

NOTICE OF AWARD
ILLINOIS LOTTERY PRIVATE MANAGEMENT AGREEMENT

Pursuant to the Illinois Lottery Law (20 ILCS 1605/1, *et seq.*), the General Assembly of the State of Illinois determined the public interest to best be served by conducting the functions of the Illinois Department of the Lottery (the “Department”) with the assistance of a private manager under a management agreement overseen by the Department, in support of the State’s Common School Fund, Capital Projects Fund, and other charitable causes. The Chief Procurement Officer, pursuant to the Illinois Lottery Law, was charged with establishing a procurement process to select a successor private manager in the event a private management agreement has been terminated. Those rules were implemented in Subpart X of the Chief Procurement Officer for General Services (CPO-GS) Standard Procurement Rules, 44 Ill. Adm. Code 1.8000, *et seq.* After entering into an agreement to terminate the first private manager, the Department administered procedures to select a successor private manager in accordance with such rules.

Having concluded those procedures, the Department hereby announces by this Notice of Award its selection of Camelot Illinois LLC (“Camelot”) as the successor private manager. The Department has determined Camelot can provide management services in a manner that achieves the objectives of the Illinois Lottery Law and shares the Department’s goals to responsibly grow the lottery player base, align incentives, eliminate conflicts of interest, introduce new technology and innovation, and ensure responsiveness to public needs and concerns.

I. Jurisdiction for Notice of Award

Jurisdiction for this Award is established pursuant to the Illinois Lottery Law, 20 ILCS 1605/9.1, and Subpart X of the CPO-GS Standard Procurement Rules (together, the “Applicable Law”). Upon certification by the CPO-GS that the Department’s procurement process for the selection of a successor manager complied with Applicable Law, and the Department and Camelot agreeing to the terms of a private management agreement following the Department’s determination that Camelot satisfies the requisite qualifications and criteria to achieve the objectives of the Illinois Lottery Law for fair and reasonable compensation, this Notice of Award to Camelot is hereby issued.

II. Overview of the Selection Process

As a preliminary step, the Department issued a Request for Information (“RFI”) on September 24, 2015, for the purpose of initiating open and transparent dialogue with market participants interested in potentially entering into a relationship with the Department as successor private manager and assisting the Department in optimally crafting a request for proposals for a successor private manager (the “New Manager RFP”). The Department received six responses to the RFI.

The Department published the New Manager RFP on the Illinois Procurement Bulletin on July 28, 2016, encouraging traditional and nontraditional private manager entities to respond. Responses to the New Manager RFP were originally due on October 26, 2016, with the deadline extended by addendum until November 4, 2016. Separately, but simultaneously with the New Manager RFP, the Department released a Significant Subcontractor RFP on July 28, 2016 to elicit proposals from subcontractors in three key areas: draw game services; instant ticket services; and iLottery/mobile services, consisting of an iLottery content component and iLottery platform component. The Significant Subcontractor RFP was designed to aid New Manager respondents in evaluating and selecting subcontractors for inclusion in their proposals and provide greater transparency to the Lottery. On August 18, 2016, the Lottery held conferences to provide further information and the opportunity to address questions for each of the three Significant Subcontractor RFP areas, as well as a mandatory conference for the New Manager RFP.

Significant Subcontractor proposals were due on September 26, 2016, one month prior to the original New Manager RFP response date, to allow New Manager respondents the opportunity to review and prepare their proposals accordingly. New Manager respondents also had the option of utilizing the Department's current draw game and instant ticket service providers, GTECH Corporation (now "IGT Global Solutions Corporation") and Scientific Games International, respectively. To prevent a conflict of interest, New Manager respondents were prohibited from acting as a draw game or instant ticket service provider. A New Manager, however, was permitted, but not required, to act as an iLottery/mobile service provider.

The Department received 12 proposals for the Significant Subcontractor RFP on September 26, 2016. The proposals were from Ascent Innovations; AT&T; Balancing Matters, LLC; Briljent, LLC; Equinix, Inc.; GeoComply Solutions, Inc.; IGT Global Solutions Corporation; Intralot, Inc.; NeoPollard Interactive; Pollard Banknote Limited; Reyes Kurson; and Scientific Games International in the areas of draw games services, instant ticket services, and iLottery/mobile services. The Department received one proposal for the New Manager RFP from Camelot on November 4, 2016. Camelot's proposal included Intralot, Inc. for draw game services, and Scientific Games International for instant ticket services. Camelot's proposal identified its affiliates as the provider of the iLottery/mobile services.

Technical Evaluation

In accordance with Applicable Law, any New Manager respondent was required to submit a detailed statement of its qualifications and plans for performing services (identified as the "Technical Response"). Evaluation criteria included:

- Ability to perform the services
- Plan for performing the services
- History of regulatory compliance
- Social responsibility
- Past performance
- Management
- Financial strength and investment capability
- Innovation
- Marketing the Lottery

- Personnel, equipment, facilities
- Additional qualifications and experience

An evaluation committee reviewed and scored Camelot on its Technical Response. The committee was supported with industry expertise from subject matter experts.

Pricing Proposal

New Manager respondents were required to submit a separate price proposal, which was evaluated after completion of scoring of the Technical Response.

A separate pricing evaluation committee formed for purposes of evaluating Camelot's price proposal.

Subsequent to the evaluation and scoring of its technical and pricing components, Camelot was deemed a "qualified offeror," enabling the Department to hold a public hearing announcing this finding in accordance with Section 1.8010 of Subpart X of the CPO-GS Standard Procurement Rules on August 14, 2017. Since evaluation of the bid, the Department and Camelot have engaged in extensive discussions to reach agreement on the terms of a private management contract. The parties now coming to agreement, and the CPO-GS certifying the procurement process was followed, the Department herewith announces this Notice of Award.

III. Offeror Selected for Award

Camelot Illinois, LLC
318 West Adams Street, Suite 400E
Chicago, Illinois 60606

IV. Detailed Explanation and Reasons for Award

The Department has determined Camelot has obligated itself to fulfill the objectives of the Lottery Law by committing to promote and ensure the integrity, honesty and fairness of the Lottery's operation and administration. The offeror, its affiliates and subcontractors will be bound by a Code of Ethics, audited for compliance to all performance standards, be subject to financial audits and background checks, report regularly to the Lottery and monitor and ensure the security of Lottery data and assets. Further, the offeror has committed to be bound by all applicable State laws, rules and policies.

Responsible Growth: Camelot's New Manager RFP response included ideas and strategies to reinvigorate the brand and better market lottery games, especially to new, light, and lapsed players. Social responsibility will be achieved through pursuing World Lottery Association Level 4 standards and implementing new marketing techniques that further decrease the likelihood of oversampling of residents who can least afford to participate in lottery games. The private management agreement provides strong incentives to encourage the growth of the Lottery's net income, in full alignment of the State's interests.

Aligned Incentives: Camelot has agreed to aligned financial incentives with the State, to be paid only if the Common School Fund commitment is exceeded.

Eliminate Conflicts of Interest: The New Manager RFP mandated, and Camelot delivered, competitive engagement of independent key suppliers for draw game and instant ticket services.

New Technology and Innovation: Camelot's proposal included a multi-million dollar investment in new permanent point-of-sale for retail outlets, new games and delivery methods, and a next-generation iLottery platform. Data analytics will be used to promote responsible growth and marketing. Camelot has a strong corporate reputation and history with developing and delivering new technological advances, including through retail sales channels.

Transparency and Social Responsibility: Camelot contractually agreed to regular audits and FOIA cooperation, with financial penalties for noncompliance. As a good corporate citizen, they will maintain minority contract goals and invest in underserved communities.

The Department finds Camelot has submitted an acceptable proposal, which will result in the provision of management services in a manner that best furthers the goals and objectives of the Illinois Lottery, and therefore, Camelot has been selected to serve as the Lottery's private manager.

Gregory H. Smith
Acting Director, Illinois Lottery
Date: September 22, 2017