Game Integration Services

Key Strengths
- Offers the deployment of Lottery's existing Draw Games into both web and mobile channels at no additional cost.
- Demonstrates a robust and open system that would allow for the integration and quick deployment of third-party games.

- Offers a linked progressive jackpot game feature within the Bingo category.

Key Deficiencies
- Most Instant Games in the proposal were offered only for web distribution and excluded mobile channel distribution.

Section 3.5 Marketing and Promotions

Key Strengths
- Offers extensive promotion capabilities features and illustrates solutions in great detail within proposal.
- Offers a robust solution to manage the Affiliate Retailer program.
- Engagement Features are strong and include chat moderation tools, leaderboard capabilities, and a variety of winner awareness features.

Key Deficiencies
- None

Section 3.6 Back Office Systems

Key Strengths
- Player Management System is comprehensive and includes key features such as the ability for customer service staff to replay a game from the customer's perspective.
- Meets Lottery's needs and improves operational efficiency by integrating iLottery system into existing claims and payments solutions.
- Offers no limit to the number of back office system users.
- Meets Lottery's needs by integrating iLottery system into existing business intelligence reporting system.
- Includes tax reporting merge option at no cost.

Key Deficiencies
- None

Section 3.7 Staffing, Services and Operations

Key Strengths
- Staff being provided was comprehensive and reflected deep experience in many areas including mobile, payments and project management.
- Offers comprehensive multi-channel customer support that includes phone, email and live chat.

Key Deficiencies
- CSC reporting lacked details regarding Lottery accessibility to reporting tools.

Scientific Games – Technical Score 902 / 1,000 (90.2%)

Section 3.1 iLottery System Configuration

Key Strengths
- Proposal illustrates a complete solution that offers robust security and comprehensive

redundancy of components.

Key Deficiencies
- Requirements for certified equipment were not fully satisfied.

Section 3.2 Channel Mix and Portal Development

Key Strengths
- Channel mix offered was very strong. Scientific Games includes web, mobile, and tablet distribution for the initial launch. A well-crafted plan for future channel mix that includes social media and retail components was also encompassed in the proposal.
- Proposal includes a collaborative website for project management that would be beneficial to Lottery, Scientific Games and any third-party vendors.

Key Deficiencies
- None

Section 3.3 PAM Software and Services

Key Strengths
- Offers an innovative method for player registration that requires less sensitive information from the consumer upfront.
- Offers a solution for an optimized registration process for each channel mix.
- Offers a strong solution for player authentication that includes logging a device identification value on the system.
- PAM solution offers operations efficiency for Lottery by providing a single reporting interface for Lottery users that encompasses all sub-systems.
- Solution includes Debit, Credit and ACH methods for players to fund VWA's.
- Solution for VWA's includes a deposit account and a winnings account for each player, which is advantageous for clearly managing and communicating the flow of funds.
- Offers a strong solution to responsible gaming limits which includes deposit limits and player exclusion options by game.

Key Deficiencies
- The types of credit and debit cards accepted were not clearly identified (e.g. VISA, MasterCard, etc.).

Section 3.4 iLottery Games and Game Integration Services

Key Strengths
- Offers a strong and expansive portfolio of 62 Instant Games, plus 8 Draw Games, adapted across web, mobile and tablet channel mix.
- CGS solution includes a flexible approach to deliver integration API's to custom-fit iLottery Games play mechanics from third-parties.
- System has multi-currency advantages that can manage real money, fun money and rewards simultaneously for iLottery Games.
- Games and pay tables are configurable by channel mix, offering flexibility and ability to maximize player retention.
- Engagement Features were strong and include chat tools, group play features, tournaments and a variety of winner awareness features.

Key Deficiencies
- None

Section 3.5 Marketing and Promotions

Key Strengths
- None

Key Deficiencies
- Proposal does not indicate if a web-based system is available for configuring promotions.
- Promotion capabilities were described with limited readiness for the initial launch.
- Offers an Affiliate Retailer program with minimal details and with limited readiness.

Section 3.6 Back Office Systems

Key Strengths
- Offers a strong business intelligence tool that would be advantageous for Lottery's operations.

Key Deficiencies
- Solution provides only partial prize payment capabilities and lacked in demonstrating capabilities to fully manage large and complex prize payment scenarios requested in the RFP.
- Check writing and printing equipment is not inclusive as requested in the RFP.

Section 3.7 Staffing, Services and Operations

Key Strengths
- Staff being provided was comprehensive and reflected deep experience in many areas including mobile, payments and project management.
- Offers comprehensive multi-channel customer support that includes phone, email and live chat.

Key Deficiencies
- None

Pollard Banknote Limited – Technical Score 868 / 1,000 (86.8%)

Section 3.1 iLottery System Configuration

Key Strengths
- Offers an in-state primary data center, per Lottery's stated preference in the RFP.
- Offers an in-state backup data center, per Lottery's stated preference in the RFP.

Key Deficiencies
- None

Section 3.2 Channel Mix and Portal Development

Key Strengths
- Offers a comprehensive CMS and illustrates very strong capabilities.

Key Deficiencies

- Implementation services for portal development lack details.

Section 3.3 PAM Software and Services

Key Strengths

- Solution includes Debit, Credit and ACH methods for players to fund VWA's.
- Solution offers the ability for a player to obtain a check as a method of payment.
- Solution includes an extensive process and strong control measures to support fraud management.
- Geo-location software is strong and includes location-spoofing prevention methods, buffer zones, granular exclusion areas, and robust reporting.
- Offers a strong solution to responsible gaming limits that include self-exclusion options, wagering limits, and an array of in-session limits.

Key Deficiencies

- None

Section 3.4 iLottery Games and Game Integration Services

Key Strengths

- Includes the implementation of 8 Draw Games for web and mobile distribution at no charge.
- Engagement Features are strong and include chat tools, leaderboard capabilities, tournaments, and a variety of winner awareness features.

Key Deficiencies

- Solution lacks detail and readiness for CGS components of system.

Section 3.5 Marketing and Promotions

Key Strengths

- Illustrates a strong solution to configure and deploy promotion capabilities.

Key Deficiencies

- None

Section 3.6 Back Office Systems

Key Strengths

- Player Management System is comprehensive and includes key features that would benefit Lottery such as the ability for Customer Service Staff to replay a game from the customer's perspective.

Key Deficiencies

- Proposal does not include a comprehensive business intelligence reporting system.

Section 3.7 Staffing, Services and Operations

Key Strengths

- Staff being provided was comprehensive and reflected deep experience in many areas including mobile, payments and project management.

- Offers an in-state call center, per Lottery's stated preference in the RFP.
- Offers comprehensive multi-channel customer support that includes phone, email and live chat.
- Proposal includes self-imposed service levels for the CSC which are stronger than Lottery's requirements set forth in the RFP.

Key Deficiencies

- None